AGENDA

JAMES CITY COUNTY ECONOMIC DEVELOPMENT AUTHORITY

REGULAR MEETING

101 MOUNTS BAY ROAD, BLDG. D, WILLIAMSBURG, VA 23185

December 19, 2023

4:00 PM

A. CALL TO ORDER

B. ROLL CALL

C. APPROVAL OF MINUTES

1. November 14, 2023, Meeting Minutes

D. FINANCIAL REPORTS

1. November Revenue Report
2. November Expense Report
3. November Balance Sheet

E. CLOSED SESSION

F. NEW BUSINESS

1. Election of Officers for Calendar Year 2024
2. Adoption of 2024 Meeting Calendar
3. Audit Report with Financial Statements and Supplemental Information

G. OLD BUSINESS

H. LIAISON REPORTS

I. DIRECTOR'S REPORT

1. December Director's Report

J. UPCOMING DATES OF INTEREST

1. January 31, 2024 - Due Date for State and Local Statement of Economic Interests Forms

K. ADJOURNMENT

M I N U T E S
JAMES CITY COUNTY ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING

November 14, 2023
4:00 PM

A. CALL TO ORDER

Ms. Gajda called the meeting to order at 4:03 p.m.

B. ROLL CALL

Ellen Smith Gajda, Chair
Vince Campana
Rebecca Mulvain
Joe Stanko
William Turner

Absent:
Lynn Meredith, Vice Chair
Brandon Nice

Also Attending:
Christopher Johnson, Economic Development Authority (EDA) Secretary
Jeff Wiggins, EDA Fiscal Agent
Cameron Boone, Assistant Treasurer
Chris Kulp, EDA Bond Counsel, Hunton Andrews Kurth, LLP
Anne Curtis Saunders, Associate, McGuireWoods, LLP
Greg Storer, President and CEO, Williamsburg Landing, Inc.

Mr. Johnson requested that the Agenda order be amended to move New Business in front of the Closed Session to allow the attendees present for the Williamsburg Landing Bond Issuance to be able to also attend the Board of Supervisors Meeting which begins at 5:00 p.m.

Hearing no objections, Ms. Gajda amended the Agenda.

C. APPROVAL OF MINUTES

1. Minutes Adoption - October 17, 2023

A motion to Approve was made by William Turner; motion Passed.
AYES: 5 NAYS: 0 ABSTAIN: 0 ABSENT: 2
Ayes: Campana, Gajda, Mulvain, Stanko, Turner
Absent: Meredith, Nice

D. FINANCIAL REPORTS

1. October Financial Reports

A motion to Approve was made by Vince Campana; motion Passed.
AYES: 5 NAYS: 0 ABSTAIN: 0 ABSENT: 2
Ayes: Campana, Gajda, Mulvain, Stanko, Turner
Absent: Meredith, Nice

Mr. Wiggins presented the revenue and expense reports and informed the EDA the cash balance was $1,510,163 including a month of Local Government Investment Pool interest revenue. There were no expenses for the month of October.

E. NEW BUSINESS

1. Williamsburg Landing, Inc. Bond Resolution

A motion to Approve the Bond Resolution was made by Joe Stanko; motion Passed.
AYES: 5 NAYS: 0 ABSTAIN: 0 ABSENT: 2
Ayes: Campana, Gajda, Mulvain, Stanko, Turner
Absent: Meredith, Nice

Mr. Johnson introduced Mr. Chris Kulp of Hunton Andrews Kurth, LLP, acting as Special Counsel to the EDA, Ms. Anne Curtis Saunders of McGuireWoods, LLP, representing the applicant, and Mr. Greg Storer, President and CEO of Williamsburg Landing, Inc.

Mr. Kulp stated that the EDA held a Public Hearing at its October meeting and adopted a Bond Inducement Resolution, which states that the EDA agrees to serve as the conduit bond issuer using its authority under the Code of Virginia. The Bond Resolution before the EDA outlines the basic parameters of the bond issuance and authorizes the EDA Officers to act following the Board of Supervisors approval of the Inducement Resolution. He stated that he has reviewed the Bond Resolution as to form on behalf of the EDA as Special Counsel appointed by EDA Counsel, Mr. Adam Kinsman.

Mr. Kulp reminded the EDA that action was not to be construed as a guarantee of success for the project, but rather the EDA was providing access to a financing mechanism per state statute. He noted the applicant has selected the one-time up-front fee option for the administration fee to the EDA and introduced Ms. Saunders to describe the proposed project.

Ms. Saunders explained the revenue bonds would be used to finance the costs of designing, construction, and equipping an expansion of the existing senior living community of up to 39 independent living units, in the form of triplexes and apartment buildings, as well as the designing, construction, and equipping of a community center that is expected to include an art studio, theater, dining space, and multipurpose rooms.

Mr. Johnson reminded the EDA that under state law the bonds are not deemed to constitute a debt of the EDA or constitute a pledge of faith and credit or taxing power of the EDA or the County. Mr. Johnson stated that all Directors had confirmed prior to the meeting that they meet the residency requirements of the IDA Act.

Ms. Mulvain asked how many of the new residential dwelling units have been sold.

Mr. Storer said that 23 of the dwelling units have been pre-sold.

Mr. Stanko asked how much funding the applicant was seeking to raise.

Mr. Storer stated that $15 million would be acquired from Chesapeake Bank and the remainder would be raised through public sale, for a total of approximately $74 million.

Mr. Stanko asked why the applicant would acquire funding through a bond issuance.

Mr. Kulp stated that the only way for an applicant to access tax-exempt bonds was through a public entity such as the EDA.

Mr. Turner asked what the tax-exempt rate for the bonds would be versus the market rate.

Ms. Saunders stated that the tax-exempt rate was 6.5% from Chesapeake Bank and the market rate would be determined in mid-December when the bonds are priced and sold.

Mr. Campana asked what the administration fee would be if $80 million in bonds were sold.

Mr. Wiggins responded that the one-time, up-front administration fee option payable to the EDA would be approximately $100,000 with the final amount to be determined when the bonds are priced and sold.

Mr. Turner asked if the applicant would need to return to the EDA for any additional approvals if the amount of the bonds were to change.

Mr. Johnson asked Mr. Kulp to explain the insubstantial deviation language included in the Resolution.

