

**ECONOMIC DEVELOPMENT AUTHORITY  
OF THE CITY OF NORFOLK, VIRGINIA**  
(A Component Unit of the City of Norfolk, Virginia)

Financial Statements

June 30, 2023

(With Independent Auditors' Report Thereon)

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Economic Development Authority  
of the City of Norfolk, Virginia  
Norfolk, Virginia

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Economic Development Authority of the City of Norfolk, Virginia (the Authority), a component unit for the City of Norfolk, 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 changes in financial position and its cash flows 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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.

***Auditors' 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 auditors' 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 GAAS and *Government Auditing Standards* 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 GAAS and *Government Auditing Standards*, 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.

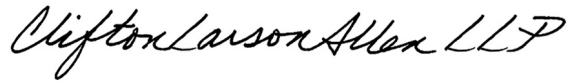
***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 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.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
December 11, 2023

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*(Unaudited)*

The following discussion and analysis of the Economic Development Authority of the City of Norfolk, Virginia's (the Authority or the EDA) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2023.

### Financial Highlights for Fiscal Year 2023

The Authority's financial statements are reported on the accrual basis as required by U.S. Generally Accepted Accounting Principles (GAAP). On this basis, the Authority has total operating expenses of \$4,703,926 and total operating revenues of \$4,735,512.

### Other Financial Highlights

- On December 14, 2014, the Authority entered into a promissory note to borrow \$2,500,000 to finance the purchase of real estate from the J.C. Penney Corporation. The loan was collateralized by a certificate of deposit and a negative pledge agreement. This loan was paid in full on June 30, 2020, from proceeds from the sale of the asset. The Authority also entered into a cooperation agreement with the City of Norfolk (the City) that became effective in April 2016 to provide for a revenue bond for the remaining costs of improvements to real estate in the amount of \$14,500,000. The bond was to be payable from funds provided by the City pursuant to a Cooperation Agreement. This bond was paid in full during fiscal year 2021 with proceeds from an uncollateralized loan received from the city in the amount of \$13,720,000. As of June 30, 2023, the balance due to the City is \$12,878,077.
- At the close of the fiscal year, the Authority's total cash and cash equivalents was \$9,565,487.
- On April 28, 2023, the Authority entered into a cooperative agreement with the City, for which it received \$2,000,000 of City operating funds made available by budget savings resulting from the City's receipt of State and Local Fiscal Recovery Funds (SLFRF).
- Capital assets, net of depreciation, increased by \$214,899 due to the acquisition of the Rosna Theater.

### Basic Financial Statements

The statement of net position presents information on all assets and liabilities of the Authority, with the difference between the 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.

The statement of revenues, expenses and changes in net position presents information showing how net position changed during the most recent 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.

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.

The statement of cash flows, when taken together with the statement of net position and statement of revenues, expenses, and changes in net position, provides the reader a complete "snapshot" of the financial condition and results of operations of the Authority as of June 30, 2023, and for the year then ended.

Notes to 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.

## Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. At the close of the most recent fiscal year, the Authority's assets exceeded liabilities by \$12,910,112.

The following table provides a summary of the Authority's net position as of June 30, 2023, and 2022:

### Summary of Net Position

	<b>2023</b>	<b>2022</b>
Current assets	\$ 8,580,294	\$ 8,557,976
Capital assets	17,012,237	16,797,338
Restricted cash	1,528,288	1,528,288
Loans receivable	965,950	917,202
Land and land improvements held for resale	932,952	832,952
Total assets	<u>29,019,721</u>	<u>28,633,756</u>
Current liabilities	421,604	847,713
Noncurrent liabilities	15,573,642	14,912,479
Total liabilities	<u>15,995,246</u>	<u>15,760,192</u>
Deferred inflows of resources	114,363	147,628
Total liabilities and deferred inflows of resources	<u>16,109,609</u>	<u>15,907,820</u>
Net position:		
Net investment in capital assets	2,066,754	2,564,793
Unrestricted	10,843,358	10,161,143
Total net position	<u>\$ 12,910,112</u>	<u>\$ 12,725,936</u>

The total net position increased by \$184,176 in fiscal year 2023. The table below summarizes the changes in net position for the years ended June 30, 2023, and 2022.

