

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

FINANCIAL REPORT

June 30, 2023

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

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INTRODUCTORY SECTION

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

DIRECTORY OF PRINCIPAL OFFICIALS

BOARD OF DIRECTORS

Addie Lingle, Chair
James Imoh, Vice Chair
Cary Craig, Secretary
Ryan Hall
Kyle Hopkins
Christy Johnson

INDEPENDENT AUDITORS

Brown, Edwards & Company, L.L.P.

FINANCIAL SECTION

**Financial Section contains the
Basic Financial Statements.**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Economic Development Authority of the City of Winchester, Virginia
Winchester, 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 Winchester, Virginia (the "Authority") as of and for the years ended June 30, 2023 and 2022, 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 2022, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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, and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Report on the Audit of the Financial Statements (Continued)

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia

October 17, 2023

**BASIC FINANCIAL
STATEMENTS**

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**STATEMENTS OF NET POSITION
June 30, 2023 and 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 3,293,174	\$ 3,018,581
Investments (Note 2)	47,287	45,480
Other receivables	1,264	18,085
Bond administration fees receivable	269,312	311,229
Notes receivable, current portion (Note 3)	24,221	27,246
Due from City of Winchester (Note 8)	40,625	-
Prepaid expenses	7,301	-
Total current assets	3,683,184	3,420,621
NONCURRENT ASSETS		
Notes receivable, net of allowance (Note 3)	4,192,359	222,256
Capital assets, net (Note 5)	57,774	-
Property held for development (Note 4)	-	1,850,000
Total noncurrent assets	4,250,133	2,072,256
Total assets	7,933,317	5,492,877
DEFERRED OUTFLOWS OF RESOURCES		
Conditional grant	-	25,000
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	63,089	14,730
Due to grantees	30,000	-
Accrued interest payable	16,900	-
Current portion of long-term liabilities (Note 9)	15,739	-
Assets held for others (Note 4)	-	1,851,317
Other liabilities	1,265	-
Total current liabilities	126,993	1,866,047
NONCURRENT LIABILITIES		
Long-term liabilities (Note 9)	4,042,193	-
Total liabilities	4,169,186	1,866,047
NET POSITION		
Unrestricted	3,764,131	3,651,830
Total net position	\$ 3,764,131	\$ 3,651,830

The Notes to Financial Statements are an integral part of these statements.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Bond administration fees	\$ 409,113	\$ 242,727
Contributions from City of Winchester (Note 8)	487,668	123,925
Grant income	16,633	-
Contributed property (Note 4)	1,850,000	-
Miscellaneous	45,940	11,560
Total operating revenue	<u>2,809,354</u>	<u>378,212</u>
OPERATING EXPENSES		
Business development grants and contributions	633,042	139,215
Contribution to City of Winchester (Note 4)	1,794,500	-
Professional fees	199,920	73,566
Office expense	18,782	9,808
Insurance	2,360	3,206
Management fees	42,500	42,500
Administrative fees	10,705	-
Bad debt expense	-	1,323
Loss on sale of property (Note 4)	-	1,773,277
Amortization expense (Note 5)	4,127	-
Miscellaneous	35,693	7,587
Total operating expenses	<u>2,741,629</u>	<u>2,050,482</u>
Operating income (loss)	<u>67,725</u>	<u>(1,672,270)</u>
NONOPERATING REVENUES AND (EXPENSES)		
Interest income on notes receivable	60,573	4,543
Investment income	1,133	1,599
Interest expense	(17,130)	-
Total nonoperating revenues (expenses)	<u>44,576</u>	<u>6,142</u>
Change in net position	112,301	(1,666,128)
NET POSITION		
BEGINNING OF THE YEAR	<u>3,651,830</u>	<u>5,317,958</u>
END OF THE YEAR	<u>\$ 3,764,131</u>	<u>\$ 3,651,830</u>