Mr. Kulp stated that the Internal Revenue Service and federal tax law allow for a 10% insubstantial deviation from the original requested amount without having to go back through the public hearing process. The Bond Resolution under consideration requests up to $80 million in revenue bonds. Minor changes had been made to the resolution to address insubstantial deviation allowed under tax law.

Mr. Turner asked who would be serving as underwriter of the bonds.

Ms. Saunders stated that Ziegler would serve in that capacity.

Hearing no further questions, Ms. Gajda requested a motion.

F. CLOSED SESSION

Enter Closed Session

A motion to enter Closed Session was made by Ellen Smith Gajda; motion Passed.
AYES: 5 NAYS: 0 ABSTAIN: 0 ABSENT: 2
Ayes: Campana, Gajda, Mulvain, Stanko, Turner
Absent: Meredith, Nice

Ms. Gajda led the EDA into Closed Session in accordance with the Code of Virginia for the purposes of: 1) discussion or consideration of the disposition of publicly held real property located at 8915 and 8925 Columbia Drive, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the Authority pursuant to Virginia Code Section 2.23711(A)(3); and 2) consultation with legal counsel regarding specific legal matters related to agreements and property owned by the Authority requiring the provision of legal advice by such counsel pertaining to real property located at 8915 and 8925 Columbia Drive pursuant to Virginia Code Section 2.23711(A)(8).

The EDA returned to Open Session.

Certification of Closed Session

A motion to Certify the Closed Session was made by Rebecca Mulvain; motion Passed.
AYES: 5 NAYS: 0 ABSTAIN: 0 ABSENT: 2
Ayes: Campana, Gajda, Mulvain, Stanko, Turner
Absent: Meredith, Nice

Resolution for Sale of Real Property

A motion to approve a resolution to sell real property located at 8925 and 8915 Columbia Drive, further identified as James City County Real Estate Tax Map Parcel No. 5920100045 and James City County Real Estate Tax Map Parcel No. 5920100061. The resolution authorizes and grants the Secretary of the EDA the power to execute any and all documents necessary to execute such sale.

A motion to Approve the Authorization was made by Vince Campana; motion Passed.
AYES: 5 NAYS: 0 ABSTAIN: 0 ABSENT: 2
Ayes: Campana, Gajda, Mulvain, Stanko, Turner
Absent: Meredith, Nice

G. OLD BUSINESS

There was no old business.

H. LIAISON REPORTS

There were no liaison reports.

I. DIRECTOR'S REPORT

Mr. Johnson referred to the report in the Agenda Packet.

J. UPCOMING DATES OF INTEREST

There were no dates of interest.

K. ADJOURNMENT

A motion to Adjourn was made by Rebecca Mulvain; motion Passed.
AYES: 5 NAYS: 0 ABSTAIN: 0 ABSENT: 2
Ayes: Campana, Gajda, Mulvain, Stanko, Turner
Absent: Meredith, Nice

1. Adjourn until December 19, 2023

At approximately 4:58 p.m., Ms. Gajda adjourned the Authority.

Christopher Johnson, Secretary Economic Development Authority	Ellen Smith Gajda, Chair Economic Development Authority

YEAR-TO-DATE BUDGET REPORT

FOR 2024 05

ACCOUNTS FOR: 300 EDA

Account	Description	ORIGINAL ESTIM REV	REVISED ESTIM REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	% COLL
305 Use Of Money & Property							
300-305-3511-	Interest Revenue	0.00	0.00	-21,606.07	-6,824.45	21,606.07	100.0%
	TOTAL Use Of Money & Property	0.00	0.00	-21,606.07	-6,824.45	21,606.07	100.0%
308 Charges For Services							
300-308-3400-	Lease Income	-14,725.00	-14,725.00	0.00	0.00	-14,725.00	.0%
	TOTAL Charges For Services	-14,725.00	-14,725.00	0.00	0.00	-14,725.00	.0%
309 Miscellaneous							
300-309-3699-	Miscellaneous Revenue	0.00	0.00	-3,282.95	0.00	3,282.95	100.0%
300-309-3970-	Marina Property	-69,925.00	-69,925.00	-29,092.73	-5,833.33	-40,832.27	41.6%
300-309-3972-	Bond Fee Revenue	-69,700.00	-69,700.00	-75,343.75	-74,943.75	5,643.75	108.1%
	TOTAL Miscellaneous	-139,625.00	-139,625.00	-107,719.43	-80,777.08	-31,905.57	77.1%
	TOTAL EDA	-154,350.00	-154,350.00	-129,325.50	-87,601.53	-25,024.50	83.8%
	TOTAL REVENUES	-154,350.00	-154,350.00	-129,325.50	-87,601.53	-25,024.50	

James City County, VA

YEAR-TO-DATE BUDGET REPORT

FOR 2024 05

	ORIGINAL ESTIM REV	REVISED ESTIM REV	ACTUAL YTD REVENUE	ACTUAL MTD REVENUE	REMAINING REVENUE	% COLL
GRAND TOTAL	-154,350.00	-154,350.00	-129,325.50	-87,601.53	-25,024.50	83.8%

** END OF REPORT - Generated by Jeffrey Wiggins **

James City County, VA

YEAR-TO-DATE BUDGET REPORT

FOR 2024 05

ACCOUNTS FOR: 300 EDA

Account	Description	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	% USED
259 EDA Operating								
300-259-0200-	Advertising	750.00	750.00	0.00	0.00	0.00	750.00	.0%
300-259-0205-	Promotion	50,325.00	50,325.00	12,675.40	4,850.00	0.00	37,649.60	25.2%
300-259-0220-	Travel And Training	1,000.00	1,000.00	0.00	0.00	0.00	1,000.00	.0%
300-259-0235-	Annual Audit	13,200.00	13,200.00	0.00	0.00	0.00	13,200.00	.0%
300-259-0318-	Supplies/Materials	250.00	250.00	0.00	0.00	0.00	250.00	.0%
300-259-5900-	Regional Econ Devel Support	34,500.00	34,500.00	34,500.00	0.00	0.00	0.00	100.0%
300-259-5902-	VA High Speed Rail	1,000.00	1,000.00	1,000.00	0.00	0.00	0.00	100.0%
300-259-5903-	James River Commerce Ctr-Ops	14,800.00	14,800.00	0.00	0.00	0.00	14,800.00	.0%
300-259-5904-	Mainland Farm Oper Expenses	100.00	100.00	0.00	0.00	0.00	100.00	.0%
300-259-5913-	Small Business Assistance	20,000.00	20,000.00	0.00	0.00	0.00	20,000.00	.0%
300-259-5915-	Marina Property	101.00	101.00	0.00	0.00	0.00	101.00	.0%
300-259-5918-	Contingency	18,324.00	18,324.00	0.00	0.00	0.00	18,324.00	.0%
TOTAL EDA Operating		154,350.00	154,350.00	48,175.40	4,850.00	0.00	106,174.60	31.2%
TOTAL EDA		154,350.00	154,350.00	48,175.40	4,850.00	0.00	106,174.60	31.2%
TOTAL EXPENSES		154,350.00	154,350.00	48,175.40	4,850.00	0.00	106,174.60	

