

**ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF VIRGINIA BEACH  
DEVELOPMENT AUTHORITY**

**A COMPONENT UNIT OF  
THE CITY OF VIRGINIA BEACH, VIRGINIA**

**FOR FISCAL YEARS ENDED  
JUNE 30, 2020 AND JUNE 30, 2019**

**PREPARED BY  
DEPARTMENT OF ECONOMIC DEVELOPMENT**



**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
Component Unit of the City of Virginia Beach, Virginia

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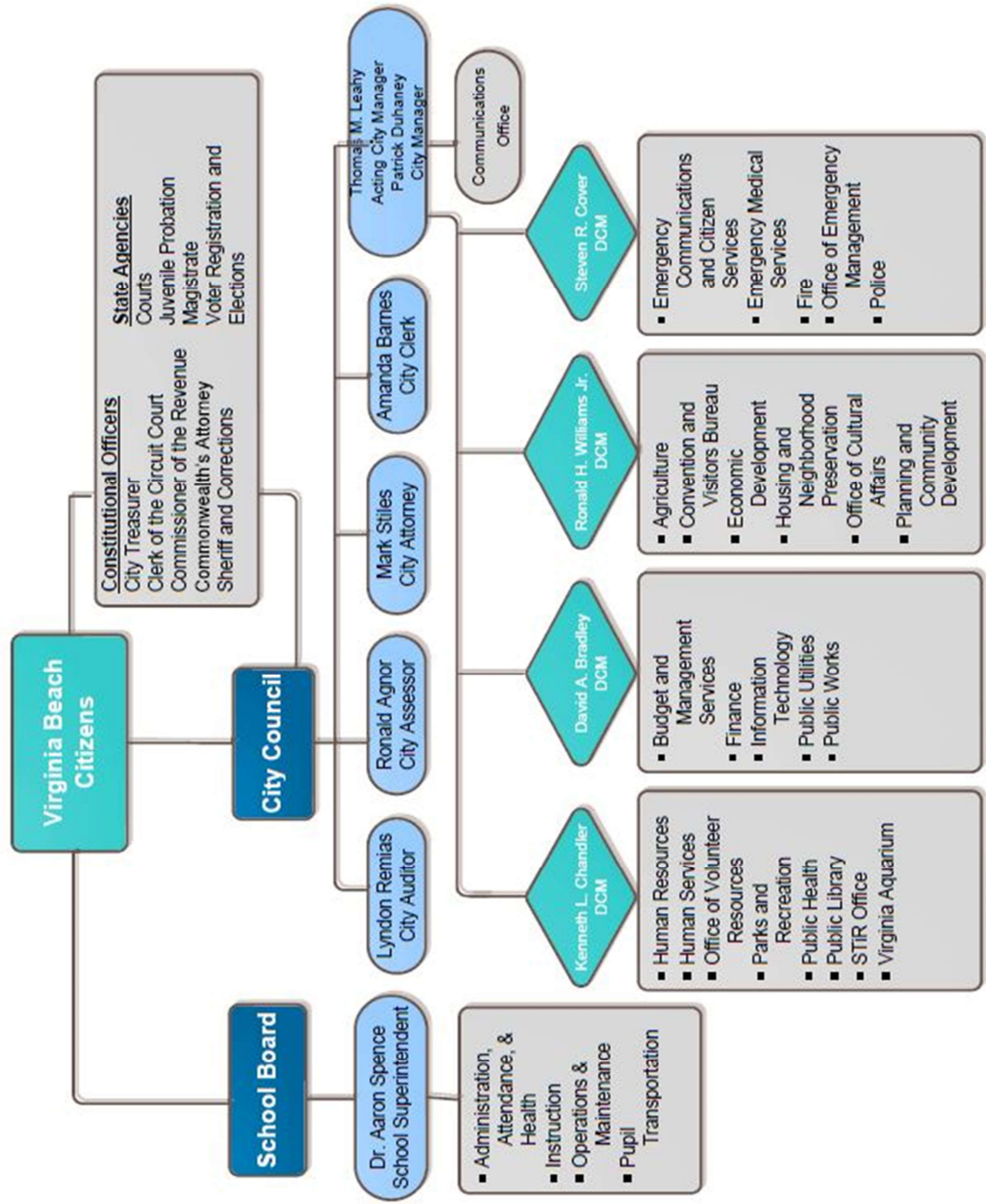
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## **INTRODUCTORY SECTION**

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
Component Unit of the City of Virginia Beach, Virginia

**Commissioners**

Dorothy Wood..... Chair  
Lisa Murphy ..... Vice Chair  
William Brunke ..... Treasurer  
David Bernd ..... Secretary  
William Brown..... Commissioner  
Nneka Chiazor..... Commissioner  
W. Taylor Franklin..... Commissioner  
Penny Morgan ..... Commissioner  
Michael Standing..... Commissioner  
Joseph Strange..... Commissioner  
Guenter Weissenseel ..... Commissioner





October 1, 2020

Commissioners, Virginia Beach Development Authority  
4525 Main Street, Suite 700  
Virginia Beach, VA 23462

Dear Commissioners:

The Annual Financial Report of the City of Virginia Beach Development Authority (the Authority) for the fiscal years ended June 30, 2020 and 2019 is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the Authority's operations. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

### **The Reporting Entity**

The City of Virginia Beach Development Authority was established by the authority of the Virginia General Assembly in 1964 in order to increase business investment and to expand the tax base in the state of Virginia. That same year, the City Council of Virginia Beach appointed seven Virginia Beach businessmen to serve as Commissioners of the first Authority, effective July 27, 1964. On July 1, 2003, the Virginia State Code was revised to allow eleven commissioners to serve on Development Authorities within the state. Following that change, the City Council of Virginia Beach appointed four additional commissioners.

The Authority is a component unit of the City of Virginia Beach; however, it is a legally separate organization. The City Council of Virginia Beach was determined to be financially accountable for the Authority on the basis of the selection of the governing authority, designation of management, ability to influence operations, and accountability in fiscal matters.

The Authority exists to facilitate the expansion of the tax base and employment opportunities in the City through increased business development and redevelopment. The Authority uses Industrial Revenue Bonds, the Economic Development Investment Program, workforce development, project development, and business development personnel to enable and assist business location and expansion in the City of Virginia Beach.

## Economic Conditions and Outlook

Significant growth occurred in each of the City's adopted target business sectors, including several announcements by small businesses, an important part of our economy. Additionally, 14 incentive grants were awarded totaling \$2.5 million which leveraged \$119.7 million in capital investment, a ratio of 48 to 1. Examples of these business developments and expansions include:


- **SJS** is a service-disabled veteran-owned company with two business units that are currently spread across three locations in Virginia Beach. The company received an incentive grant of \$125,000 from the Authority based on new job creation and target industry sectors. SJS is purchasing a five-acre site located at 2652 Excalibur Court. The company will renovate the nearly 42,000 SF building to accommodate the office and industrial uses and plans to more than double its workforce over the next three years. Altogether, the company plans to make capital investments totaling more than \$4 million and add 49 jobs with average salaries of \$59,000, exclusive of benefits.
- **SRP Companies**, a leading supplier to more than 60,000 retailers nationwide headquartered in Castle Rock, Colorado, is moving its warehousing operations to Virginia Beach. The company received an incentive grant of \$75,000 from the Authority in recognition of its planned capital investment of \$1.160 million over the next four years in the target industry sector of warehouse/distribution. It will occupy 218,680 sq. ft. at 2600 International Parkway.
- **17<sup>th</sup> Street Properties** - The Authority has approved an incentive grant of \$250,000 to support the 2 phased redevelopment of the east-end of Virginia Beach Blvd. The company plans to spend \$16 million to renovate over 60,000 SF of retail and residential space by tearing down existing structures to establish a mixed use development.
- **Valkyrie Enterprises** - The Authority awarded an incentive grant to Valkyrie Enterprises, Inc. Headquartered in Virginia Beach with locations in California, Washington, Florida and Washington, D.C., they provide engineering and related technical services and training to various commercial and governmental clients. The grant of \$125,000 is based on the creation of 100 full-time equivalent (FTE) jobs in Virginia Beach, with average annual salaries of \$75,000 or more.

## Acknowledgements

During the year, the staff of the City of Virginia Beach Department of Economic Development and the Finance Department rendered professional and knowledgeable services to the City of Virginia Beach Development Authority. We are most appreciative of these efforts and take this opportunity to recognize these public servants.

The Development Authority's oversight of their financial affairs has resulted in this strong financial report, and these individuals are commended for the policies and practices which they put in place to create this outcome.