The Notes to Financial Statements are an integral part of these statements.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Cash received for fees	\$ 451,030	\$ 286,790
Cash payments to suppliers for goods and services	(325,719)	(124,037)
Business redevelopment grants	(576,777)	(139,215)
Contributions and reimbursements from City of Winchester	447,043	183,835
Miscellaneous receipts	134,894	(5,151)
	<u>130,471</u>	<u>202,222</u>
CAPITAL FINANCING ACTIVITIES		
Proceeds from issuance of note payable	4,000,000	-
Principal payments on long-term liabilities	(3,969)	-
Interest payments on long-term liabilities	(230)	-
	<u>3,995,801</u>	<u>-</u>
INVESTING ACTIVITIES		
Interest received	60,573	4,543
Investment income	1,133	1,599
Loans made to others	(4,006,400)	(250,000)
Loan repayments received	39,322	46,699
Purchases of investments, net	(1,807)	(118)
Proceeds from sale of property	1,794,500	805,413
Payments made to City of Winchester related to sale of property	(1,739,000)	-
	<u>(3,851,679)</u>	<u>608,136</u>
Net cash provided by (used in) investing activities	<u>(3,851,679)</u>	<u>608,136</u>
Net increase in cash and cash equivalents	274,593	810,358
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,018,581</u>	<u>2,208,223</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,293,174</u>	<u>\$ 3,018,581</u>

(Continued)

The Notes to Financial Statements are an integral part of these statements.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	2023	2022
Operating income (loss)	\$ 67,725	\$ (1,672,270)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Amortization	4,127	-
Bad debt expense	-	1,323
Loss on sale of property held for development	-	1,773,277
Conditional grant previously paid, expensed after time restriction passed	25,000	-
(Increase) decrease in assets:		
Bond administration fees receivable	41,917	44,063
Other receivables	16,821	(16,711)
Due from City of Winchester	(40,625)	59,910
Prepaid expenses	(7,301)	-
Increase (decrease) in liabilities:		
Accounts payable	48,359	12,692
Due to grantees	30,000	-
Other liabilities	1,265	-
Assets held for others	(56,817)	(62)
	<u>\$ 130,471</u>	<u>\$ 202,222</u>
NONCASH INVESTING ACTIVITIES		
Conveyance of property from the City of Winchester	\$ -	\$ 1,850,000
Lease asset acquired by a lease liability	\$ 61,901	\$ -

The Notes to Financial Statements are an integral part of these statements.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022**

Note 1. Summary of Significant Accounting Policies

Reporting entity:

The Economic Development Authority of the City of Winchester, Virginia (the “Authority”) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the City of Winchester (the “City”) on October 15, 1967, pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.1-1373, et seq., of the code of Virginia (1950) as amended). The Authority is governed by seven directors appointed by the City of Winchester, Virginia. It is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprise to locate and remain in Winchester, Virginia.

The Authority is authorized to issue revenue bonds upon application by qualified applicants for the purpose of acquiring, constructing, equipping, and rehabilitating certain facilities as provided in Chapter 49 of the Industrial Development and Revenue Bond Act as set forth in the Code. Upon issuance, the proceeds of the bonds are loaned to the applicant, who then agrees to repay the bonds as set forth in the Loan Agreement executed in connection with the issuance of the bonds. Section 15.2-4909 of the Code specifically provides that the bonds shall not be deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth, or any political subdivision thereof, including the locality issuing the bonds. Such bonds are payable solely from the revenues and monies pledged for such purpose by the applicant, and are secured by a deed of trust, line or credit, and/or pledge of the applicant’s assets.

Measurement focus and basis of accounting:

The Authority’s financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority generally result from charges to borrowers for application and administration fees, certain contributions from the City to assist in operations, including property held for development and resale, and the sale of property. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, and then unrestricted resources as they are needed.

(Continued)

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022**

Note 1. Summary of Significant Accounting Policies (Continued)

Deposits and investments:

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Property held for development:

The cost of land is allocated to subdivided areas for the purpose of accumulating costs to match with sales revenues. Property purchased by the Authority is recorded at cost. Property donated to the Authority is recorded at acquisition value on the date of donation. Property held for development is valued at the lower of cost or market. These properties are evaluated on an annual basis for impairment and a loss is recognized if the carrying amount exceeds the fair value.

Capital assets and lease assets:

Capital assets include property, plant, and equipment with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets purchased or constructed are stated at historical cost. Donated property is recorded at the acquisition value prevailing at the date of donation. Equipment is depreciated using the straight-line method over an estimated useful life of seven years.

Lease assets are amortized over the shorter of the lease term or useful life of the underlying asset. In leases where a purchase option is reasonably certainly of being exercised, the asset is amortized over the useful life, unless the underlying asset is non-depreciable, in which the lease asset is not amortized.