YEAR-TO-DATE BUDGET REPORT

FOR 2024 05

	ORIGINAL APPROP	REVISED BUDGET	YTD EXPENDED	MTD EXPENDED	ENCUMBRANCES	AVAILABLE BUDGET	% USED
GRAND TOTAL	154,350.00	154,350.00	48,175.40	4,850.00	0.00	106,174.60	31.2%

** END OF REPORT - Generated by Jeffrey Wiggins **

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BALANCE SHEET FOR 2024 5

FUND: 300 EDA			NET CHANGE FOR PERIOD	ACCOUNT BALANCE
ASSETS				
	300401 0000 300-401-0000-	General Cash	80,777.08	131,202.39
	300401 0008 300-401-0008-	LGIP Investment	6,824.45	1,466,462.97
	300413 8250 300-413-8250-	Misc Receivables	.00	69,956.25
	300415 8275 300-415-8275-	Lease Receivable	.00	714,696.52
	300415 8276 300-415-8276-	Lease Interest Receivable	.00	3,329.29
	300422 8013 300-422-8013-	Due From JCC-LT Debt	.00	71,645,924.39
	300455 0814 300-455-0814-	Land Improvements	.00	237,988.25
	300455 0815 300-455-0815-	Land	.00	515,755.53
	300455 0819 300-455-0819-	Buildings	.00	290,094.53
	300455 0820 300-455-0820-	Accum Deprec-Buildings	.00	-41,145.40
	300455 0831 300-455-0831-	Infrastructure	.00	182,379.34
	300455 0832 300-455-0832-	Accum Deprec-Infrastructure	.00	-35,376.76
	300455 0837 300-455-0837-	Accum Deprec-Land Improvements	.00	-67,602.46
	300455 0840 300-455-0840-	Land Improvements (ND)	.00	34,200.00
	300470 6028 300-470-6028-	Deferred Loss On Refunding	.00	-1,730,840.45
	300470 6029 300-470-6029-	Deferred Loss Refund Acc Amort	.00	428,693.71
	TOTAL ASSETS		87,601.53	73,845,718.10
LIABILITIES				
	300502 6000 300-502-6000-	Accounts Payable	-4,850.00	-4,850.00
	300504 6036 300-504-6036-	Bond Premium	.00	-15,370,682.80
	300504 6038 300-504-6038-	Accum Amort Bond Premium	.00	8,481,597.26
	300504 6046 300-504-6046-	LR Bonds Payable	.00	-63,365,000.00
	300508 6007 300-508-6007-	Interest Payable	.00	-89,692.11
	300585 0920 300-585-0920-	Deferred Inflow-Leases	.00	-676,111.44
	TOTAL LIABILITIES		-4,850.00	-71,024,739.09

BALANCE SHEET FOR 2024 5

FUND: 300 EDA		NET CHANGE FOR PERIOD	ACCOUNT BALANCE
FUND BALANCE			
FUND BALANCE			
300601 6140 300-601-6140-	Net Pos - Net Invmt Cap Assets	.00	-1,141,770.74
300601 6142 300-601-6142-	Net Pos - Unrestricted	.00	-1,598,058.17
300601 6150 300-601-6150-	Revenue-Year To Date	-87,601.53	-129,325.50
300601 6151 300-601-6151-	Expenditures-Year To Date	4,850.00	48,175.40
300601 6906 300-601-6906-	Estimated Revenues	.00	154,350.00
300601 6907 300-601-6907-	Appropriations	.00	-154,350.00
TOTAL FUND BALANCE		-82,751.53	-2,820,979.01
TOTAL LIABILITIES + FUND BALANCE		-87,601.53	-73,845,718.10

** END OF REPORT - Generated by Jeffrey Wiggins **

2024 DRAFT MEETING CALENDAR
ECONOMIC DEVELOPMENT AUTHORITY
OF JAMES CITY COUNTY, VIRGINIA

4 p.m., Tuesday, January 16, 2024

4 p.m., Tuesday, February 20, 2024

4 p.m., Tuesday, March 19, 2024

4 p.m., Tuesday, April 16, 2024

4 p.m., Tuesday, May 21, 2024

4 p.m., Tuesday, June 18, 2024

4 p.m., Tuesday, July 16, 2024

4 p.m., Tuesday, August 20, 2024

4 p.m., Tuesday, September 17, 2024

4 p.m., Tuesday, October 15, 2024

4 p.m., Tuesday, November 19, 2024

4 p.m., Tuesday, December 17, 2024

4 p.m., Tuesday, January 21, 2025

This 2024 Meeting Calendar was adopted by the Economic Development Authority of James City County at its ___________ meeting. The Economic Development Authority reserves the right to modify this schedule, as necessary. Special meetings may also need to be called as situations warrant.

Unless posted to the contrary, all meetings will be held in the main conference room of 101-D Mounts Bay Road, Williamsburg, VA 23185.

Economic Development Authority
of James City County, Virginia

(A Component Unit of the County of James City, Virginia)

Financial Statements and Supplemental Information
(With Independent Auditor's Report Thereon)

June 30, 2023

Table of Contents

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Authority Officials
June 30, 2023

Board Members

Ellen Smith Gajda, Chair

Lynn Meredith, Vice Chair

Brandon Nice

Vince Campana III

Joseph Stanko

Rebecca Mulvain

William Turner

Other Officials

P. Sue Sadler, Board of Supervisor Liaison

Christopher Johnson, Secretary

Jennifer Tomes, Treasurer

Adam Kinsman, Legal Counsel

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Directors
Economic Development Authority of James City County, Virginia
Williamsburg, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Economic Development Authority of James City County, Virginia (the "Authority"), a component unit of the County of James City, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2023, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and Specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Authority Officials and the Schedules of Revenue Bonds Outstanding – Conduit Debt but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
December 15, 2023

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2023

This section of the ***Economic Development Authority of James City County, Virginia's*** (Authority) annual financial report presents our discussion and analysis of the Authority's financial performance, as of and for the fiscal year ended June 30, 2023.

