
WILLIAMSBURG
ECONOMIC DEVELOPMENT AUTHORITY
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY CERTIFIED PUBLIC ACCOUNTANTS

CHARLOTTESVILLE □ RICHMOND □ FREDERICKSBURG □ STAUNTON □ BLACKSBURG



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WILLIAMSBURG ECONOMIC DEVELOPMENT AUTHORITY
DIRECTORY OF PRINCIPAL OFFICIALS

AUTHORITY MEMBERS

Thomas W. Gillman, Chairperson

William H. Carr, Vice Chairperson

Edward Richardson

Tonya Boone

Todd Mooradian

Adam Steely

Rick Overy

OTHER OFFICIALS

Michele Mixner DeWitt, Economic Development Director, City of Williamsburg

Joseph F. Phillips, Attorney and Secretary

Marie Caulford, Secretary to the EDA Attorney

- Financial Section -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Board of Directors
Williamsburg Economic Development Authority
Williamsburg, Virginia

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Williamsburg Economic Development Authority as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Williamsburg Economic Development Authority'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 business-type activities of the Williamsburg Economic Development Authority as of June 30, 2014, 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 Matter

Required Supplementary Information

Management has omitted 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014, on our consideration of the Williamsburg Economic Development 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 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 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 Williamsburg Economic Development Authority's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 24, 2014

- Basic Financial Statements -

WILLIAMSBURG ECONOMIC DEVELOPMENT AUTHORITY
Statement of Net Position
June 30, 2014

ASSETS

Cash and cash equivalents	\$	157,925
Investments		<u>119,060</u>
Total current assets	\$	<u>276,985</u>
Total assets	\$	<u><u>276,985</u></u>

LIABILITIES AND NET POSITION

Current liabilities:

Accounts payable and accrued expenses	\$	<u>989</u>
Total current liabilities	\$	<u>989</u>
Unearned revenue	\$	<u>8,043</u>
Total liabilities	\$	<u>9,032</u>
Net position:		
Unrestricted	\$	<u>267,953</u>
Total net position	\$	<u>267,953</u>
Total liabilities and net position	\$	<u><u>276,985</u></u>

The accompanying notes to financial statements are an integral part of this statement.

WILLIAMSBURG ECONOMIC DEVELOPMENT AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

Operating revenues:		
Bond issue fees	\$	17,740
Demolition program grant		40,000
Pass thru funding		2,400
E-Commerce program		6,406
Sign grant award		6,406
Regional incubator		2,057
Williamsburg Gallery Crawl		<u>23,846</u>
Total operating revenues	\$	<u>98,855</u>
Operating expenses:		
Professional services	\$	10,135
Pass thru funding		27,400
Demolition program awards		25,305
EDA grant awards		8,400
Arts events		3,778
Existing business program		7,533
Regional incubator		2,500
Williamsburg Gallery Crawl		<u>10,054</u>
Total operating expenses	\$	<u>95,105</u>
Operating income	\$	3,750
Nonoperating income (expenses):		
Interest income		<u>122</u>
Change in Net position	\$	3,872
Net position, beginning of year		<u>264,081</u>
Net position, end of year	\$	<u><u>267,953</u></u>

The accompanying notes to financial statements are an integral part of this statement.

WILLIAMSBURG ECONOMIC DEVELOPMENT AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash flows from operating activities:

Receipts from customers and users	\$	43,643
Receipts from grantors		55,212
Payments to suppliers		(23,301)
Payments to demolition program		(25,305)
Payments to grantees		<u>(45,833)</u>
Net cash provided by (used for) operating activities	\$	<u>4,416</u>
Net increase (decrease) in cash and cash equivalents	\$	<u>4,416</u>
Cash and cash equivalents, beginning of year	\$	<u>153,509</u>
Cash and cash equivalents, end of year	\$	<u><u>157,925</u></u>

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:

Operating income	\$	<u>3,750</u>
Adjustments to reconcile change in Net Position to cash used in operating activities:		
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
(Decrease) Increase in accounts payable		<u>666</u>
Net cash provided by (used for) operating activities	\$	<u><u>4,416</u></u>

The accompanying notes to financial statements are an integral part of this statement.