### Summary of Revenues, Expenses, and Changes in Net Position

	<b>2023</b>	<b>2022</b>
Operating revenue	\$ 4,735,512	\$ 5,929,417
Operating expenses	4,703,926	6,236,530
Operating income/loss	<u>31,586</u>	<u>(307,113)</u>
Nonoperating revenue	165,433	2,695,804
Nonoperating expenses	(12,843)	(1,867,659)
Change in net position	<u>184,176</u>	<u>521,032</u>
Net position, beginning	12,725,936	12,204,904
Net position, ending	<u>\$ 12,910,112</u>	<u>\$ 12,725,936</u>

The decrease in operating revenue from fiscal year 2022 to fiscal year 2023 was primarily due to declining rent revenue from the Military Circle Mall closure, funding from the City of Norfolk, and funding from incentive grants. The decrease in operating expenses is primarily due to a decline in spending for the ADP performance grant, and expenses associated with the 645 Church Street building which was sold in fiscal year 2022. Nonoperating revenue decreased significantly in fiscal year 2023 primarily due to the one-time settlement payment of \$2,500,000 made

by Cinemark, a prior tenant in the Military Circle Mall, received in fiscal year 2022. Nonoperating expenses decreased significantly due to the transfer of the 645 Church Street building to the City in fiscal year 2022.

### **Future Outlook**

The Authority continues to be successful in its purpose of helping to promote economic activity in Norfolk and grow the tax base. The City continues to see new capital investment and business expansion, and the Authority will continue to support the City's economic development plans and programs.

### **Contacting the Authority's Financial Management**

This financial report is designed to provide our citizens, clients and taxpayers 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 financial information should be made directly to:

Sean Washington, Executive Director  
999 Waterside Drive, Suite 2430  
Norfolk, VA 23510  
Telephone (757)664-4333



**Statement of Net Position**

**Economic Development Authority of the City of Norfolk**

**(A Component Unit of the City of Norfolk)**

**June 30, 2023**

	<u><b>2023</b></u>
<b>ASSETS:</b>	
Current assets:	
Cash and cash equivalents (note 3)	\$ 8,037,199
Accounts receivable (note 5)	179,523
Rents receivable (note 6)	125,833
Loans receivable - current portion (note 10)	121,800
Prepaid expenses	51,715
Due from City	64,224
Total current assets	<u>8,580,294</u>
Noncurrent assets:	
Restricted cash (note 4)	1,528,288
Loans receivable (note 10)	965,950
Capital assets, net of accumulated depreciation (note 9)	17,012,237
Land and land improvements held for resale (note 7)	932,952
Total noncurrent assets	<u>20,439,427</u>
<b>Total assets</b>	<u><b>29,019,721</b></u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable and accrued expenses (note 11)	236,168
Deposits due to developers	27,355
Note payable - current portion (note 12)	158,081
Total current liabilities	<u>421,604</u>
Noncurrent liabilities:	
Note payable (note 12)	1,529,325
Due to City of Norfolk (note 13)	13,258,077
Due to City of Norfolk under Innovation Fund (note 14)	183,516
Revolving loan fund (note 14)	602,724
Total noncurrent liabilities	<u>15,573,642</u>
<b>Total liabilities</b>	<u><b>15,995,246</b></u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred inflows of resources from leases	114,363
<b>Total liabilities and deferred inflows of resources</b>	<u><b>16,109,609</b></u>
<b>NET POSITION:</b>	
Net investment in capital assets	2,066,754
Unrestricted	10,843,358
<b>Total net position</b>	<u><b>\$ 12,910,112</b></u>

See accompanying notes to basic financial statements.

**Statement of Revenues, Expenses and Changes in Net Position**  
**Economic Development Authority of the City of Norfolk**  
**(A Component Unit of the City of Norfolk)**  
**Year Ended June 30, 2023**

	<b>2023</b>
<b>OPERATING REVENUES:</b>	
City of Norfolk, incentive grants	\$ 1,049,901
City of Norfolk, contribution	112,756
Other grants	2,000,000
Administrative fees	380,829
Rent revenue	1,192,026
<b>Total operating revenues</b>	<b>4,735,512</b>
<b>OPERATING EXPENSES:</b>	
Business development expense	1,117,539
824 building expenses	19,207
Depreciation	522,248
Military Circle Mall	2,483,201
Professional fees	64,676
Promotion	130,913
Other	366,142
<b>Total operating expenses</b>	<b>4,703,926</b>
<b>Operating income</b>	<b>31,586</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Other income	21,601
Interest income	143,832
Interest expense	(12,843)
<b>Total nonoperating expenses, net</b>	<b>152,590</b>
<b>Change in net position</b>	<b>184,176</b>
<b>NET POSITION</b>	
Beginning	12,725,936
<b>Net position - end of year</b>	<b>\$ 12,910,112</b>

See accompanying notes to basic financial statements.