Financial Highlights

The Authority had an increase in net position of $642,375 for fiscal year 2023, primarily as a result of the sale of land owned by the Authority and annual bond fee revenues. Asset and liability balances, as of the beginning of fiscal year 2023, were restated due to the implementation of a new accounting standard, discussed further in Note 10.

Overview of the Financial Statements

The financial section of this report has two components - Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements are comprised of the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements. The Statement of Net Position presents information on the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between these two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. However, it is also important to consider other nonfinancial factors, such as changes in economic conditions, population and service area growth, and new or changed legislation. The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Notes to the financial statements are an integral part of the statements and should be read in conjunction with the financial statements and Management's Discussion and Analysis.

The Authority is a self-supporting entity and follows enterprise fund accounting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of the Authority.

Financial Analysis

Summary of Statement of Net Position

	6/30/2023	6/30/2022 (as restated)
Current and other assets	$ 11,492,382	$ 10,462,920
Capital assets, net of accumulated depreciation	1,116,293	1,336,810
Other non-current assets	62,453,189	72,675,704
Total assets	$ 75,061,864	$ 84,475,434
Current liabilities	$ 10,106,210	$ 9,958,072
Non-current liabilities	60,237,568	70,254,086
Total liabilities	$ 70,343,778	$ 80,212,158
Deferred inflows of resources	1,978,258	2,165,822
Net position		
Net investment in capital assets	1,116,293	1,336,810
Unrestricted	1,623,535	760,644
Total net position	2,739,828	2,097,454
Total liabilities, deferred inflows and net position	$ 75,061,864	$ 84,475,434

Current assets experienced an increase of $1,029,462 in 2023. For fiscal year 2023, the increase was primarily due to the gain on the sale of a parcel of land owned by the Authority. Total assets experienced a decrease of ($9,413,570), primarily as a result of a new accounting standard requiring that the Authority recognize liabilities for lease revenue bonds issued on behalf of James City County, Virginia (County) and corresponding assets for a receivable from the County. The new assets, liabilities, and deferred outflows of resources completely offset one another and have no impact on the Authority's net position. They reflect that the Authority has issued these bonds and is a party to the related transactions, but that the County is fully responsible for this debt.

Current liabilities experienced an increase of 148,138 in fiscal year 2023 and total liabilities experienced a decrease of ($9,868,380), primarily due to the implementation of the new accounting standard.

During fiscal year 2023, the deferred inflows of resources decreased by ($187,564) as a result of recognizing the current portion of revenue from the marina lease as well as the amortization of the deferred charge on the bond refunding, related to the new accounting standard.

At June 30, 2023, assets exceeded liabilities and deferred inflows of resources by $2,739,828.

Summary of Statements of Revenues, Expenses and Changes in Net Position for the Year Ended

	6/30/2023	6/30/2022 (as restated)
Intergovernmental - County contribution	$ 3,020,496	$ 3,480,242
Other operating revenues	157,635	171,901
Total operating revenues	3,178,131	3,652,143
Community development & Launchpad	54,618	59,173
Other expenses	3,071,650	3,526,726
Total operating expenses	3,126,268	3,585,899
Operating income	51,863	66,244
Net nonoperating revenues	590,512	42,191
Change in net position	642,375	108,435
Net position - beginning of year	2,097,453	1,989,018
Net position - end of year	$ 2,739,828	$ 2,097,453

Revenues represent the County's contribution to the Authority and other operating revenues from bond fees and lease revenue from the marina property. In fiscal year 2023, the County contribution decreased by ($459,746) as a result of a decrease in amounts owed for lease revenue bond interest related to the implementation of the new accounting standard as well as a decrease in payments for performance-based agreements made by the Authority for which the County provides funding. In 2023, other operating revenues decreased by ($14,266) primarily as a result of normalization of bond applications and fees following an increase in these fees during fiscal year 2022.

Community development and Launchpad consists primarily of contributions toward local business efforts, grants awarded to local businesses for exceeding certain investment figures, performance agreements, and costs associated with Launchpad, while other expenses include costs such as advertising and professional fees. Community development and Launchpad expenses reflect a decrease of ($4,555) for fiscal year 2023, mainly because of a decrease in expenses associated with Authority owned properties in the James River Commerce Center.

For fiscal year 2023, other expenses decreased by ($455,076) primarily due to a decrease in bond interest expense reported by the Authority related to the implementation of the new accounting standard.

Net nonoperating revenues consist of interest income, gain on the disposal of capital assets, and capital contributions. In 2023, the Authority recognized $590,512 of revenue related to the sale of a parcel of land owned by the Authority and interest on the marina lease payments.

Total net position increased by $642,375 in 2023. The increase in 2023 primarily resulted from the sale of land owned by the Authority.

Capital Assets

	6/30/2023	6/30/2022
Nondepreciable	$ 549,956	$ 744,995
Depreciable	566,337	591,815
Capital assets, net	$ 1,116,293	$ 1,336,810

During fiscal year 2023, net capital assets decreased primarily as a result of the sale of property owned by the Authority.

Additional information can be found in Note 6 to the basic financial statements.

Debt Administration

The Authority has issued Economic Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. It should be noted this represents conduit debt and although conduit debt obligations bear the name of the governmental issuer, which is the Authority, the issuer has no obligation, if the debt isn't issued for the County, for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued. Additional information can be found in Note 3 to the basic financial statements and the Other Information section on the Schedules of Revenue Bonds Outstanding – Conduit Debt (Unaudited).

In prior fiscal years, the Authority included lease revenue bonds issued on behalf of the County as conduit debt; however, a new accounting standard provides that such debt should be recognized by the Authority given that the Authority is a component unit of the County. As a result, the Authority's financial statements now reflect liabilities for these lease revenue bonds and related bond premiums and deferred charges on the refundings. These balances are offset by a new receivable included among the Authority's assets, which reflects that the County will cover the amounts due for the bonds in full. Similarly, the Authority's fiscal year 2023 expenses reflect interest related to the lease revenue bonds, which is offset by a contribution from the County of an equal amount. Further information on this change to the Authority's financial statements can be found in Notes 1, 3, 4, 5, and 10.