Respectively,



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## INDEPENDENT AUDITORS' REPORT

The Commissioners  
City of Virginia Beach Development Authority

### Report on the Financial Statements

We have audited the accompanying statements of net position of the Virginia Beach Development Authority (the Authority), a component unit of the City of Virginia Beach, as of June 30, 2020 and 2019, and the related statements of revenue, expenses and change in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

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, 2020 and 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8-12 be presented to supplement the basic financial statements. Such information, 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*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and supplementary information identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary data is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2019, 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 result 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.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
September 29, 2020

**MANAGEMENT'S DISCUSSION**

**AND**

**ANALYSIS**

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
Component Unit of the City of Virginia Beach, Virginia

Management's Discussion and Analysis

This section of the City of Virginia Beach Development Authority's (the "Authority") annual financial report represents our discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2020 and 2019. Please read it in conjunction with the Authority's transmittal letter at the front of this report and the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The Authority's business-type net position increased by \$4.54 million in fiscal year 2020 and \$33.06 million in fiscal year 2019. In fiscal year 2020, the increase can be attributed to the reduction in outstanding debt. In fiscal year 2019, the increase can be attributed to the transfer of the Housing Resource Center from the City of Virginia Beach (the "City") to the Authority.
- The Authority provided economic development services, as requested by the Virginia Beach City Council, for the Dome Site Project and Town Center Project that is accounted for by the Authority. When projects or phases of projects are complete, the associated costs are capitalized and may be retained in the Authority's Proprietary Fund or transferred to the City.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of this annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements, and other supplemental information.

**BASIC FINANCIAL STATEMENTS**

The focus of the Statement of Net Position is to report the entity's net position and how it has changed. Net position – the difference between assets and deferred outflows versus liabilities and deferred inflows – is one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in an entity's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

The Statement of Revenues, Expenses and Changes in Net Position is focused on showing how net position changed during the most recent fiscal year. All the current year's revenues and expenses are accounted for in this statement regardless of when cash is received or paid. So, revenues and expenses are reported in this statement for some items that will affect cash flows in future periods.

The Statement of Cash Flows identifies how cash and other financial assets that can readily be converted to cash flow in and out of the Authority.

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.

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
Component Unit of the City of Virginia Beach, Virginia

Management's Discussion and Analysis

**FINANCIAL ANALYSIS OF THE AUTHORITY**

**Net Position:**

The following table reflects the condensed Net Position of the Authority:

<b>Table 1</b>			
<b>Net Position</b>			
<b>As of June 30, 2020, 2019, and 2018</b>			
<b>(in millions)</b>			
	<b>Total</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Current and other assets	\$ 71.22	68.53	68.73
Capital assets	127.68	131.24	104.85
Total assets	<u>198.90</u>	<u>199.77</u>	<u>173.58</u>
Deferred Outflows	<u>0.46</u>	<u>0.59</u>	<u>0.73</u>
Current and other liabilities	21.84	19.80	19.10
Long-term liabilities	44.44	52.60	60.17
Total liabilities	<u>66.28</u>	<u>72.40</u>	<u>79.27</u>
Deferred Inflows	<u>1.49</u>	<u>0.91</u>	<u>1.05</u>
Net position:			
Net Investment in Capital Assets	74.84	70.87	37.07
Restricted - other purposes	4.38	3.80	6.35
Unrestricted	52.37	52.38	50.57
Total net position	<u>\$ 131.59</u>	<u>127.05</u>	<u>93.99</u>

At June 30, 2020 and 2019, the total assets of the Authority were \$198.90 and \$199.77 million, respectively; total liabilities were \$66.28 and \$72.40 million, respectively; while combined net position was \$131.59 million and \$127.05 million, respectively.

In fiscal year 2020 and 2019, the Authority's long-term liabilities decreased by \$8.16 million and \$7.57 million, respectively. The fiscal year 2020 and 2019 decreases were primarily due to annual debt service payments.

Regarding the Authority's activities, the Authority's land and building inventory increased by \$.09 million in 2020 and decreased by \$.21 million in 2019. The fiscal year 2020 increase was primarily due to capital improvements at the Innovation Park. The fiscal year 2019 decrease was primarily due to the sale of 10.7 acres of land in Corporate Landing Industrial Park.

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
Component Unit of the City of Virginia Beach, Virginia

Management's Discussion and Analysis

**Changes in Net Position:**

The following chart shows the revenue and expenses for the current and prior fiscal years:

<b>Table 2</b>			
<b>Revenues, Expenses, and Changes in Net Position</b>			
<b>Years Ended June 30, 2019, 2018, and 2017</b>			
<b>(in millions)</b>			
	<b>2020</b>	<b>Total</b>	
		<b>2019</b>	<b>2018</b>
<b>Operating Activities:</b>			
Revenues	\$ 2.35	4.64	4.17
Expenses	(9.88)	(9.65)	(13.66)
<b>Total Operating income/loss</b>	<b>(7.53)</b>	<b>(5.01)</b>	<b>(9.49)</b>
<b>Nonoperating Activities:</b>			
Revenues	\$ 14.06	14.70	17.06
Expenses	(1.99)	(2.77)	(3.91)
<b>Total Nonoperating income/loss</b>	<b>12.07</b>	<b>11.93</b>	<b>13.15</b>
<b>Other Special Items:</b>			
Contribution from Primary Government	-	26.14	26.51
Transfer to Primary Government	-	-	(4.39)
Transfer of infrastructure between funds	-	-	0.33
<b>Total Other Special Items:</b>	<b>-</b>	<b>26.14</b>	<b>22.45</b>
<b>Change in net position</b>	<b>4.54</b>	<b>33.06</b>	<b>26.11</b>
Net Position - Beginning of Year	127.05	93.99	67.88
<b>Net Position - End of Year</b>	<b>\$ 131.59</b>	<b>127.05</b>	<b>93.99</b>

**REVENUES**

For the fiscal years ended June 30, 2020 and 2019, revenues from activities (excluding special items) totaled \$16.41 million and \$19.34 million, respectively. This included revenue derived from land and asset sales, industrial revenue bond fees, lease income, investment earnings, and support agreement funding from the City of Virginia Beach.

**EXPENSES**

The expense activities included cost of land sold, depreciation/amortization, selling and administrative expenses, and interest on outstanding debt obligations. For the fiscal years ended June 30, 2020 and 2019, these expenses totaled \$11.87 million and \$12.42 million, respectively.

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
 Component Unit of the City of Virginia Beach, Virginia

Management’s Discussion and Analysis

**FINANCIAL ANALYSIS OF THE AUTHORITY’S FUNDS**

The Authority’s fund includes total net position of \$131.59 million and \$127.05 million at June 30, 2020 and 2019, respectively. In fiscal year 2020 and 2019, operating revenues from land sales, industrial revenue bond fees, lease income, and miscellaneous revenue totaled \$2.35 million and \$4.64 million, respectively, while operating expenses for cost of land and selling and administrative expenses totaled \$9.88 million and \$9.65 million, respectively.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

For the fiscal years ended June 30, 2020 and 2019, the Authority had invested \$127.68 million and \$131.24 million (see note 5), respectively, in various capital assets and infrastructure as reflected in Table 3.

<b>Table 3</b>			
<b>Capital Assets</b>			
<b>As of June 30, 2020, 2019, and 2018</b>			
<b>(in millions)</b>			
	<b>Total</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Non-depreciable assets:</b>			
Land	\$ 22.94	22.94	19.33
Other assets and capitalized costs	1.13	1.13	1.13
Construction in progress	0.38	1.18	1.22
<b>Other capital assets:</b>			
Buildings/equipment	147.07	145.97	119.93
Accumulated depreciation on other capital assets	(43.84)	(39.98)	(36.76)
<b>Total net capital assets</b>	<b>\$ 127.68</b>	<b>131.24</b>	<b>104.85</b>

There were no major capital asset additions or reductions in fiscal year 2020.

Major capital asset additions in fiscal year 2019 included:

- Housing Resource Center building and land – The transfer of 3.9 acres of property located at 104 N. Witchduck Road - \$26,143,356
- Town Center Block 9 Plaza and Pedestrian Bridge – The final payments to purchase the public portion of the plaza and connecting bridge between Block 9 and 10 - \$3,504,654

Major capital asset reductions in fiscal year 2019 included:

- Town Center – Transferred Phase VI infrastructure construction including streets, curbs and gutters, sidewalks, underground utilities and other capitalized costs - \$753,068





**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**

Component Unit of the City of Virginia Beach, Virginia

Statements of Net Position

Authority Operations

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 2)	\$ 9,533,603	9,943,834
Receivables, net (note 4)	34,927	39,068
Receivables, restricted (note 4)	3,032,287	3,035,672
Total current assets	<u>12,600,817</u>	<u>13,018,574</u>
Noncurrent assets:		
Restricted cash and cash equivalents (notes 2 and 3)	8,744,243	3,610,610
Receivables, restricted (note 4)	5,917,522	8,032,632
Land/building inventory	43,960,824	43,873,058
Capital assets (note 5)		
Other non-depreciable assets and capitalized costs	1,130,390	1,130,390
Construction in Progress	380,478	1,184,959
Land	22,934,918	22,934,918
Buildings and equipment, net of accumulated depreciation	103,231,852	105,988,269
Total capital assets	<u>127,677,638</u>	<u>131,238,536</u>
Total assets	<u>\$ 198,901,044</u>	<u>199,773,410</u>
<b>Deferred Outflows of Resources</b>		
Debt refundings resulting in loss transactions	\$ 459,965	594,017
<b>Liabilities</b>		
Current liabilities:		
Accounts payable (note 6)	1,185,557	9,764,334
Accrued liabilities (note 6)	537,684	806,131
Liabilities payable from restricted assets (note 6)	10,000	50,000
Unearned liabilities (note 6)	12,738,819	1,725,593
Bonds, notes, and loans payable (note 7)	7,373,672	7,449,119
Total current liabilities	<u>21,845,732</u>	<u>19,795,177</u>
Bonds, notes and loans payable (note 7)	44,441,148	52,604,105
Total liabilities	<u>\$ 66,286,880</u>	<u>72,399,282</u>
<b>Deferred Inflows of Resources</b>		
Debt refundings resulting in gain transactions	\$ 1,486,240	909,041
<b>Net Position</b>		
Net Investment in Capital Assets	74,836,543	70,870,292
Restricted - other purposes (note 3)	4,384,390	3,805,853
Unrestricted	52,366,956	52,382,959
Total net position	<u>\$ 131,587,889</u>	<u>127,059,104</u>

See accompanying notes to financial statements.