**Statement of Cash Flows**

**Economic Development Authority of the City of Norfolk**

**(A Component Unit of the City of Norfolk)**

**June 30, 2023**

	<b>2023</b>
Cash flows from operating activities:	
Receipts from customers	\$ 1,187,910
Receipts for incentive grants	1,304,001
Receipts for other grants	2,097,351
Payments of incentive grants	(3,064,139)
Payments to suppliers for goods and services	(1,365,195)
Net cash provided by operating activities	<u>159,928</u>
Cash flows from capital and related financing activities:	
Payment for purchase of capital assets	(737,147)
Payment of long-term debt	-
Proceeds from long-term debt	495,677
Lease receivable payments received	46,063
Interest paid	(25,810)
Net cash used in financing activities	<u>(221,217)</u>
Cash flows from investing activities:	
Interest received	143,832
Other receipts	21,601
Incentive loans	(100,000)
Acquisition of Land Held for Sale	(100,000)
Receipt of payments on loan receivable	41,915
Net cash provided by investing activities	<u>7,348</u>
Net decrease in cash and cash equivalents	<u>(53,941)</u>
Cash and cash equivalents:	
Beginning	8,091,140
Ending	<u>\$ 8,037,199</u>
Reconciliation of operating income from operations to net cash provided by operating activities:	
Operating income	\$ 31,586
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	522,248
Effect of changes in assets and liabilities:	
Accounts payable and accrued expenses	(73,707)
Deposits due to developers	(173,949)
Due to/from City	(64,224)
Accounts receivable	(175,261)
Land held for resale	100,000
Rents receivable	(66,735)
Deferred inflows	(33,265)
Grants receivable	97,351
Prepaid expenses	(4,116)
Net cash provided by operating activities	<u>\$ 159,928</u>

See accompanying notes to basic financial statements.

## NOTES TO BASIC FINANCIAL STATEMENTS

### (1) Nature of Activities

The Economic Development Authority of the City of Norfolk, Virginia (the Authority) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the City of Norfolk, Virginia (the City) in 1972, pursuant to the provisions of the Industrial Development and Revenue Act of the Commonwealth of Virginia (Title 15.2, Chapter 49, Section 15.2-4900, et. seq., of the Code of Virginia (1950), as amended). It is authorized to acquire, own, lease and dispose of properties, promote industry and develop trade by inducing enterprises to locate and remain in Virginia.

Effective July 1, 2014, the Authority was determined to be a component unit of the City of Norfolk in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*. Component units are legally separate entities for which a primary government is financially accountable. As a discretely presented component unit of the City, the information included in these financial statements is included in the Annual Comprehensive Financial Report of the City.

The Authority is authorized to issue revenue bonds for the purpose of acquiring and constructing facilities. Liability under the bonds is assumed by the enterprises for which facilities are constructed. The revenue bonds are not deemed to constitute a debt or pledge of faith and credit of the Commonwealth of Virginia or any political subdivision thereof. The bonds are payable solely from revenues generated from the sale or lease of the facilities constructed or acquired. Although the Authority provides a conduit to execute such transactions, it retains neither the benefits of asset ownership nor the liability for bond liquidation. Accordingly, the Authority does not recognize in its financial statements associated assets, liabilities, rental income or interest expense associated with the bond issuances. The Authority has issued 8 bonds that remain outstanding as of June 30, 2023, with a total balance of \$396,397,169 maturing through fiscal year 2036. All of these bonds are tax-exempt and are issued for the benefit of nonprofit organizations, manufacturing companies or enterprise-zone businesses (as defined in Sections 1397(c) and 1394(b)(3) of the Internal Revenue Code of 1986, as amended).

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Presentation

The financial statements of the Authority have been prepared according to U.S. generally accepted accounting principles (GAAP).