Deferred outflows:

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources until then.

Net position:

Net position is the difference between assets, deferred outflows, and liabilities. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Contributions and grants from local governments:

Contributions and grants from local governments are recognized as income of the Authority when the activities for which the contributions and grants were designated have been completed.

Estimates:

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022**

Note 2. Deposits and Investments

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits identified as public are considered fully collateralized. At times during the year, this account was in excess of the FDIC limits.

Investments:

Statutes authorize the Authority to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP). The Authority has no investment policies that would further limit its investment choices.

Pursuant to Section 2.1-234.7 Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share). The investment policy specifies that no investment may have a maturity greater than one year from the date of purchase. LGIP is not registered with the SEC, but is overseen by the Treasurer of Virginia and the State Treasury Board. The value of the Authority’s position in the pools is the same as the value of the pool shares and is stated at amortized cost in accordance with GASB Statement 79, which approximates fair value.

At June 30, 2023 and 2022 all investments were held in LGIP. LGIP was rated by Standard and Poor’s and has been assigned an AAAM rating.

As of June 30, the EDA had the following deposits and investments:

	2023	2022
Investments: LGIP	\$ 47,287	\$ 45,480
Deposits	3,293,174	3,018,581
Total deposits and investments	\$ 3,340,461	\$ 3,064,061
 Statement of Net Position:		
Cash and cash equivalents	\$ 3,293,174	\$ 3,018,581
Investments	47,287	45,480
	\$ 3,340,461	\$ 3,064,061

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022**

Note 3. Notes Receivable

Notes receivable are for the purchase of or improvement to property. The receivables consist of the following:

	Interest Rate	Date Issued	Maturity Date	Amount of Orig. Note	2023	2022
Healens	2.50%	5/1/2017	5/1/2022*	\$ 3,800	\$ 1,428	\$ 1,893
Bonnie Blue Southern Markets	2.54%	7/21/2017	8/1/2022	70,246	-	5,127
Healens (revolving)	2.54%	7/1/2017	7/1/2022*	15,750	8,377	9,015
Winchester Book Gallery	3.27%	8/1/2018	8/1/2023	25,000	1,919	7,187
Front Royal brewing Company	1.81%	7/30/2021	8/1/2026	250,000	200,254	226,280
Drum Orpheum Rehearsal Hall	7.00%	11/1/2022	11/1/2024	6,400	4,602	-
Winchester Acquisition Partners	7.00%	5/31/2023	1/1/2030	4,000,000	4,000,000	-
Total notes receivable					4,216,580	249,502
Less current portion					(24,221)	(27,246)
Notes receivable, long-term					\$ 4,192,359	\$ 222,256

*Management anticipates collecting these loan balances in full despite the maturity date. As such, management has determined that an allowance is not necessary.

Note 4. Property Held for Development

Property held for development activity for 2023 and 2022 was as follows:

Property	Date of Purchase	Cost	Improvements	Sold	Total	2023	2022
Winchester Public School Board Building	Mar-22	\$1,850,000	-	\$ (1,850,000)	-	-	1,850,000
						\$ -	\$ 1,850,000

During 2022, the City transferred the Winchester Public School Board building to the Authority. The Authority was tasked with selling the building and was obligated to give the salvage proceeds back to the City. As such, a liability is reflected as "Assets held for others" on the 2022 Statement of Net Position with the revenue being recognized in 2023 when the obligation was met. In 2023, the Authority sold the School Board building for \$1,850,000, with the net proceeds amounting to \$1,794,500 after settlement charges. Of this amount, the Authority retained \$55,500 and the remaining proceeds of \$1,739,000 were transferred to the City.

In 2022, the Authority received \$805,413 for the sale of the properties which resulted in a loss of \$1,773,277.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022**

Note 5. Capital assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Lease assets being amortized				
Office space lease	\$ -	\$ 61,901	\$ -	\$ 61,901
Less accumulated amortization for				
Office space lease	-	(4,127)	-	(4,127)
Total capital assets, net	<u>\$ -</u>	<u>\$ 57,774</u>	<u>\$ -</u>	<u>\$ 57,774</u>

Note 6. Commitments, Contingencies, Subsequent Events

In May 2023, the Authority and the City entered into a support agreement where the City will provide financial assistance related to the Authority’s \$4,000,000 bond issuance. The nature of the support agreement is such that in the event the Authority does not collect sufficient funds to satisfy their debt obligations, the City will provide the necessary funds. The Authority will use the bond proceeds to fund economic development projects in and around Ward Plaza. Starting in fiscal year 2024, the Authority will meet the definition of a component unit of the City which will require the Authority to be presented as a discretely presented component unit in the City’s Annual Comprehensive Financial Report.