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**

Component Unit of the City of Virginia Beach, Virginia  
 Statements of Revenues, Expenses and Changes in Fund Net Position  
 Authority Operations

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues:</b>		
Land sales	\$ -	2,143,000
Industrial revenue bond fees	229,015	113,021
Lease income (note 10)	2,035,136	2,164,585
Virginia Beach National Golf Course revenue	62,644	221,293
Miscellaneous income	18,054	-
Total operating revenues	<u>2,344,849</u>	<u>4,641,899</u>
<b>Operating Expenses:</b>		
Cost of land sold	-	514,880
Virginia Beach National Golf Course (note 10)	62,644	221,293
General and other expenses	4,034,182	3,885,591
Depreciation	3,853,177	3,221,809
Garage operations	1,928,803	1,809,279
Total operating expenses	<u>9,878,806</u>	<u>9,652,852</u>
Operating loss	<u>(7,533,957)</u>	<u>(5,010,953)</u>
<b>Nonoperating Revenues (Expenses):</b>		
City of Virginia Beach	13,993,536	14,628,254
Construction expenses	-	(287,192)
Charity Golf Tournament revenues	17,550	25,750
Charity Golf Tournament expenses	(15,525)	(33,296)
Interest income	37,112	36,713
Interest expense (note 9)	(1,969,931)	(2,436,222)
Total nonoperating revenues (expenses)	<u>12,062,742</u>	<u>11,934,007</u>
Income before transfers and capital contributions	<u>4,528,785</u>	<u>6,923,054</u>
<b>Other Financing Sources (Uses):</b>		
Capital Contributions - Transfer of land from City	-	26,143,356
Change in net position	4,528,785	33,066,410
Total net position at beginning of year	127,059,104	93,992,694
Total net position at end of year	<u>\$ 131,587,889</u>	<u>127,059,104</u>

See accompanying notes to financial statements.

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**

Component Unit of the City of Virginia Beach, Virginia

Statements of Cash Flows

Authority Operations

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 2,342,751	4,693,197
EDIP cash receipts	5,500,000	1,500,000
Other operating cash receipts (disbursements)	(211,138)	45,151
Cash payments to suppliers of goods and services	(6,513,049)	(6,499,138)
EDIP activities	<u>(3,225,069)</u>	<u>(2,685,528)</u>
Net cash provided by (used in) operating activities	<u>(2,106,505)</u>	<u>(2,946,318)</u>
Cash flows from capital and related financing activities:		
Principal Repayment on Long-Term Debt	(7,449,119)	(7,288,840)
Proceeds from bond issuance	-	-
Interest Paid on Long-Term Debt	(2,468,114)	(2,789,084)
Capital contributions from City	16,733,606	15,477,997
Commonwealth's Development Opportunity Fund proceeds	-	950,000
Capitalized construction expenses	(25,600)	(1,358,352)
Charity Golf Outing Proceeds, net	2,022	(7,544)
Transfer from Special Fund	-	-
Net cash provided by (used in) capital and related financing activities	<u>6,792,795</u>	<u>4,984,177</u>
Cash flows from investing activities:		
Interest	37,112	36,713
Net cash provided by (used in) investing activities	<u>37,112</u>	<u>36,713</u>
Net increase (decrease) in cash and cash equivalents	4,723,402	2,074,572
Cash and cash equivalents at beginning of year	13,554,444	11,479,872
Cash and cash equivalents at end of year	<u>\$ 18,277,846</u>	<u>13,554,444</u>
Classified as:		
Current assets	9,533,603	9,943,834
Restricted assets	8,744,243	3,610,610
	<u>18,277,846</u>	<u>13,554,444</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (7,533,957)	(5,010,953)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	3,949,029	3,317,661
Effects of Changes in operating assets and liabilities		
Receivables, net	5,286,764	1,596,449
Accounts and other payables	(3,896,107)	(2,643,568)
Land Inventory	87,766	(205,907)
Net cash provided by (used in) operating activities	<u>\$ (2,106,505)</u>	<u>(2,946,318)</u>
Noncash transactions:		
Amortization on bond discount/premium	\$ (70,763)	(120,539)
EDIP Appropriations	\$ 3,384,890	2,476,760

See accompanying notes to financial statements.

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements  
June 30, 2020 and 2019

**(1) Summary of Significant Accounting Policies**

**Narrative Profile**

The City of Virginia Beach (the City) Development Authority (the Authority) was established by an act of the Virginia General Assembly in 1964 to facilitate expansion of the City's tax base through increased business investment and to create employment opportunities within the City. A commission composed of eleven commissioners appointed by the Virginia Beach City Council governs the Authority.

The Authority is considered a component unit of the City for reporting purposes and, as such, will be a blended component unit in the Comprehensive Annual Financial Report of the City of Virginia Beach. Future funding and ongoing cash flows of the Authority are dependent on the City.

In evaluating how to define the Authority, for financial reporting purposes, management has determined that there are no entities over which the Authority exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Authority. Since the Authority does not exercise significant influence or accountability over other entities, it has no component units.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP), as specified by the Governmental Accounting Standards Board (GASB). The more significant of the Authority's accounting policies are described below.

The Authority assists in the business/industry location and retention process by acquiring, developing and reselling land, issuing Industrial Revenue Bonds, and administering the Economic Development Investment Program (EDIP). Beginning in 1995, the Authority's mission was expanded to include facilitating economic development projects for the City in order to contribute to the City's economic growth and financial health. This facilitation has been in the structuring of public-private partnerships between the City and private entities.

**(A) *Basis of Financial Reporting***

GASB has established requirements and a reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is like analysis the private sector provides in their annual reports.

Basic Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets, deferred outflows/inflows of resources, and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter

# CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

## Notes to Financial Statements

June 30, 2020 and 2019

Statement of Net Position – The Statement of Net Position is designed to display the financial position of the Authority (government and business-type activities). Governments report all capital assets, including infrastructure, and deferred outflows/inflows of resources in the government-wide statement of net position and report depreciation expense – the cost of “using up” capital assets – in the statement of activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities – The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the Authority’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

### **(B) *Basic Financial Statements***

In the statement of net position, all assets and liabilities of the Authority are reflected on a full accrual, and economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The restricted cash and cash equivalents are used for specific purposes and capital projects. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The program revenues must be directly associated with the function or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The Authority does not allocate indirect expenses.

### **(C) *Measurement Focus and Basis of Accounting***

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows and all liabilities and deferred inflows associated with the operation of these activities are included on the statement of net position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

The financial statements are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority Operations fund include the sale of land within Authority corporate parks, administrative fees for the issuance of Industrial Revenue Bonds, and lease income. Operating expenses include the cost of land sold, selling and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
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**(D) *Capital Assets***

All capital assets are stated at cost. Capital assets are defined as assets with initial, individual costs exceeding a \$5,000 threshold. Depreciation is computed on the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	5-10 years
Equipment	5-10 years

A full month's depreciation is taken in the month an asset is placed in service unless otherwise stated. When property and equipment are disposed, the cost of those assets and depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the Authority's Proprietary Fund.

**(E) *Land/Building Inventory***

Land is stated at acquisition cost plus improvements and capitalized interest, if applicable, but not in excess of net realizable value. Transfers of land from the City to the Authority are recorded at the same carrying value so that no gain or loss is recognized. Capitalized costs of projects are assigned to individual components of the projects based on specific identification. If specific identification is not practicable, capitalized costs are allocated to each parcel benefited, based on relative fair value before construction. As land is sold, all costs associated with that land are charged to cost of land sold.

There were no sales or transfers of land inventory in fiscal year 2020.