The Authority is accounted for as a proprietary fund type using the accrual basis of accounting, whereby income is recognized when earned and expenses are recorded when incurred.

#### (b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date of three months or less from the date of acquisition. On June 30, 2023, there was \$9,565,487 in cash and cash equivalents, including \$2,577,780 held in the Local Government Investment Pool (LGIP), which is carried at amortized cost because it qualifies as an external investment pool under GASB 79, *Certain External Investment Pools and Pool Participants*. The Authority is a participant in the LGIP which is administered by the Commonwealth of Virginia Department of Treasury. The Commonwealth's Department of Treasury is committed to managing certain risk limiting provisions to maintain a stable net asset value (NAV) at \$1.00 per share, which is determined at the close of each business day. The goal of maintaining NAV is facilitated as follows:

- (a) The LGIP is rated 'AAAm' by Standard & Poor's and managed in a manner to comply with their 'AAAm' rating requirements.

- (b) The portfolio securities are valued using the amortized cost method, and on a weekly basis this valuation is compared to the current market to monitor any variance.
- (c) Investments are limited to short-term, high-quality credits that can be readily converted into cash with limited price variation.

Restricted cash as of June 30, 2023, is \$1,528,288 (note 4).

**(c) Investments**

The Authority considers all funds with an original maturity of greater than one year, to be long-term investments. At June 30, 2023, there are no investment accounts.

The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When considering fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for asset or liability, either directly or indirectly, for substantively the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

**(d) Land and Land Improvements Including Land Held for Resale**

Land and land improvements including land held for investment and resale are recorded at the lower of cost or net realizable value. Cost is determined by acquisition price, if purchased, or at estimated acquisition value at the date of contribution, if contributed. Subsequent land improvements are added to land and land improvements.

**(e) Capital Assets**

Capital assets are defined as assets owned by the Authority with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Buildings, building improvements, furniture, fixtures, and equipment are stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which is five years for furniture, fixtures and equipment and 20 years for buildings and building improvements.

**(f) Grant Revenue and Development Expense**

Grant revenue consists of incentive grants received from the City and paid to companies as performance-based grants in business attraction, expansion and retention efforts. When the grants are earned by the recipient, development expense is recorded. The Authority serves as a pass-through for these grants. Grant revenue also includes grants for the development of property to be used by the Authority in its mission. Grants received by the Authority, but not earned by the grantee, are treated as deferred revenue.

**(g) Deposits Due from Developers**

Deposits were collected from developers in relation to development proposals submitted to the Authority. These deposits will be paid back to the developers upon selection of a winning proposal.

**(h) Administrative Fees**

Administrative fees are collected by the Authority while bonds are outstanding. Such fees are included in revenue when earned.

**(i) Administrative Support**

The City provides administrative support for the Authority. Expenditures associated with these services include salaries for employees and rent expense on the office. This support is treated as expenditures by the City and not by the Authority. However, these costs are offset by promotional and marketing activity costs paid by the Authority that benefit the City.

**(j) Income Taxes**

The Authority is exempt from income taxes as it is a political subdivision of the Commonwealth of Virginia; accordingly, no provision for income taxes is reflected in the accompanying financial statements.

**(k) Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**(3) Cash and Cash Equivalents and Investments**

All cash and investments of the Authority are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2 4400 et. seq. of the Code of Virginia (the Act) or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amount insured by FDIC must pledge collateral in the amount of 50% of the excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of the deposits in excess of the FDIC limits. On June 30, 2023, the Authority had approximately \$3,173,235 in excess of the insured amount. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. The cash and short-term investments are covered by the FDIC at several financial institutions or collateralized under the Act. The cash equivalents of \$2,577,780 held by the LGIP are collateralized under the Act. As such, there is no significant credit or custodial risk associated with these investments.

**(4) Restricted Cash**

On June 30, 2023, restricted cash includes \$1,000,000 related to the renovation of the former J.C. Penney Building, \$159,978 in MUCIPP loan proceeds, and \$368,310 in Federal EDA Funds to be used for approved grant and loan programs.

**(5) Accounts Receivable**

Accounts receivable consists of a receivable in the amount of \$179,523 from Sentara Health.