Requests for Financial Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the James City County Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

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Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)

Statement of Net Position

		6/30/2023
Assets		
Current assets		
Cash and short-term investments (Note 2)	$	1,505,938
Current portion of lease receivable (Note 9)		30,753
Current portion of due from Primary Government (Notes 4 and 5)		9,876,679
Bond fee receivable		72,659
Lease interest receivable (Note 9)		3,329
Investment interest receivable		3,024
Total current assets		11,492,382
Non-current assets		
Lease receivable in more than one year (Note 9)		683,944
Due from Primary Government in more than one year (Notes 4 and 5)		61,769,245
Capital assets (Note 7)		
Nondepreciable		549,956
Depreciable, net		566,337
Capital assets, net		1,116,293
Total non-current assets		63,569,482
Total assets	$	75,061,864
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Long-term liabilities (Note 4)		
Due within one year	$	10,106,210
Due in more than one year		60,237,568
Total liabilities		70,343,778
Deferred inflows of resources		
Deferred inflows-leases (Note 9)		676,111
Deferred charge on refundings, net (Note 4)		1,302,147
Total deferred inflows of resources		1,978,258
Net position		
Net investment in capital assets		1,116,293
Unrestricted		1,623,535
Total net position		2,739,828
Total liabilities, deferred inflows of resources, and net position	$	75,061,864

See accompanying notes to financial statements.

Economic Development Authority of James City County, Virginia
(A Component Unit of the County of James City, Virginia)

Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended 6/30/2023
Operating revenues	
Intergovernmental - County contribution (Note 5)	$ 3,020,496
Lease revenue (Note 9)	47,725
Bond fees	109,910
Total operating revenues	3,178,131
Operating expenses	
Bond interest	3,005,771
Community development & Launchpad (Note 8)	54,618
Depreciation (Note 7)	25,478
Promotion	13,163
Note forgiveness (Note 6)	13,028
Professional fees	11,210
Rent abatement (Note 9)	3,000
Total operating expenses	3,126,268
Operating income	51,863
Nonoperating revenues	
Interest income	45,801
Gain on disposal of capital assets	544,711
Total nonoperating revenues	590,512
Change in net position	642,375
Net position, beginning of year	2,097,453
Net position, end of year	$ 2,739,828

See accompanying notes to financial statements.

Economic Development Authority of James City County, Virginia

(A Component Unit of the County of James City, Virginia)

Statement of Cash Flows

		Year Ended 6/30/2023
Cash flows from operating activities		
Receipts from County and customers	$	133,051
Payments to suppliers		(97,115)
Net cash provided by operating activities		35,936
Cash flows from capital and related financing activities		
Repayment of long-term debt		(9,711,680)
Proceeds from the County for long-term debt		9,711,680
Interest paid		(3,005,771)
Proceeds from the County for interest on long-term debt		3,005,771
Proceeds from sale of capital assets		739,750
Net cash provided by investing activities		739,750
Cash flows from investing activities		
Interest received		42,910
Net increase in cash		818,596
Cash and short-term investments, beginning of year		687,342
Cash and short-term investments, end of year	$	1,505,938
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$	51,863
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation		25,478
Changes in assets and liabilities:		
Lease receivable		28,392
Deferred inflows - leases		(47,726)
Bond fee receivable		(40,614)
Accounts receivable		20,638
Accounts payable		(2,096)
Net cash provided by operating activities	$	35,935

See accompanying notes to financial statements.

1) Summary of Significant Accounting Policies

The Economic Development Authority of James City County, Virginia (the Authority) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the governing body of James City County, Virginia (County) on July 9, 1979, pursuant to the provisions of the Economic Development and Revenue Bond Act (Chapter 33, Section 15.1-1373, et seq., of the *Code of Virginia* (1950), as amended). The Authority is governed by a seven-member board appointed by the Board of Supervisors of the County. The essential purpose of the Authority is to promote industrial and commercial development in the County.

The Reporting Entity

The Authority has been determined to be a component unit of the County in accordance with accounting principles generally accepted in the United States of America (GAAP). Component units are legally separate entities for which a primary government is financially accountable. The County is financially accountable given the significance of the Authority's fiscal dependence on and financial relationship with the County. As a result of the County's financial accountability for the Authority, the information included in these financial statements is included in the financial statements of the County.

Implementation of these reporting requirements in no way infringes upon the independence of the Authority nor otherwise impairs the Authority's power to perform its functions under state law.

Basis of Accounting and Presentation

The Authority utilizes the economic resources measurement focus and the accrual basis of accounting as an enterprise fund. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. Enterprise funds are used to account for the ongoing activities that are financed and operated similar to those often found in the private sector. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the Authority's ongoing operations. Operating revenues include revenue from the County, bond fees, and lease income. Operating expenses include the costs related to promoting and developing the County and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The Authority generally first uses restricted net position for expenses incurred for which both restricted and unrestricted net position are available. The Authority may defer the use of restricted net position based on a review of the specific transaction.

Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near maturity that they present insignificant risk of changes in value because of changes in interest rates. The Authority considers all certificates of deposits, regardless of their maturity, and other investments with original maturities of three months or less to be cash equivalents.

Capital Assets

The Authority's policy is to capitalize assets with a cost basis or acquisition value at time of donation of $5,000 or greater. The costs of major improvements are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of an asset, are expensed. When appropriate, the Authority provides for depreciation of capital assets using the straight-line method at amounts estimated to amortize the cost or other basis of the assets over their estimated useful lives.

1) Summary of Significant Accounting Policies, Continued

The Authority's capital assets consist of land, land improvements, buildings and improvements, and infrastructure. Depreciation is taken over the capital assets estimated useful lives as follows:

	No. of Years
Land improvements	20
Building and improvements	40
Infrastructure	25-30

Pass-Through Financing Arrangements

Some activities of the Authority represent pass-through financing arrangements. The Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities within the County. These agreements provide for periodic rental payments in amounts, which are equal to the principal and interest payments due to project bondholders. The Authority has assigned all rights to the rental payments to the trustees of the bondholders, and the borrowers have assumed responsibility for all operating costs, such as utilities, repairs, and property taxes. In such cases, the Authority neither receives nor disburses funds.

Although title to these properties rests with the Authority, bargain purchase options or other provisions eliminate any equity interest that would otherwise be retained. Deeds of trust secure outstanding obligations, and title will revert to the borrowers when the bonds are fully paid.