In fiscal year 2019, the Authority sold approximately 10.7 acres of land located at Corporate Landing Business Park to Virginia Beach IX, LP. This sale decreased the property inventory on the Authority's books by \$514,880.

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
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**(F) *Miscellaneous***

**Cash, Cash Equivalents, and Investments**

The Authority has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Investments are stated at amortized cost or at their fair value. Interest earnings on investments are allocated to the appropriate restricted cash account based on the average monthly cash balance. For purposes of the statement of cash flows, all highly liquid debt instruments and certificates of deposit, regardless of maturity date, are grouped into cash and cash equivalents.

**Restricted Cash**

Restricted cash includes: 1) option deposits on land; 2) state incentive grants; 3) funds for capital and structural improvements and repairs and maintenance to the Social Services facility; 4) funds for the EDIP; 5) funds for the Bio-Initiative; 6) funds for capital and structural improvements and repairs and maintenance to the Virginia Beach National Golf Course facility; 7) funds held to provide an interest-free loan for the development of a Little League park; and 8) funds held for the Vibe District Matching Grant program.

**Accounts Receivable**

Where appropriate, trade receivables are shown net of an allowance for doubtful accounts.

**Bond Premiums and Discounts**

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds are reported net of the applicable bond premium or discount. Per City policy, premiums and discounts are only allocated to the Authority when the related bonds are issued to acquire an asset that will be owned by the Authority.

**Deferred Outflows and Inflows of Resources**

Deferred outflows of resources consist of the amount by which the principal and premium of a refunding bond that exceeded the net carrying amount of the refunded debt. The deferred outflow is being amortized over the remaining life of the refunded debt or the life of the newly issued debt, whichever is shorter.

Deferred inflows of resources consist of the amount by which the net carrying amount of refunded debt exceeded the principal and premium of a refunding bond. The deferred inflow is being amortized over the remaining life of the refunded debt or the life of the newly issued debt, whichever is shorter.

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**(G) *On-behalf payments - Compensation***

The Authority's operations are managed by City employees. The City also provides accounting, cash collections, debt service and legal services for the Authority. The employee's time and City services rendered to the Authority are performed in conjunction with the employee's regular duties and routine services.

**(2) Cash and Cash Equivalents**

The Authority's June 30, 2020 bank balance was fully covered by the Federal Depository Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). Under the Act, banks and savings and loans holding public deposits in excess of the amounts insured by FDIC must pledge collateral to secure those public deposits in amounts set by regulations or action of the Treasury Board. Banks and savings and loans holding public deposits have two methods to secure Virginia public deposits: the dedicated method or the pooled method.

Under the dedicated method, public depositories can secure public deposits without accepting the contingent liability for the losses of public deposits of other qualified public depositories. Because the Commonwealth can only look to the collateral pledged by the depository choosing the dedicated method to cover any losses of deposits if the depository fails, the collateral required to be pledged and the reporting requirements under the dedicated method are more stringent than under the pooled method. Depositories choosing the dedicated method must pledge collateral between 105% to 130% of the public deposit balances net of FDIC based on the financial condition of the depository. Dedicated depositories are required to report their public deposit balances and the market value of pledged collateral on a weekly basis.

Under the pooled method, public depositories accept a contingent liability for the possible loss of public deposits from the failure of other public depositories that choose the pooled method. In the event of the failure of a pooled depository, the Treasury Board would first look to the collateral pledged by the failed depository to recover the loss of public deposits. If the realized value of the pledged collateral of the failed depository is not sufficient to cover the loss of public deposits at the failed depository, the Treasury Board will assess the remaining loss against the other depositories in the pool based on average public deposit balances held by pooled depositories during the previous twelve months.

For pooled banks and savings and loans, the collateral requirements approved by the Treasury Board in February 2009 are now effective. For the first \$50 million in public deposits, the bank is required to pledge 50% collateral. For public deposits between \$50 million and \$250 million, the bank is required to pledge 75% collateral. For public deposits over \$250 million, the bank is required to pledge 100% collateral. Based on their financial condition, the Treasury Board may require some pooled banks to pledge 100% collateral.

The Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local officials of compliance by banks and savings and loans.

The Authority had a balance of \$0 and \$1.89 million invested in certificates of deposit and certificates of deposit account registry services programs at June 30, 2020 and 2019, respectively.



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The reconciliations of total cash and cash equivalents to the entity-wide financial statements at June 30, 2020 and 2019 are as follows:

	<u>Total</u> <u>June 30, 2020</u>	<u>Total</u> <u>June 30, 2019</u>
Cash and Cash Equivalents - Union Bank	\$ 9,533,603	9,943,834
Restricted Cash and Cash Equivalents -		
Option deposits on land	10,000	50,000
State funded incentive grants	950,000	950,000
Internet connectivity grant	-	140,000
Little League loan funding	250,000	-
Bio Initiative	3,457,058	1,368,355
Social Services capital reserve	1,362,089	819,850
EDIP	110,886	164,633
EDIP Part E Small Business Assistance	2,500,000	-
EDIP Town Center capital reserve	-	5,700
Virginia Beach National Capital Reserve	98,697	75,634
Security Deposits	-	-
Vibe District Matching Grant	5,513	36,438
Total Restricted Cash and Cash Equivalents	<u>8,744,243</u>	<u>3,610,610</u>
Total	\$ <u><u>18,277,846</u></u>	<u><u>13,554,444</u></u>

**(3) Restricted Cash and Cash Equivalents**

Option deposits held in escrow are not available for operations. The deposits are normally applied to the sale price of optioned land if the sale is consummated, or forfeited in the event the option holder elects not to exercise the option. In the event the Authority is unable to satisfy its obligations stated in the option agreements, the option deposits would be fully refundable to the option holder. Option deposits were \$10,000 and \$50,000 in the Authority Operations fund at June 30, 2020 and 2019, respectively.

Bio Initiatives funding of \$2,324,447 and \$750,000 was provided to the Authority in fiscal years 2020 and 2019, respectively, to support focus areas identified by the Bio-Medical Task Force. The programs goal is to drive new companies and start-ups to our region, especially to the Princess Anne Commons Biomedical cluster. Bio Initiative cash at June 30, 2020 and 2019 was \$3,457,058 and \$1,368,355, respectively.

The Social Services Facility reserve accounts at June 30, 2020 and 2019 were \$1,362,089 and \$819,850, respectively. These funds are reserved for capital and structural improvements, maintenance, and repairs to the facility in accordance with the lease agreement (See note 10).

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The EDIP accounts were established in February 1994 through funds that the City appropriated from the Capital Improvement Program EDIP Project for economic development activities. This program represents annual funding from the City to the Authority to be used for on-site and off-site infrastructure needs as well as training expenses for businesses meeting certain criteria. Businesses having received EDIP awards or projects having received EDIP funding are reimbursed for qualifying expenses out of these accounts. EDIP cash and cash equivalents in the Operations Fund at June 30, 2020 and 2019 were \$110,886 and \$164,633 respectively. During fiscal year 2020, City Council approved \$2,500,000 of EDIP funding to help small businesses impacted by the COVID-19 pandemic (EDIP Part E). In the Operations Fund at June 30, 2020, the balance of the EDIP Part E funding was \$2,500,000.

Beginning in April of 2008, the VBDA began receiving a percentage of gross receipts from Virginia Beach National Golf Course (formerly known as TPC Golf Course) to fund capital maintenance and repairs to the facility. These payments are received on a monthly basis per the management agreement. At June 30, 2020 and 2019, the balance of the Virginia Beach National capital reserve account was \$98,697 and \$75,634, respectively.

**(4) Receivables**

Receivables at June 30, 2020 and 2019 consist of the following:

	<b>Total</b>	<b>Total</b>
	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Authority Operations	\$ 34,927	39,068
Due from City of Virginia Beach	147,718	157,342
Vanguard Landing loan	2,850,406	2,850,406
Virginia Beach National long-term maintenance	24,177	27,924
Security Deposit - Bio Accelerator	9,986	
EDIP appropriations from City	<u>5,917,522</u>	<u>8,032,632</u>
Gross accounts receivable	8,984,736	11,107,372
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>
Accounts receivable, net	<u>\$ 8,984,736</u>	<u>11,107,372</u>

In fiscal year 2014, the Authority authorized an interest-free loan of \$2,850,406 to Vanguard Landing Inc. for a project that provides residential and employment opportunities for persons with intellectual difficulties. The Authority is serving as a conduit for the pass through of the 15-year secured loan. The agreement calls for annual repayments beginning February 2022, with all principal being due February 2029.

The allowance for uncollectible accounts is determined principally on the basis of past collection experience as well as consideration of current economic conditions and changes in collection trends. Based on these factors, no allowance was deemed necessary.