**(6) Lease Receivable**

The Authority, acting as lessor, leases property under long-term, non-cancelable lease agreements. The leases expire at various dates through 2032. Rental income is recognized over the term of the leases as it is earned, and the assets held for leasing purposes are classified as capital assets, net of accumulated depreciation on the statement of net position. For lease agreements that provide for scheduled annual rent increases or periods of free rent, rental income is recognized on a straight-line basis over the term of the lease. As of June 30, 2023, gross rental income owed to the Authority totaled \$125,833.

**(7) Land and Land Improvements Held for Resale**

The Authority entered into a real estate purchase agreement on August 28, 2014, to sell approximately 30 acres a of the remaining Lake Wright Golf property to Northampton Development, LLC. 4.41 acres of the Lake Wright Golf Course property was retained by the Authority and is held for resale recorded at \$602,952, which represents the cost basis of 4.41 acres at approximately \$136,724 per acre.

In addition, land and land improvements held for resale also includes 2 acres located at 935 Denison Avenue that are recorded at approximately \$115,000 per acre totaling \$230,000. Additionally, 7.49 acres located on the east side of Prime Outlets is recorded at \$100,000.

**(8) Grant Awards**

On June 28, 2016, City Council authorized the City to enter into a Cooperation Agreement with the Authority. Under this agreement the City provided \$5,000,000 in funding to the EDA, who in turn used the funds to provide up to \$5,000,000 to IKEA over 15 years through a revenue sharing performance agreement. The performance agreement was executed on July 28, 2016, the date IKEA closed on the property. The purpose of this grant is to partially offset infrastructure related costs of the development of property located at 6000 Northampton Boulevard. IKEA will construct an approximately 350,000 square foot retail store with an exclusive parking lot of at least 1,200 parking spaces. The term of the grant shall commence upon completion of construction of the improvements. Construction was completed in March 2019. The fiscal year 2023 payment under this agreement was in the amount of \$306,435.

**(9) Capital Assets**

<b>Capital Assets</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Land	\$ 7,676,435	\$ -	\$ -	\$ 7,676,435
Building and Building Improvements	10,198,899	737,147	-	10,936,046
Vehicle	64,293	-	-	64,293
<b>Total Capital Assets</b>	<b>\$ 17,939,627</b>	<b>\$ 737,147</b>	<b>\$ -</b>	<b>\$ 18,676,774</b>
Accumulated Depreciation	(1,142,289)	(522,248)		(1,664,537)
<b>Net Capital Assets</b>	<b>\$ 16,797,338</b>	<b>\$ 214,899</b>	<b>\$ -</b>	<b>\$ 17,012,237</b>

On April 13, 2023, the Authority acquired Rosna Theater for a sales price of \$737,147.

## (10) Loans Receivable

During fiscal year 2020, the Authority entered into loan agreements with various companies totaling \$325,000. Interest rates are based on a six-month LIBOR rate at the time of application. Interest only payments were arranged for the borrowers until October 2020.

Classifications	Amount
Current Portion	\$ 121,800
Long-Term Portion	965,950
<b>Total</b>	<b>\$ 1,087,750</b>

## (11) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include \$32,595 in operational expenses, \$56,427 of expenses associated with the Sentara Multijurisdictional fee, and \$147,146 of expenses associated with Military Circle Mall.

## (12) Notes Payable

On May 5, 2020, the Authority entered into a promissory note with TowneBank to borrow \$1,710,000 to finance the purchase of a Double Tree Hotel. The Authority is to repay this loan in full, plus any unpaid interest, on maturity date of May 5, 2029. Interest is to be paid monthly commencing on June 5, 2020, at one-month LIBOR plus 2.5%. The interest rate as of June 30, 2023, was 7.67%. The loan is collateralized by the real estate purchased.

A summary of fiscal year 2023 changes in notes payable is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
TowneBank loan payable, 2020	\$ 1,700,373	\$ -	\$ (12,967)	1,687,406

Future minimum principal payments are as follows:

Years Ending June 30,	TowneBank Loan
2024	\$ 158,081
2025	85,524
2026	85,524
2027	85,524
2028	85,524
Thereafter	1,187,229
<b>Totals</b>	<b>\$ 1,687,406</b>

## (13) Amounts Due to Primary Government

The Authority entered into a cooperation agreement with the City that became effective in April 2016 to provide for a revenue bond for the remaining costs of improvements in the amount of \$14,500,000. During fiscal year 2021, the bond was paid in full of funds received from the City of Norfolk. These funds were received on January 8, 2021, as an uncollateralized loan from the City. The Authority entered into another cooperative agreement that became effective, May 23, 2017, to provide funding to Urgent Care, LLC for the buildout and equipping of an urgent care medical facility. These funds were returned to the Authority after Sentara took over completing the project. There are no set repayment terms for the amounts due to the City.