Therefore, while the Authority provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the Authority does not recognize associated assets, liabilities, deferred inflows or outflows of resources, rental income, or interest expense in its financial statements.

Advertising Costs

Advertising costs (promotion expenses) are expensed in the period in which they are incurred.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Statement of Net Position reports a separate section for deferred outflows and inflows of resources. Deferred outflows represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources until then. Deferred inflows represent an acquisition of net position that is applicable to a future reporting period and, therefore, will not be recognized as an inflow of resources until that time.

The Authority recognizes a deferred inflow of resources for the deferred amount on a bond refunding resulting from the difference in the carrying amount of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Authority also recognizes deferred inflows of resources for the value of lease receivables plus any payments received at or before the commencement of the lease term that relate to future periods.

1) Summary of Significant Accounting Policies, Continued

Adoption of New Accounting Statement

For fiscal year 2023, the Authority implemented Governmental Accounting Standards Board Statement No. 91, *Conduit Debt Obligations* (GASB 91). The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The adoption of the new standard did not result in any restatement of net position, but it did result in the Authority recognizing assets, liabilities, and deferred outflows of resources related to the County's lease revenue bonds, which were issued by the Authority and are no longer considered conduit debt. All costs and liabilities related to these bonds are the responsibility of the County and, as a result, the new liabilities and costs reflected on the Authority's financial statements are fully offset by receivables and contributions from the County. Further information on the Authority's conduit debt obligations can be found in Note 3.

2) Cash and Short-Term Investments

The Authority's cash and short-term investments consisted of:

		6/30/2023
Bank deposits	$	803,856
Investments		702,082
Total	$	1,505,938

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia.*

The Authority's investments at June 30, 2023, were as follows:

Investment Type		Amount	Maturity
LGIP (amortized cost)	$	702,082	1 day

The Authority utilizes the Investment Policy (Policy) of the County, which is enforced by the County Treasurer. In accordance with the *Code of Virginia* and other applicable law, including regulations, the Authority's Policy permits investments in U.S. government obligations, municipal obligations, commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, and the State Treasurer's Local Government Investment Pool (LGIP), which measures its investments at amortized cost. The Treasury Board of the Commonwealth of Virginia has regulatory oversight of the LGIP.

2) Cash and Short-Term Investments, Continued

The Policy establishes limitations on the holdings of non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each eligible security is as follows:

U.S. Treasury obligations	100% maximum
Federal Agency obligations	100% maximum
Registered money market mutual funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Bank deposits	100% maximum
Repurchase agreements	50% maximum
Bankers' acceptances	40% maximum
Commercial paper	35% maximum
Negotiable certificates of deposit/bank notes	20% maximum
Municipal obligations	20% maximum
Corporate notes	15% maximum

Credit Risk

As required by state statute, the Policy requires commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s, Fitch Investor’s Service, and Duff and Phelps. Corporate notes must have a minimum of “Aa” long-term debt rating by Moody’s Investors Service and a minimum of “AA” long-term debt rating by Standard & Poor’s. Negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investors Service. Although state statute does not impose credit standards on repurchase agreement counterparties, bankers’ acceptances, or money market mutual funds, the Authority has established stringent credit standards for these investments to minimize portfolio risk.

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Authority’s portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Treasury	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Each bank deposit institution	100% maximum
Each money market mutual fund	50% maximum
Each federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority’s Policy limits the investment of short-term operating funds to an average weighted maturity of no more than 180 days, with a portion of the portfolio continuously invested in readily available funds. The operating fund core portfolio will be invested in permitted investments with a stated maturity of no more than five years from the date of purchase. To control the volatility of the core portfolio, the Treasurer will determine a duration target, not to exceed three years.

Custodial Credit Risk

The Policy requires all investment securities purchased by the Authority or held as collateral on deposits or investments shall be held by the Authority or by a third-party custodial agent who may not otherwise be counterparty to the investment transaction.

3) Conduit Debt Obligations

From time to time, the Authority has issued Economic Revenue Bonds (the Bonds) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the Bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the Commonwealth, nor any political subdivision thereof is obligated in any manner for repayment of the Bonds. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2023, there were 6 series of Economic Revenue Bonds outstanding, with an aggregate principal amount payable of approximately $143.9 million.

4) Long-Term Liabilities

As a result of the implementation of GASB Statement No. 91, *Conduit Debt Obligations,* the Authority no longer presents the County's lease revenue bonds, which are issued by the Authority, as conduit debt. In fiscal year 2023, these bonds are now reflected as debt of the Authority along with related transactions. The Statement of Net Position also includes a corresponding receivable from the County, reflecting that these bonds and related transactions are the responsibility of the County. A summary of the Authority's long-term liability activity for the fiscal year ended June 30, 2023, is presented below:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due within one year
Lease revenue/refunding bonds	$ 72,015,000	$ -	$ 8,650,000	$ 63,365,000	$ 8,815,000
Bond premiums, net	8,090,604	-	1,201,518	6,889,086	1,201,518
Interest payable	104,458	-	14,766	89,692	89,692
Total	$ 80,210,062	$ -	$ 9,866,284	$ 70,343,778	$ 10,106,210

Arbitrage

Arbitrage is the difference between the yield on an issuer's tax-exempt bonds and the investment income earned on the proceeds. Arbitrage restrictions imposed by the federal government prohibit an issuer from retaining arbitrage profits when investing bond proceeds at a yield that exceeds the yield on the bonds. Any excess arbitrage must be rebated to the U.S. Treasury. As of June 30, 2023, there was no rebate liability.

Details of long-term bond indebtedness at June 30, 2023, for the Authority were as follows:

	Sale date	Original borrowing	Interest rates	Final maturity	Balance June 30, 2023
Lease revenue refunding bonds	2014	$ 12,575,000	3.00-4.00%	2026	$ 3,960,000
Lease revenue refunding bonds	2015	49,815,000	4.00-5.00%	2026	13,260,000
Lease revenue bonds	2016	26,750,000	2.00-5.00%	2036	19,475,000
Lease revenue refunding bonds	2018	21,015,000	4.00-5.00%	2039	17,045,000
Lease revenue refunding bonds	2021	11,030,000	3.00-5.00%	2033	9,625,000
				Total	$ 63,365,000

The debt service requirements for the Authority's bond obligations are as follows:

Year ending June 30,	Lease revenue/refunding bonds Principal	Lease revenue/refunding bonds Interest
2024	$ 8,815,000	$ 2,623,738
2025	8,995,000	2,195,737
2026	9,165,000	1,772,488
2027	3,585,000	1,341,437
2028	3,715,000	1,204,188
2029-2033	18,305,000	3,811,688
2034-2038	9,755,000	1,083,500
2039	1,030,000	41,200
	$ 63,365,000	$ 14,073,976

5) Transactions with Related Parties

Certain financial management and accounting services along with certain legal services are provided to the Authority by the County. Services were provided at no charge during the fiscal year ending June 30, 2023. In addition, certain personnel costs in 2023 were incurred by the County for the benefit of the Authority at no charge to the Authority.