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**(5) Capital Assets**

The following schedules summarize the capital assets of the Authority as of June 30, 2020 and 2019:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2020</u>
Operations Fund:				
Non-depreciable assets:				
Other non-depreciable assets	\$ 1,130,390	\$ -	\$ -	\$ 1,130,390
Construction in progress	1,184,959	292,279	(1,096,760)	380,478
Land	22,934,918	-	-	22,934,918
capitalized interest	-	-	-	-
Total non-depreciable assets	<u>25,250,267</u>	<u>292,279</u>	<u>(1,096,760)</u>	<u>24,445,786</u>
Depreciable assets:				
Buildings	146,805,314	-	-	146,805,314
Equipment and fixtures	565,065	-	1,096,760	1,661,825
Total depreciable assets	<u>147,370,379</u>	<u>-</u>	<u>1,096,760</u>	<u>148,467,139</u>
Less Accumulated Depreciation for:				
Buildings	(39,566,165)	(3,795,032)	-	(43,361,197)
Equipment and fixtures	(418,740)	(58,145)	-	(476,885)
Total accumulated depreciation	<u>(39,984,905)</u>	<u>(3,853,177)</u>	<u>-</u>	<u>(43,838,082)</u>
Capital Assets, Net	<u>\$ 132,635,741</u>	<u>\$ (3,560,898)</u>	<u>\$ -</u>	<u>\$ 129,074,843</u>

	<u>Balance</u> <u>June 30, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2019</u>
Operations Fund:				
Non-depreciable assets:				
Other non-depreciable assets	\$ 1,130,390	\$ -	\$ -	\$ 1,130,390
Construction in progress	1,223,812	1,358,352	(1,397,205)	1,184,959
Land	19,326,870	3,608,048	-	22,934,918
Total non-depreciable assets	<u>21,681,072</u>	<u>4,966,400</u>	<u>(1,397,205)</u>	<u>25,250,267</u>
Depreciable assets:				
Buildings	119,368,147	26,039,962	1,397,205	146,805,314
Equipment and fixtures	565,065	-	-	565,065
Total depreciable assets	<u>119,933,212</u>	<u>26,039,962</u>	<u>1,397,205</u>	<u>147,370,379</u>
Less Accumulated Depreciation for:				
Buildings	(36,361,639)	(3,204,526)	-	(39,566,165)
Equipment and fixtures	(401,457)	(17,283)	-	(418,740)
Total accumulated depreciation	<u>(36,763,096)</u>	<u>(3,221,809)</u>	<u>-</u>	<u>(39,984,905)</u>
Capital Assets, Net	<u>\$ 104,851,188</u>	<u>\$ 27,784,553</u>	<u>\$ -</u>	<u>\$ 132,635,741</u>

At June 30, 2020 and 2019, depreciation expense related to capital assets was \$3,853,177 and \$3,221,809, respectively.

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**(6) Accounts Payable, Accrued Liabilities and Unearned Revenues**

Accounts payable and accrued liabilities at June 30, 2020 and 2019 consist of the following:

	<b>Authority Operations Fund</b>	<b>Total 2020</b>
Accounts payable	\$ 104,608	\$ 104,608
Accounts Payable-City	125,436	125,436
Accounts Payable-COF	950,000	950,000
Accounts Payable-Vibe	5,513	5,513
Total Accounts Payable	1,185,557	1,185,557
Accrued interest	537,684	537,684
Total Accrued Liabilities	\$ 537,684	\$ 537,684
Option deposits	10,000	10,000
Security deposits	-	-
Total Liabilities payable from restricted assets	\$ 10,000	\$ 10,000
Unearned Revenue-EDIP	8,528,409	8,528,409
Advances from City	630,478	630,478
Golf Course	122,874	122,874
Pedestrian Bridge	-	-
ITA Study	-	-
Bio Initiative	3,457,058	3,457,058
Deferred Revenue	-	-
Total Unearned Revenues	\$ 12,738,819	\$ 12,738,819

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	<b>Authority Operations Fund</b>	<b>Total 2019</b>
Accounts payable	\$ 537,090	\$ 537,090
Accounts Payable-CIP	-	-
Accounts Payable-City	37,841	37,841
Accounts Payable-COF	950,000	950,000
Accounts Payable-Vibe	36,438	36,438
Accounts Payable-EDIP	8,202,965	8,202,965
Total Accounts Payable	9,764,334	9,764,334
Accrued interest	806,131	806,131
Total Accrued Liabilities	\$ 806,131	\$ 806,131
Option deposits	50,000	50,000
Security deposits	-	-
Total Liabilities payable from restricted assets	\$ 50,000	\$ 50,000
Advances from City	253,799	253,799
Golf Course	103,226	103,226
Pedestrian Bridge	-	-
ITA Study	-	-
Bio Initiative	1,368,355	1,368,355
Deferred Revenue	213	213
Total Unearned Revenues	\$ 1,725,593	\$ 1,725,593

On December 7, 2006, the City Council appropriated \$350,000 for the operating expenses associated with the TPC Golf Course facility. After all expenses were incurred, the remaining funding was retained for future capital maintenance and repairs to the facility. In addition, the Authority began receiving a percentage of gross revenues on a monthly basis from Virginia Beach National Golf Course (formerly known as TPC) in April of 2008, and this funding is restricted for capital repairs and maintenance to the facility. At June 30, 2020 and 2019, the outstanding balance in the accounts payable-Golf Course account was \$122,874 and \$103,226.

Bio Initiatives funding of \$2,324,447 and \$750,000 was provided to the Authority in fiscal years 2020 and 2019 to support focus areas identified by the Bio-Medical Task Force. The programs goal is to drive new companies and start-ups to our region, especially to the Princess Anne Commons Biomedical cluster. Bio Initiative cash at June 30, 2020 and 2019 was \$3,457,058 and \$1,368,355, respectively.

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**(7) Long-Term Debt**

**(A) Revenue Bonds**

The Authority issues revenues bonds from time to time for the purpose of financing capital improvements and new projects. In June of 2014, the Authority acted as the conduit issuer for \$44,975,000 in Series 2014A Public Facility Revenue Bonds at the request of the City of Virginia Beach. The Authority's financial statements only reflect \$18,781,631 in Series 2014A Public Facility Revenue Bonds. In fiscal year 2015, the bond proceeds were used to purchase the Block 11 Parking Garage located in Town Center. The City's share of the bond proceeds were used to finance various public facilities, including the replacement of the Bow Creek Community Recreation Center, the construction of the consolidated Old Donation Center/Kemps Landing Magnet school, a Revenue Assessment and Collection System, renovation to school HVAC systems, and roadway improvements at Burton Station Road, Centerville Turnpike, Laskin Road, Pacific Avenue, and Greenwich Road. The Authority and the City entered into a support agreement, dated June 1, 2014, whereby the City supports all Authority financial obligations (principal and interest payments) regarding the bonds. The source of the City's support for the Town Center Public Parking Garage portion of these issues is the CBD-South Tax Increment Financing District. The Authority's bond proceeds are presented in the business-type activity statements. The Bonds' interest rates ranged from 2.00% to 5.00% for Series 2014A. The final payment on Series 2014A is due May 2034.

In March of 2018, the Authority acted as the conduit issuer for \$33,395,000 in Series 2018A Public Facility Revenue Bonds at the request of the City of Virginia Beach. The Authority's financial statements only reflect \$2,955,000 in Series 2018A Public Facility Revenue Bonds. In fiscal year 2019, the bond proceeds were used to purchase the Block 9 public plaza and elevate the Zeiders American Dream Theater located in Town Center. The City's share of the bond proceeds were used to finance various public facilities, including the modernization/replacement of John B. Dey Elementary, Thoroughgood Elementary, and Princess Anne Middle Schools, the construction of the Adam Thoroughgood House Visitor Center, a Revenue Assessment and Collection System, and roadway improvements at 19<sup>th</sup> Street, 29<sup>th</sup> Street, Burton Station Road, Laskin Road, Pacific Avenue, and Greenwich Road. The Authority and the City entered into a support agreement whereby the City supports all Authority financial obligations (principal and interest payments) regarding the bonds. The source of the City's support for the Town Center Public Parking Garage portion of these issues is the CBD-South Tax Increment Financing District. The Authority's bond proceeds are presented in the business-type activity statements. The Bonds' interest rates ranged from 3.00% to 5.00% for Series 2018A. The final payment on Series 2018A is due April 2038.