Note 7. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Authority is insured through the City’s insurance policies. There were no significant reductions in insurance coverages from the prior year, and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8. Related Party Transactions

The City reimbursed the Authority \$445,168 and \$81,425 for business development grants in 2023 and 2022, respectively, and \$42,500 for management fees paid to Taylor Master Tenant in both 2023 and 2022. Of these amounts, the City owed the Authority \$37,083 for a business development grant and \$3,542 for one month of management fees at year-end.

Starting in January 2023, the Authority reimburses the City for a portion of the Director’s salary and reimburses the City for office space used. See Notes 5, 9, and 10 for details related to this lease arrangement.

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022**

Note 9. Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the Authority for year ended June 30, 2023:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Revenue bond	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -
Leases	-	61,901	(3,969)	57,932	15,739
Total long-term liabilities	<u>\$ -</u>	<u>\$ 4,061,901</u>	<u>\$ (3,969)</u>	<u>\$ 4,057,932</u>	<u>\$ 15,739</u>

The Authority's long-term debt consists of the following:

	<u>2023</u>	<u>2022</u>
\$4,000,000 Revenue Bond, Series 2023, issued May 31, 2023, maturing annually beginning June 1, 2025 through June 1, 2035, interest payable semi-annually at a rate of 5.07%. Purpose: Wards Plaza redevelopment project.	\$ 4,000,000	\$ -
\$61,901 lease liability, effective April 1, 2023, maturing monthly through December 2026.	57,932	-
Total long-term liabilities	4,057,932	-
Less current portion	15,739	-
Long-term portion	<u>\$ 4,042,193</u>	<u>\$ -</u>

The \$4,000,000 loan is offset by a corresponding Note Receivable due from the Wards Plaza developer.

Annual requirements to amortize long-term debt and related interest are as follows:

	<u>Revenue Bonds</u>		<u>Lease Liabilities</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ -	\$ 203,363	\$ 15,739	\$ 1,173	\$ 15,739	\$ 204,536
2025	280,528	202,800	16,448	802	296,976	203,602
2026	294,750	188,578	17,064	415	311,814	188,993
2027	309,694	173,634	8,681	59	318,375	173,693
2028	325,396	157,932	-	-	325,396	157,932
2029-2033	1,891,819	524,817	-	-	1,891,819	524,817
2034-2035	897,813	68,842	-	-	897,813	68,842
	<u>\$ 4,000,000</u>	<u>\$ 1,519,966</u>	<u>\$ 57,932</u>	<u>\$ 2,449</u>	<u>\$ 4,057,932</u>	<u>\$ 1,522,415</u>

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF WINCHESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022**

Note 9. Long-Term Liabilities (Continued)

The Authority also had a Line of Credit with Bank of Clarke in the amount of \$500,000. As of June 30, 2023 and 2022, the Authority's outstanding balance on the line of credit was \$-0-. The interest rate is a variable rate based on the Wall Street Journal Prime rate but cannot go below 4.250% or higher than 24.00%.

Note 10. Leases

During 2023, the Authority entered into one new lease agreement with the City for the use of office space. The initial term of the agreement is for three years commencing on April 1, 2023 and expiring January 1, 2025, with monthly rent starting at \$1,400 per month, increasing annually at a rate of 2%. The Authority is reasonably certain they will exercise one renewal period. For purposes of discounting future payments, the Authority used its incremental borrowing rate.

The right of use asset information can be found in Note 5 and the corresponding liability and maturity schedules are discussed in Note 9.