The Authority has a resolution with the County where Renwood Farms, Inc. would pay the County annual rent of $14,725 for use of farm property owned by the County and then pass that revenue through to the Authority. The County passed $14,725 to the Authority in fiscal year 2023.

The Authority's Statement of Net Position reflects a long-term liability related to lease revenue bonds issued on the County's behalf. The County is responsible for this debt and, as a result, the Authority's Statement of Net Position also reflects an amount due from the County for these bonds. The County is also responsible for annual interest for these bonds, and the fiscal year 2023 contribution from the County includes $3,005,772 to correspond to interest expense incurred.

In fiscal year 2023, the Authority entered into a performance agreement with a business to provide incentive payments based on their investment in machinery and tools, and the County agreed to fund the incentive payments. There was no payment due in fiscal year 2023 based on the terms of the agreement.

An Authority Board member serves as the Vice President of Construction for a local contractor that performs construction at the marina property for its tenant, Billsburg Brewery (the "Brewery"). Any major improvements on the property, of a structural nature or costing over $5,000, require the Authority's prior written consent per the lease agreement with the Brewery. Additional information on the lease agreement is provided in Note 8.

6) Notes Receivable

On May 24, 2016, the Authority entered into an agreement with MODU System America, LLC and OKS International, LLC, in which the Authority made a one-time grant of $25,000 to the businesses in exchange for specified performance. Per the agreement, the grant was in the form of a zero-interest loan to be forgiven at the end of seven years if the terms were satisfied in full. On May 10, 2019, the Authority entered into a supplemental agreement with these businesses to cure defaults that had occurred in the original agreement and provide a method to cure potential future defaults. During fiscal year 2023, the Authority received a cure payment in the amount of $7,610. The remaining balance of $13,028 was forgiven in fiscal year 2023, and this amount is included in operating expenses on the Statement of Revenues, Expenses, and Changes in Net Position. The agreement is now complete and there is no longer a balance reflected on the Statement of Net Position.

7) Capital Assets

A summary of the capital asset activity for fiscal year 2023 is below.

	Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023
Capital assets, nondepreciable:				
Land	$ 710,795	$ -	$ 195,039	$ 515,756
Land improvements	34,200	-	-	34,200
Total capital assets, nondepreciable	744,995	-	195,039	549,956
Capital assets, depreciable:				
Land improvements	237,988	-	-	237,988
Buildings and improvements	290,095	-	-	290,095
Infrastructure	182,379	-	-	182,379
Total capital assets, depreciable	710,462	-	-	710,462
Less accumulated depreciation:				
Buildings and improvements	33,877	7,269	-	41,146
Land improvements	55,646	11,957	-	67,603
Infrastructure	29,124	6,252	-	35,376
Total accumulated depreciation	118,647	25,478	-	144,125
Total capital assets, depreciable, net	591,815	(25,478)	-	566,337
Total capital assets, net	$ 1,336,810	$ (25,478)	$ 195,039	$ 1,116,293

8) **Commitment of Operating Subsidies**

The following operating subsidy agreement was in effect for fiscal year 2023:

- In fiscal year 2017, the Authority along with the Economic Development Authority of the City of Williamsburg, Virginia (EDA-WMSBG) and the Economic Development Authority of York County, Virginia (EDA-YORK), transferred regional economic development initiatives to the Greater Williamsburg Partnership, including the operation of a regional business incubator, referred to as “Launchpad.” The Authority, EDA-WMSBG, and EDA-YORK agreed that $103,500 was a reasonable estimate of the annual costs to operate Launchpad and that each party would be responsible for one-third of those annual costs. During fiscal year 2023, the Authority made a contribution to Launchpad of $34,500 which is included in community development and Launchpad expenses on the Statement of Revenues, Expenses, and Changes in Net Position.

9) **Leases**

The Authority is a lessor for a noncancellable lease of property at a marina with Billsburg Brewery (the “Brewery”). The Authority recognizes a lease receivable and deferred inflow of resources on the statement of net position related to this lease.

With the adoption of GASB Statement No. 87, *Leases*, the Authority initially measured lease receivables at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue on a straight-line basis over the life of the lease term in the amount of $47,726, annually. During the year of the implementation, any leases entered into prior to the beginning of that fiscal year are recorded at their present value as of the implementation date, July 1, 2021, if there were no prepayments or initial incentive payments, which was the case with the Brewery lease.

The lease with the Brewery has an initial term of ten years and will automatically renew for up to two additional five-year terms. The lease commenced in September 2017 and the rent amount paid for the first year was $60,000. Per the agreement, rent would increase the first five subsequent years by 3% annually and will remain an annual rent of $70,000 for the last four years of the initial term. Rent will increase by 5% for each renewal term.

The assessed value of the leasehold property at the marina is $798,500. A warehouse and renovations at the site were capitalized by the Authority at a cost of $710,462. Depreciation expense on these assets was $25,478 during 2023 resulting in accumulated depreciation of $144,125 at June 30, 2023.

At the February 2023, meeting, the Authority voted to partially abate the rent owed by the Brewery that month by $3,000. This abatement was requested by the Brewery due to a County-initiated construction project that resulted in the closure of the Brewery’s Taproom for more than half of the previous month (January 2023).