**(B) Long-term debt activities for the year ended June 30, 2020 and 2019 were as follows:**

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	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Business-type activities/Authority					
Operations Fund					
Bonds and notes payable:					
Public facility revenue bonds	\$ 58,312,109	11,176,848	(20,149,732)	49,339,225	7,373,672
	<u>58,312,109</u>	<u>11,176,848</u>	<u>(20,149,732)</u>	<u>49,339,225</u>	<u>7,373,672</u>
Add: Bond premium	1,796,969	805,243	(126,617)	2,475,595	-
Less: Bond discount	(55,854)	-	55,854	-	-
Business- Type Activities/Authority					
Long-Term Debt	\$ 60,053,224	11,982,091	(20,220,495)	51,814,820	7,373,672

The requirements to amortize all long-term bonds and notes payable as of June 30, 2020, including interest payments of \$9,026,962 are summarized as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2021	7,373,672	1,882,678
2022	7,784,383	1,680,970
2023	8,080,363	1,301,877
2024	5,484,215	1,015,598
2025	4,902,919	789,965
2026-2030	10,738,313	1,839,266
2031-2035	4,540,360	487,791
2036-2040	435,000	28,817
	<u>\$ 49,339,225</u>	<u>\$ 9,026,962</u>

**(C) Advance Refunding Revenue Bonds**

On May 25, 2010, the City issued \$98.035 million of Public Facility Refunding Revenue Bonds, Series 2010B and \$40.45 million of Public Facility Refunding Revenue Bonds, Series 2010C. The refunding bonds combined with \$19.03 million in premiums to provide resources to purchase U.S. Government, State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$137.5 million of Public Facility Revenue bonds. Included in the bonds sold were \$37.015 million in Public Facility Refunding Revenue Bonds to refund debt currently held by the Virginia Beach Development Authority (VBDA). As a result, the refunded bonds are defeased and the liability has been removed from the VBDA's statement of net position. The principal and premium of the refunding bonds exceeded the net carrying amount of the old debt currently held by VBDA by \$1,540,000. This amount is being amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This current and advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$6.36 million and resulted in an economic gain of \$4.1 million. The final payments on Series 2010B and 2010C are due August 2020.

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In June 2014, the City issued \$20.32 million of Public Facility Refunding Revenue Bonds, Series 2014B. The refunding achieved debt service savings by refinancing all or portions of certain Public Facility Revenue Bonds, Series 2005A previously issued by the Authority on behalf of the City. Included in the bonds sold were \$5.206 million in Public Facility Refunding Revenue Bonds to refund debt currently held by the VBDA. As a result, the refunded bonds are defeased and the liability has been removed from the VBDA's statement of net position. The net carrying amount of the old debt exceeded the principal and premium of the refunding bonds by \$289,016. This amount is being amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$.48 million and resulted in an economic gain of \$.41 million. The final payment on Series 2014B is due May 2025.

In June 2015, the City issued \$34.89 million of Public Facility Refunding Revenue Bonds, Series 2015B. The refunding achieved debt service savings by refinancing all or portions of certain Public Facility Revenue Bonds, Series 2007A previously issued by the Authority on behalf of the City. Included in the bonds sold were \$9.436 million in Public Facility Refunding Revenue Bonds to refund debt currently held by the VBDA. As a result, the refunded bonds are defeased and the liability has been removed from the VBDA's statement of net position. The net carrying amount of the old debt exceeded the principal and premium of the refunding bonds by \$640,447. This amount is being amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payment over the next 12 years by \$.95 million and resulted in an economic gain of \$.83 million. The final payment on Series 2015B is due July 2027.

In November 2016, the City issued \$7.88 million of Public Facility Refunding Revenue Bonds, Series 2016B. The refunding achieved debt service savings by refinancing all or portions of certain Public Facility Revenue Bonds, Series 2005B and 2007B previously issued by the Authority on behalf of the City. The full balance of the bonds sold was to refund debt currently held by the VBDA. As a result, the refunded bonds are defeased and the liability has been removed from the VBDA's statement of net position. The net carrying amount of the old debt fell under the principal and discount/premium of the refunding bonds by \$166,839. This amount is being amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payment over the next 12 years by \$1.2 million and resulted in an economic gain of \$1.14 million. The final payment on Series 2016B is due May 2028.

In June 2020, the City issued \$11.18 million of Public Facility Refunding Revenue Bonds, Series 2020B. The refunding achieved debt service savings by refinancing all or portions of certain Public Facility Revenue Bonds, Series 2010B and 2010C previously issued by the Authority on behalf of the City. The full balance of the bonds sold was to refund debt currently held by the VBDA. As a result, the refunded bonds are defeased and the liability has been removed from the VBDA's statement of net position. The net carrying amount of the old debt exceeded the principal and discount/premium of the refunding bonds by \$718,522. This amount is being amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payment over the next 4 years by \$1.6 million and resulted in an economic gain of \$.7 million. The final payment on Series 2020B is due August 2023.





**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
 Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements  
 June 30, 2020 and 2019

**(10) Lease Income**

Lease income as reflected in the statements of revenues, expenses, and changes in net position was \$2,035,136 and \$2,164,585, respectively for the years ended June 30, 2020 and 2019. The following is a detailed list of the revenue earned:

	<b>2020</b>	<b>2019</b>
Social Services Facility	\$ 574,928	574,928
Amphitheater rent	271,386	261,121
Virginia Beach National Operations Rent/Profit-Sharing	119,077	110,505
Heron Ridge Basic Rent / Profit Sharing	6,501	11,442
Town Center Garage	237,316	329,445
31st Street Garage	201,364	151,148
9th Street Garage	584,564	725,996
Corporate Landing Conduit	40,000	—
	\$ 2,035,136	2,164,585

**(A) Social Services Facility**

In 1998, the Authority entered a 20-year operating lease with the City that expired February 1, 2018. In 2019, the lease was amended to exercise the first of three four-year renewal terms. The City pays annual rent of \$574,928 which is placed in a reserve to be used as needed for capital and structural improvements, maintenance, and repair of the facility (see note 3).

The following schedule shows the composition of the Authority's investment in property under this lease:

	<b>2020</b>	<b>2019</b>
Social Services Facility (including land)	\$ 9,497,137	9,497,137
Less accumulated depreciation	(3,887,999)	(3,713,071)
Net investment in property held for lease	\$ 5,609,138	5,784,066

Minimum future rental income on this lease as of June 30, 2020 is as follows: 2021, \$574,928; 2022, \$574,928; 2023, \$574,928; 2024, \$574,928.

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements  
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**(B) *Amphitheater***

The Amphitheater Lease Agreement provides that Cellar Door Venues, Inc. (Cellar Door) will pay the Authority rent having three components: ground rent, basic rent, and supplemental rent. Ground rent is the sum of \$120,000 offset and reduced by the total amount of Amphitheater leasehold (real estate) taxes paid to the City during the calendar year. Cellar Door also pays basic rent to the Authority in an amount equal to 10% of adjusted ticket revenues (offset by admissions taxes paid to City), 5% of adjusted sponsorship revenues, and 5% of adjusted parking revenues paid during the year. Minimum basic rent was \$610,000 annually (before reduction of admissions taxes, parking and sponsorship revenues) until the City recovered its investment in 2008, after which time the Authority was able to retain an administrative fee. In addition, Cellar Door was also responsible for the payment of supplemental rent in the amount of \$200,000 every fifth year beginning in December of 2005. Supplemental rent was to be paid to the Authority until 2025, or until the City recovered its investment, which occurred in 2010. Section 3.2 of the Amphitheater Coordination Agreement provides that the Authority shall remit to the City an amount equal to all rent received from Cellar Door under the Lease Agreement, less an administrative fee. The lease expires December 31, 2031.

The Authority does not record any investment in the property.

Minimum future rental income on this lease cannot be determined in advance, but will be calculated based on the terms specified above.

Due to the ongoing COVID-19 pandemic, the Amphitheater is unable to offer any performances for the foreseeable future and has been forced to cancel its 2020 summer concert series.

**(C) *TPC Golf Course/Virginia Beach National Golf Course***

In 1997, the Authority and TPC of Virginia Beach, L.L.C. (TPC) executed a sublease agreement, which ends in October 2037. The basic rent is offset and reduced by the total amount of taxes paid by TPC or TPC's concessionaires to the City during the calendar year.

On October 30, 2006, the sublease agreement between the Authority and TPC of Virginia Beach, L.L.C. was terminated, and the Authority purchased the course land and assets on December 29, 2006. TPC continued to operate the course through March 31, 2007, and basic rent for calendar year 2006 was due and received.

A new operating agreement between the Authority and Virginia Beach Golf Club, L.L.C. was signed on March 30, 2007, and the name of the course was changed to Virginia Beach National Golf Course effective April 1, 2007. The initial term of the agreement ended December 31, 2011 and was extended at the mutual option of the Authority and Virginia Beach Golf Club, L.L.C. for three additional two-year terms. In fiscal year 2018, the lease was amended and extended to December 31, 2021. The rent due to the Authority includes 10% of gross revenues and 12% of golf course fee revenues paid monthly (which are split between operations rent and future capital maintenance and repairs to the facility) as well as a profit sharing payment equal to 25% of net income generated by the Golf Course Facility in excess of \$100,000 during each calendar year.

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**

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Notes to Financial Statements  
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Because of the start-up costs incurred by Virginia Beach Golf Club, the Authority agreed to an abatement of the monthly rental payments (but not profit sharing) during the period April 1, 2007 through March 31, 2008. Beginning April 1, 2008, the Authority began receiving monthly rental payments in accordance with the lease agreement.