Note 11. New Accounting Standards

In April 2022, the GASB issued **Statement No. 99, Omnibus 2022**. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued **Statement No. 100, Accounting Changes and Error Corrections**. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101, Compensated Absences**. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

SUPPLEMENTARY SCHEDULE

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WINCHESTER, VIRGINIA

SCHEDULE OF BONDS OUTSTANDING
June 30, 2023 and 2022

Name of Issue	Issued on Behalf of	Original Amount Issued	Date of Original Issue	Name of Trustee	Aggregate Outstanding Payable June 30, 2023	Aggregate Outstanding Payable June 30, 2022
Industrial Development Hospital Revenue Bonds, Series 2009A	Winchester Medical Center, Inc.	\$ 25,000,000	11/17/09	Regions Bank	\$ 23,485,000	\$ 23,695,000
Industrial Development Hospital Revenue Bonds, Series 2009B	Winchester Medical Center, Inc.	25,000,000	11/17/09	Regions Bank	23,490,000	23,700,000
Industrial Development Hospital Revenue Bonds, Series 2009C	Winchester Medical Center, Inc.	25,000,000	11/17/09	Regions Bank	23,695,000	23,695,000
Industrial Development Hospital Revenue Bonds, Series 2009D	Winchester Medical Center, Inc.	25,000,000	11/17/09	Regions Bank	23,490,000	23,705,000
Industrial Development Variable Rate Revenue Refunding Bond, Series 2011	NW Works, Inc.	2,300,000	12/20/10	Wells Fargo	-	1,160,000
Economic Development Authority of the City of Winchester, Virginia Hospital Revenue Bonds, Series 2013A	Winchester Medical Center, Inc.	35,135,000	12/04/13	Regions Bank	28,365,000	29,225,000
Economic Development Authority of the City of Winchester, Virginia Hospital Revenues Bonds, Series 2013B	Winchester Medical Center, Inc.	70,530,000	12/04/13	Regions Bank	39,495,000	44,030,000
Industrial Development Residential Care Facility Revenue Bonds, Series 2021 (2014A Refunding)	Westminster-Canterbury of Winchester, Inc.	30,388,088	05/12/21	Union Bank	26,404,394	28,367,747
Economic Development Authority of the City of Winchester, Virginia Hospital Revenues Bonds, Series 2014A	Winchester Medical Center, Inc.	43,135,000	10/07/14	Regions Bank	885,000	1,740,000
Economic Development Authority of the City of Winchester, Virginia Hospital Revenues Bonds, Series 2020 (2014A Partial Refunding)	Winchester Medical Center, Inc.	41,775,000	08/01/20	TD Bank	40,425,000	40,885,000
Economic Development Authority of the City of Winchester, Virginia Hospital Revenues Bonds, Series 2014B	Winchester Medical Center, Inc.	12,000,000	10/07/14	Regions Bank	12,000,000	12,000,000
Economic Development Authority of the City of Winchester, Virginia Hospital Revenues Bonds, Series 2015A	Winchester Medical Center, Inc.	114,925,000	07/22/15	Regions Bank	12,090,000	13,635,000
Economic Development Authority of the City of Winchester, Virginia Hospital Revenue Refunding Bonds, Series 2022	Winchester Medical Center, Inc.	107,385,000	01/06/22	TD Bank	106,285,000	107,385,000
Economic Development Authority of the City of Winchester, Virginia Residential Care Facility Revenue Bond, Series 2022A	Westminster-Canterbury of Winchester, Inc.	51,000,000	07/15/22	Atlantic Union Bank	46,497,748	-
		<u>\$ 608,573,088</u>			<u>\$ 406,607,142</u>	<u>#####</u>

COMPLIANCE SECTION

**INDEPENDENT AUDITOR’S 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**

To the Board of Directors
Economic Development Authority of the City of Winchester, Virginia
Winchester, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Economic Development Authority of the City of Winchester, Virginia (the “Authority”), 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 October 17, 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 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.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
October 17, 2023

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WINCHESTER, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2023

As more fully described in the “Independent Auditor’s 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*,” we performed tests of the Authority’s compliance with certain provisions of the laws, regulations, contracts and grant agreements, and other matters shown below.

STATE COMPLIANCE MATTERS

Code of Virginia:

Cash and Investment Laws
Conflicts of Interest Act
Procurement Laws

LOCAL COMPLIANCE

Authority By-Laws

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF WINCHESTER, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2023

A. FINDINGS – FINANCIAL STATEMENT AUDIT

None

B. FINDINGS – COMMONWEALTH OF VIRGINIA

None