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses the interest rate implicit in the lease as the discount rate for the lease for those leases where the Authority does not specify an interest rate within the lease. The discount rate being used is 5.59%.
- The lease term includes the initial ten-year term of the lease and the two additional five-year renewal terms.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

9) Leases, Continued

The balance of the lease receivable and lease receivable interest was $714,697 and $3,329, respectively, as of June 30, 2023. The present value of future annual lease payments from the Brewery are anticipated as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 30,753	$ 39,173	$ 69,926
2025	32,594	37,406	70,000
2026	34,464	35,536	70,000
2027	36,440	33,560	70,000
2028	41,509	31,408	72,917
2029-2033	252,669	117,894	370,563
2034-2038	286,268	35,294	321,562
Total	$ 714,697	$ 330,271	$ 1,044,968

10) Restatement

The Authority's assets, deferred outflows of resources, and liabilities as of the beginning of fiscal year 2023 were restated to reflect adjustments to related to the Authority's implementation of GASB 91. The adjustment resulted in no impact to the Authority's net position. More information regarding the adjustment can be found in Notes 3 and 4 and the related balances have been adjusted as follows:

	6/30/2022 Previously Reported	Restatement	7/1/2022 As Restated
Due from Primary Government	$ -	$ 81,652,048	$ 81,652,048
Deferred charge on refunding, net	$ -	$ (1,441,985)	$ (1,441,985)
Long-term liabilities	$ -	$ (80,210,063)	$ (80,210,063)

* * * * *

Compliance Section

Cherry Bekaert LLP

Your Guide Forward

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Economic Development Authority of James City County, Virginia
Williamsburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"), the financial statements of the Economic Development Authority of James City County, Virginia (the "Authority"), a component unit of the County of James City, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Specifications.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Richmond, Virginia
December 15, 2023

Other Information

Economic Development Authority of James City County, Virginia

(A Component Unit of the County of James City, Virginia)

Schedules of Revenue Bonds Outstanding - Conduit Debt (Unaudited)

Bond	Issue Date	6/30/2023
Economic Development Revenue Bond - Christopher Newport University Educational Foundation	2001	$ 2,126,119
Revenue Refunding Bond, William and Mary Foundation, Series 2011 (Refunding Variable Rate Revenue Bond - William and Mary Foundation, Series 2006, issued 12/1/2006)	2012	8,090,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2021A	2021	26,800,000
Virginia United Methodist Homes of Williamsburg, Inc., Series 2021B	2021	28,645,000
Williamsburg Landing Inc., Series 2021	2021	69,900,000
Blaine Landing, Series 2022	2022	8,367,000
		$ 143,928,119

See accompanying independent auditors' report.

M E M O R A N D U M

DATE: December 19, 2023

TO: The Economic Development Authority

FROM: Christopher M. Johnson, Director of Economic Development

SUBJECT: Director's Report, November-December 2023

United States - Korea Commercial Relations (USKCR) Program - Staff will be participating in an online seminar on Dec. 19 that is the culmination of the year-long program. USKCR – Beyond Washington and Seoul is presented with the support of the U.S. Embassy in Seoul and in partnership with the Korea Institute for Industrial Economics and Trade (KIET) and the Korea International Trade Association (KITA), and the East-West Center. The program sought to highlight the local impact of U.S.-Korea trade and investment and its value to communities in both nations. The East-West Center brought together a cohort of economic development professionals and international trade scholars for a professional exchange and research program.

Virginia Business Ready Sites Program - Staff is coordinating with the Virginia Economic Development Partnership and Lovett Industrial on an Industrial Development Access program application. The program is a state-funded incentive to assist localities in providing adequate road access to new and expanding manufacturing and processing companies, research and development facilities, distribution centers, regional service centers, corporate headquarters, and other basic employers with at least 51% of the company's revenue generated from outside the Commonwealth. The Individual Development Accounts Program is administered by the Virginia Department of Transportation.

James River Commerce Center – A Real Estate Purchase Agreement was executed on Nov. 30 for the sale of 8915 and 8925 Columbia Drive to JRDC II. Staff have provided due diligence to the contract purchaser's counsel and will work to proceed to closing as soon as possible. The Annual meeting of the Board of Trustees and Board of Directors has been postponed until early 2024.

Hampton Roads Alliance – The Hampton Roads Alliance, our regional marketing organization, is presenting a captivating bipartisan panel discussion featuring three former Virginia governors and Hampton Roads residents: Governor George Allen, Governor Bob McDonnell, and Governor Ralph Northam. The event, Promoting Virginia: Perspectives on Economic Development from Three Former Virginia Governors, is scheduled for Jan. 11, 2024, from 3:30-6:00 p.m. at The Big Blue Room at Old Dominion University. The event if free but registration is required.

Regional Events/Initiatives:
- Staff participated in a meeting with Ball Corporation management and real estate team on Nov. 16 to discuss operational initiatives and expansion potential during 2024.
- Staff attended a collaboration ribbon cutting ceremony on Nov. 29 with the Greater Williamsburg NAACP and the Greater Williamsburg Chamber of Commerce at Stone House Grill.
- Staff attended Manufacturing Day No. 3 on Friday, Nov. 17 for over 50 students and staff from Lafayette High School at Nicewood Enterprises, Inc., and the Virginia Peninsula Community College Trades Center.
- Staff met with Greater Williamsburg Chamber CEO Terry Banez on Nov. 30.
- Staff held an introductory information meeting with incoming Stonehouse District Supervisor Barbara Null on Dec. 5.
- Staff attended the Hampton Roads Alliance Regional Economic Development Team meeting and the holiday reception at the Chrysler Museum of Art on Dec. 8.

- Staff participated in mock interviews at Lafayette High School on Dec. 11 and Warhill High School on Dec. 12 in collaboration with Williamsburg-James City County Schools.

Upcoming Dates of Interest:

- 2024 Pre-Session Legislative Forum, Jan. 3 from 8-10 a.m., Williamsburg Regional Library Theater, 515 Scotland Street.
- Commonwealth Conversation No. 3 with B.K. Fulton, Founding Chairman and CEO of Soulidifly Productions, LLC, Jan. 10 from 8:30-10:30 a.m., Williamsburg Lodge.
- Promoting Virginia: Three Former Governors’ Perspectives on Economic Development, Jan. 11 from 3:30-6 p.m., The Big Blue Room at Old Dominion University, 4320 Hampton Boulevard, Norfolk.
- Business After Hours hosted by Habitat ReStore, Jan. 11 from 4-6 p.m., 4824 George Washington Highway, Yorktown.
- Commonwealth Conversation No. 4 with Tom Barkin, CEO of the Federal Reserve Bank of Richmond, Feb. 28 from 8:30-10:30 a.m., Williamsburg Lodge.

CMJ/md
DirRptNov-Dec23-mem