The following schedule shows the composition of the Authority's investment in property under this lease:

	<u>2020</u>	<u>2019</u>
Virginia Beach National Golf Course (including land)	\$ 4,636,163	4,636,163
Less accumulated depreciation	<u>(1,890,742)</u>	<u>(1,762,294)</u>
Net investment in property held for lease	<u>\$ 2,745,421</u>	<u>2,873,869</u>

Minimum future rental income on this lease cannot be determined in advance, but will be calculated based on the terms specified above.

**(D) Heron Ridge Golf Course**

In December 1997, the Authority and Heron Ridge Golf Club, L.C. (HRGC) executed a sublease agreement, which ends in December 2037. The basic rent is \$90,000 and is offset and reduced by the total amount of taxes paid by HRGC or HRGC's concessionaires to the City during the calendar year.

The Authority does not record any investment in the property.

Minimum future rental income on this lease cannot be determined in advance, but will be calculated based on the terms specified above.

**(E) Town Center**

As part of the Town Center Phase I Development Agreement, the Authority has the right to lease the Developer up to 178 of the parking spaces in the Town Center Parking Garage (Block 4). The Master Agreement pertaining to this lease arrangement as well as the Authority's right to lease up to 10,196 square feet of vault space located in the Town Center Parking Garage (Block 4) was executed in December 2002 with a 30-year term. At June 30, 2020, parking and vault spaces were being leased at monthly rates of approximately \$125 per space and \$1 - \$2 per rental square foot, respectively.

The following schedule shows the composition of the Authority's investment in property under this lease:

	<u>2020</u>	<u>2019</u>
Town Center Block 4 Garage (including land)	\$ 22,875,431	22,875,431
Less accumulated depreciation	<u>(9,518,299)</u>	<u>(8,976,974)</u>
Net investment in property held for lease	<u>\$ 13,357,132</u>	<u>13,898,457</u>

Minimum future rental income on this lease cannot be determined in advance, but will be calculated based on the terms specified above.

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June 30, 2020 and 2019

As part of the Phase II Development Agreement, the Authority has the right to lease the Developer 85 of the parking spaces in the Town Center Parking Garage (Block 10). The agreement was executed in in June 2003 with a 30-year term. At June 30, 2020, residential parking spaces were being leased at monthly rates of approximately \$65 per space.

The Authority also has the right to lease the Developer 1,365 square feet of storage space in the Town Center Parking Garage (Block 12). In June 2007, the Authority approved a lease agreement for the initial term of 20 years. The yearly rent is \$5 per square foot, escalating 3% each year. If the Developer is unable to sublease the storage space, all rent payments are suspended while the storage space is vacant.

The following schedule shows the composition of the Authority's investment in property under the Block 10 lease:

	<u>2020</u>	<u>2019</u>
Town Center Block 10 Garage (including land)	\$ 13,616,672	13,616,672
Less accumulated depreciation	(4,747,108)	(4,421,592)
Net investment in property held for lease	<u>\$ 8,869,564</u>	<u>9,195,080</u>

Minimum future rental income on this lease cannot be determined in advance, but will be calculated based on the terms specified above.

The following schedule shows the composition of the Authority's investment in property under the Block 12 lease:

	<u>2020</u>	<u>2019</u>
Town Center Block 12 Garage (including land)	\$ 4,465,983	4,465,983
Less accumulated depreciation	(1,371,590)	(1,282,622)
Net investment in property held for lease	<u>\$ 3,094,393</u>	<u>3,183,361</u>

Minimum future rental income on this lease cannot be determined in advance, but will be calculated based on the terms specified above.

As part of the Phase III Development Agreement, the Authority has the right to lease the Developer 72 of the parking spaces in the Town Center Parking Garage (Block 7). This agreement was executed in September 2005 with a 30-year term. At June 30, 2020, residential and commercial parking spaces were being leased at monthly rates of approximately \$65 and \$125 per space, respectively.

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
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The following schedule shows the composition of the Authority's investment in property under this lease:

	<b>2020</b>	<b>2019</b>
Town Center Block 7 Garage (including land)	\$ 17,041,170	17,041,170
Less accumulated depreciation	(5,166,440)	(4,755,862)
Net investment in property held for lease	\$ 11,874,730	12,285,308

Minimum future rental income on this lease cannot be determined in advance, but will be calculated based on the terms specified above.

As part of the Phase V Development Agreement, the Authority has the right to lease the Developer 91 of the parking spaces in the Town Center Parking Garage (Block 11). This agreement was executed in October 2012 with a 30-year term. At June 30, 2020, residential and commercial parking spaces were being leased at monthly rates of approximately \$65 and \$125 per space, respectively.

The following schedule shows the composition of the Authority's investment in property under this lease:

	<b>2020</b>	<b>2019</b>
Town Center Block 11 Garage (including land)	\$ 20,119,490	20,119,490
Less accumulated depreciation	(2,580,500)	(2,104,100)
Net investment in property held for lease	\$ 17,538,990	18,015,390

Minimum future rental income on this lease cannot be determined in advance, but will be calculated based on the terms specified above.

**(F) 31<sup>st</sup> Street Garage**

In July 2003, the 31<sup>st</sup> Street Garage Deed of Lease Agreement was executed. This provides that in 2005, Thirty-First Street, L.C. will begin paying the Authority parking rent having three components: basic rent, special basic rent, and additional rent. Basic rent is payable in equal monthly installments. Special basic rent is payable annually in advance on the first day of each lease year. Additional rent is based upon a percentage of hotel room revenues, not to exceed a maximum amount, and is payable at the end of each lease year. In addition, Thirty-First Street, L.C. is also responsible for the payment of retail rent in the amount of \$15 per square foot of retail space. Retail rent is payable in equal monthly installments. Article XIII.B.7 of the Development Agreement provides for an annual rent credit of \$260,000 for the first 25 years of the lease. The term of the lease is 65 years which expires June 30, 2070.

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Notes to Financial Statements  
June 30, 2020 and 2019

The following schedule shows the composition of the Authority's investment in property under this lease:

	<u>2020</u>	<u>2019</u>
31st Street Garage (including land)	\$ 17,507,500	17,507,500
Less accumulated depreciation	<u>(5,158,063)</u>	<u>(4,816,092)</u>
Net investment in property held for lease	<u>\$ 12,349,437</u>	<u>12,691,408</u>

Minimum future rental income before operations/maintenance credits on this lease as of June 30, 2020 is as follows: 2021, \$401,458; 2022, \$401,458; 2023, \$401,458; 2024, \$401,458; 2025, \$401,458.

**(G) 9<sup>th</sup> Street Garage**

On March 31, 2005, the Authority used proceeds from Public Facility Revenue Bonds to purchase the 9<sup>th</sup> Street Parking Garage for \$9,750,000. The garage consists of 664 spaces; however, only 610 spaces are available for public parking. The remaining 54 spaces are under a long-term lease agreement that was signed prior to the Authority's purchase of the Parking Garage. The garage is operated by the City of Virginia Beach. Public parking is available for purchase at rates established by the City of Virginia Beach.

The following schedule shows the composition of the Authority's investment in property under this lease:

	<u>2020</u>	<u>2019</u>
9th Street Garage (including land)	\$ 9,750,000	9,750,000
Less accumulated depreciation	<u>(3,737,500)</u>	<u>(3,493,750)</u>
Net investment in property held for lease	<u>\$ 6,012,500</u>	<u>6,256,250</u>

Minimum future rental income from this lease cannot be determined in advance, but will be calculated based on the terms above.

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
 Component Unit of the City of Virginia Beach, Virginia

Notes to Financial Statements  
 June 30, 2020 and 2019

**(H) 110 S Independence Blvd Building**

In August 2009, the Authority purchased the former Circuit City building located at 110 South Independence Blvd for \$5,033,213. While the building is vacant, the Authority is maintaining the utilities and periodic inspections are carried out by City of Virginia Beach staff to ensure the site can be ready for a future rental prospect.

The following schedule shows the composition of the Authority’s investment in property under this lease:

	<b>2020</b>	<b>2019</b>
110 S Independence Blvd (including land)	\$ 5,033,213	5,033,213
Less accumulated depreciation	(1,049,942)	(952,273)
Net investment in property held for lease	\$ 3,983,271	4,080,940

There is no minimum future rental income for this property as of June 30, 2020.

**(11) Advances from City of Virginia Beach**

Advances from the City of Virginia Beach represent funds that have been provided, by the City, to the Authority for the construction of capital projects. When construction is complete, the capital asset reverts to the City or is held in the Authority’s Proprietary Fund. During fiscal year 2020 and 2019, the City had advanced funding for the following capital projects:

**Dome Site Project** – The project entails developing land located at the southern end of the Virginia Beach boardwalk. During fiscal year 2020 and 2019, \$266,679 and \$38,374 was used to fund initial costs related to the development of the site.

**Town Center Infrastructure** – The project is the result of a public/private investment partnership agreement between the City, the Authority, and Town Center Associates, L.L.C. During fiscal year 2019 and 2018, \$248,819 and \$814,241 was used to fund infrastructure costs related to Town Center, respectively. In fiscal year 2019, Phase VI of the project was completed. The Block 9 public streetscapes were transferred to the City and the Block 9 – 10 pedestrian bridge is held by the Authority.