A summary of fiscal year 2023 changes in long-term obligations is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Due to City of Norfolk - Uncollateralized Loan	\$ 12,762,400	\$ 115,677	\$ -	\$ 12,878,077
Due to City of Norfolk - Urgent Care	-	380,000	-	380,000
<b>Total</b>	<b>\$ 12,762,400</b>	<b>\$ 495,677</b>	<b>\$ -</b>	<b>\$ 13,258,077</b>

**(14) Revolving Loan Fund**

On September 14, 2016, NRHA transferred \$519,550 to the Authority to support the Citywide Partnership Fund and the Global Initiatives Fund. The Citywide Partnership Fund provides financial assistance to new and expanding businesses within the city that will create permanent employment opportunities for low to moderate-income residents. The Global Initiatives Fund provides patient, flexible capital to serve small and medium-sized enterprises that seek to expand their presence in the global marketplace. In addition to the grant funds, \$83,174 in loans receivable were transferred from NRHA to the Authority at the same time.

A total of \$183,516 was transferred to the Authority to support the support the Innovation Fund. The Innovation fund was implemented to promote the Community Development Block Grant (CDBG) national objective of improving economic opportunities for low- and moderate-income persons. There were no payments made on these revolving loans during fiscal year 2023.

**(15) Conduit Debt Obligations**

In the past, the Economic Development Authority has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the third-party entity served by the bond issuance. Neither the Authority nor the City of Norfolk is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2023, there were eight series of limited commitment conduit bonds outstanding, with an aggregate unpaid principal amount of \$396,397,169. There are no commitments that need to be disclosed.

**(16) Risk Management**

The Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees; general liability; automobile liability; crime and employee dishonesty; professional liability; and directors' and officers' liability. The Authority's coverage is provided through the City's combination of purchased insurance policies and self-insurance plans.

**(17) Related Party Transactions**

The Authority receives pass-through funds from the City in order to make development grants and loans under programs, including the MUCIPP loan program, Commonwealth's Development Opportunity Fund, EDA Revolving Loan Program, and the Innovation Fund, which are administered by the Authority on behalf of the City. In addition, the Authority collects and remits to the City all loan payments from borrowers in the MUCIPP, EDA Revolving Loan Program and the Innovation Fund. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

## **(18) Subsequent Events**

On the July 2, 2023, the Authority's board approved a resolution authorizing the negotiation to purchase the former Dillard's department store located at 300 Monticello Ave for up to \$4 million. On August 16, 2023, the Authority closed on the acquisition of the former Dillard's department store for \$3,990,466 using cash on hand. On September 6th, 2023, the Authority's board voted to transfer the ownership of the building to the City of Norfolk and also accepted the reimbursement of funds from the city to replenish the cash on hand used to purchase the building.

On October 26, 2023, the Authority paid off a note with TowneBank in the amount of \$1,708,436 from cash in a money market account. The loan was secured by real estate known located at 880 N. Military Highway, Norfolk, VA.

On October 31, 2023, the Department of Transportation (DOT) announced \$39,265,000 in federal funding for the City of Norfolk Economic Development Authority, which is working to convert an existing marine terminal and berth to an offshore wind logistics facility located at Lambert's Point Dock. Specifically, the funding will make improvements to the berth to support heavy lift requirements and construction of a floating pier. This funding will go toward existing efforts to transform Lamberts Point, also known as Fairwinds Landing, into an offshore wind hub. The funding was awarded through the Port Infrastructure Development Program (PIDP).



**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**

Board of Directors  
Economic Development Authority  
of the City of Norfolk, Virginia  
Norfolk, 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 Economic Development Authority of the City of Norfolk, Virginia (the Authority), a component unit of the City of Norfolk, 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 11, 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.

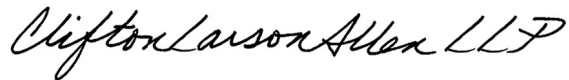
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**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.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
December 11, 2023