**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
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Notes to Financial Statements  
June 30, 2020 and 2019

**(12) Subsequent Events**

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic significantly affected global markets, supply chains, businesses, and communities. Specific to the Authority, COVID-19 may impact various future operations and financial results. Management believes the Authority has taken appropriate actions to mitigate any negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimate as these events may occur subsequent to year end.

In August 2020, the Authority approved the full abatement of ground rent at the Virginia Beach Amphitheater for the 2020 lease year (See Note 10). The financial effect of this abatement is \$82,777.60 in potential rent revenues to the City and the Authority.

In June 2020, the Development Authority approved a purchase agreement of approximately \$1,800,000 for 14 acres of land in the Innovation Park to sell to YCH LLC. Settlement would occur within 30 days after satisfaction or waiver of the conditions of settlement, or January 1, 2021, whichever would first occur. In July 2020, the conditions were met, and the sale was finalized.

In June 2020, the Development Authority approved a resolution for the sale of approximately \$1,824,000 for 18 acres of land in Landon Bridge Commerce Center to London Bridge Development, LLC. The sale is subject to a due diligence period of 180 days from the execution of a purchase agreement.

In July 2020, the Development Authority authorized the contribution of approximately 19 acres of land in the Innovation Park to Acoustical Sheetmetal Company LLC. The property's estimated value is \$90,000 per acre. The contribution is subject to a due diligence period of 120 days from the execution of a purchase agreement.

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**  
Component Unit of the City of Virginia Beach, Virginia

Schedules of General and Other Expenses – Authority Operations

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
General expenses:		
Leases	\$ 1,395,208	1,584,946
Amphitheater box seating	39,109	34,789
Independent audit fees	17,615	17,270
Amortization	95,852	95,852
Gifts and donations	—	15,000
Cavalier Hotel incentives	1,250,000	951,367
Leasehold improvements	340,719	111,815
Total general expenses	<u>3,138,503</u>	<u>2,811,039</u>
Other expenses:		
Architecture and engineering	415,489	564,158
Conduit Management fees	117,000	—
Conduit lease commissions and fees	3,500	—
Bio Accelerator lease	109,841	—
Park maintenance – Corporate Landing	26,663	32,317
Utilities – Corporate Landing fountain	3,659	3,546
Commissioner Stipend	2,900	3,550
Disposal of Asset	—	—
Consultant fees	119,294	358,202
Bond Issuance Cost	55,853	—
Rudee Loop	4,722	12,363
Miscellaneous	36,758	100,416
Total other expenses	<u>895,679</u>	<u>1,074,552</u>
Total general and other expenses	<u>\$ 4,034,182</u>	<u>3,885,591</u>

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**

Component Unit of the City of Virginia Beach, Virginia

Schedules of Land and Building Inventory for Resale  
June 30, 2020 and 2019

<b>Description</b>	<b>2020</b>	<b>2019</b>
Oceana West Corporate Park – beginning inventory July 1	\$ 1,555,548	\$ 1,555,548
Current – cost of sales	—	—
Oceana West Corporate Park – ending inventory June 30	<u>1,555,548</u>	<u>1,555,548</u>
Corporate Landing Office Park – beginning inventory July 1	9,427,342	9,736,447
Current – infrastructure design	7,535	205,775
Current – cost of sales	—	(514,880)
Corporate Landing Office Park – ending inventory June 30	<u>9,434,877</u>	<u>9,427,342</u>
Hunt Club 2 – beginning inventory July 1	200,305	200,305
Current – cost of sales	—	—
Hunt Club 2 – ending inventory June 30	<u>200,305</u>	<u>200,305</u>
Town Center Beacon Land – beginning inventory July 1	4,877,946	4,877,946
Current – cost of sales	—	—
Town Center Beacon Land – ending inventory June 30	<u>4,877,946</u>	<u>4,877,946</u>
London Bridge Commerce Park - beginning inventory July 1	1,624,500	1,624,500
Current – cost of sales	—	—
London Bridge Commerce Park - ending inventory June 30	<u>1,624,500</u>	<u>1,624,500</u>
Historic Kempsville - beginning inventory July 1	1,296,118	1,295,063
Current - land acquisition and preparation	—	1,055
Historic Kempsville - ending inventory June 30	<u>1,296,118</u>	<u>1,296,118</u>
Bio Park - beginning inventory July 1	24,891,299	24,789,156
Current - land transfer from City	—	—
Current - infrastructure design	80,231	102,143
Bio Park - ending inventory June 30	<u>24,971,530</u>	<u>24,891,299</u>
Total ending inventory	<u>\$ 43,960,824</u>	<u>\$ 43,873,058</u>

## CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Schedules of Construction in Progress

June 30, 2020

	<u>Town Center Infrastructure</u>	<u>Dome Site</u>	<u>Corporate Landing Conduit</u>	<u>Pedestrian Bridge</u>	<u>Total</u>
Expended during the year ended June 30:					
2001	\$ 3,095,062	-	-	-	\$ 3,095,062
2002	956,014	-	-	-	956,014
2003	2,581,205	-	-	-	2,581,205
2004	(1,704,696)	-	-	-	(1,704,696)
2005	(4,901,962)	-	-	-	(4,901,962)
2006	34,449	-	-	-	34,449
2007	233,037	100,738	-	-	333,775
2008	1,445,110	10,200	-	272,603	1,727,913
2009	(1,628,463)	-	-	6,535	(1,621,928)
2010	98	-	-	-	98
2011	3,872	-	-	-	3,872
2012	2,300	-	-	-	2,300
2013	49,080	6,459	-	-	55,539
2014	736,650	-	-	-	736,650
2015	(901,756)	(117,397)	-	-	(1,019,153)
2016	-	-	-	-	-
2017	55,008	-	-	-	55,008
2018	814,241	75,425	-	-	889,666
2019	(869,249)	38,374	1,071,160	(279,138)	(38,853)
2020	-	266,679	(1,071,160)	-	(804,481)
	<u>\$ -</u>	<u>380,478</u>	<u>-</u>	<u>-</u>	<u>\$ 380,478</u>

## CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY

Component Unit of the City of Virginia Beach, Virginia

Schedule of EDIP Unearned Revenue  
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Balance Forward	\$ 8,202,965	\$ 8,144,972
Funding sources:		
EDIP City Appropriation - fiscal year	3,384,890	2,476,760
Reimbursement for construction management/design expenses	78,028	123,768
Reimbursement for APZ-1 awards and fees paid	87,595	142,993
Interest earned - fiscal year	11,581	6,121
Total Funding Available	<u>11,765,059</u>	<u>10,894,614</u>
Expenses:		
EDIP awards paid	(2,662,596)	(1,250,035)
APZ-1 awards and expenses paid	(3,732)	(172,455)
Engineering studies, legal fees and miscellaneous expenses	(301,309)	(470,881)
Town Center expenditures	—	(758,849)
Dome Site studies and expenses paid	(269,013)	(38,374)
Historic Kempsville expenditures	—	(1,055)
Total Expenditures	<u>(3,236,650)</u>	<u>(2,691,649)</u>
Total Unearned Revenue- Economic Development Program	<u>\$ 8,528,409</u>	<u>\$ 8,202,965</u>

**CITY OF VIRGINIA BEACH DEVELOPMENT AUTHORITY**

Component Unit of the City of Virginia Beach, Virginia

Schedule of Nonoperating Revenue from City of Virginia Beach  
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Central Business District - South payment of debt service for Public Facility Revenue Bonds	\$ 8,222,123	\$ 8,154,171
9th Street Garage payment of debt service for Public Facility Revenue Bonds	704,302	578,622
31st Street Garage payment of debt service for Public Facility Revenue Bonds	990,808	1,345,131
Virginia Beach Amphitheater Capital Improvement Program	187,585	210,697
EDIP Part C & D projects	307,719	486,531
Vibe District Matching Grant program	—	(50,000)
Town Center Garage - Special Service District	1,928,803	1,809,279
110 S Independence Blvd maintenance reimbursement	26,785	32,264
Bio-Initiative funding	375,411	456,944
Cavalier Hotel annual incentive payment	1,250,000	951,367
Historic Kempsville initiative support	—	1,055
City Contributions - Town Center infrastructure	—	613,819
City Contributions - Dome Site development	—	38,374
<b>Total Nonoperating Revenue From City of Virginia Beach</b>	<u>\$ 13,993,536</u>	<u>\$ 14,628,254</u>



## **INDEPENDENT AUDITORS' REPORT 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**

Commissioners, Virginia Beach Development Authority  
Virginia Beach, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Virginia Beach Development Authority (the Authority), a component unit of the City of Virginia Beach, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 29, 2020.

### **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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 may exist that have not been identified.

### **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 determination of financial statement amounts. 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*.

**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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Arlington, Virginia  
September 29, 2020