WILLIAMSBURG ECONOMIC DEVELOPMENT AUTHORITY

Notes to Financial Statements As of June 30, 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose:

The Williamsburg Economic Development Authority (Authority) is a political subdivision of the Commonwealth of Virginia created on June 8, 1978. The Authority is governed by a seven member Board of Directors as appointed by the Williamsburg City Council.

B. Financial Reporting Entity:

The basic criteria for including organizations within the reporting entity, as set forth in the Governmental Accounting Standards Board (GASB) Statement Nos. 14 and 39, is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in the reporting entity. These financial statements present the activity and functions of the Williamsburg Economic Development Authority (the primary government). The financial statements include all operations of the Williamsburg Economic Development Authority.

C. Financial Statement Presentation:

Management's Discussion and Analysis

GASB Statement No. 34 requires the 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 not included herein as required.

Basis of Accounting

The Authority is required to follow the accounting and reporting practices of the GASB. For financial reporting purposes the Operating Fund utilizes the enterprise fund method of accounting using the accrual basis. For the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred, regardless of when the related cash flows take place.

Cash and Cash Equivalents

Cash and cash equivalents are reported at cost, which approximates market. Cash and cash equivalents include amounts in demand deposits and when applicable, short-term investments with a maturity date within three months of the date acquired by the government. For purposes 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.

Investments

Investments are reported at fair value which approximates market; no investments are valued at cost. State statutes authorize the government to invest in obligations of U. S. Treasury notes, Federal Home Loan notes, repurchase agreements, and municipal bonds.

WILLIAMSBURG ECONOMIC DEVELOPMENT AUTHORITY

Notes to Financial Statements As of June 30, 2014

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Financial Statement Presentation (Continued):

Use of Estimates

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

Operating and Nonoperating Revenues and Expenses

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues, grants and expenses generally result from property sales and rental and other related revenues and expenses resulting from these activities. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2014.

Net Position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets, if any, represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

WILLIAMSBURG ECONOMIC DEVELOPMENT AUTHORITY

**Notes to Financial Statements
As of June 30, 2014**

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and 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 are considered fully collateralized.

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).

Credit Risk of Debt Securities:

The Authority's rated debt investments as of June 30, 2014 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below using Standard & Poor's rating scale.

<u>Authority's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Rating</u>
Local Government Investment Pool	<u>AAAm</u>
	<u>\$ 119,060</u>

External Investment Pool:

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

NOTE 3 - LITIGATION:

At June 30, 2014, there were no matters of litigation involving the Authority which would materially affect the Authority's financial position should any court decision or pending matter not be favorable to the Authority.

WILLIAMSBURG ECONOMIC DEVELOPMENT AUTHORITY

**Notes to Financial Statements
As of June 30, 2014**

NOTE 4 - UNEARNED REVENUE:

The Authority reports unearned revenue representing funds received in advance for events held with the counties of York and James City totaling \$8,043 at June 30, 2014.

NOTE 5 - CONDUIT DEBT:

The Authority can authorize the issuance of revenue bonds for the purpose of obtaining and constructing facilities. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprises for which facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be secured by a deed of trust on those facilities.

The following issues represent conduit or pass-thru debt of the Authority:

<u>Original Amount</u>	<u>Date Due</u>	<u>Project</u>
\$10,000,000	12/1/2015	The Colonial Williamsburg Foundation Project
3,500,000	2/1/2018	National Center for State Courts Projects
10,000,000	12/1/2018	The Colonial Williamsburg Foundation Project
2,000,000	12/31/2018	Colonial Community Services, Inc.
4,000,000	12/1/2021	National Center for State Courts Projects
3,000,000	12/1/2022	The Colonial Williamsburg Foundation Project
9,600,000	6/1/2026*	The Colonial Williamsburg Foundation Project
25,000,000	10/1/2035	Renovate & Improve-Vistors Center Building
5,000,000	9/16/2036	W&M Real Estate Foundation Tribe Square Project
9,000,000	9/1/2037	Williamsburg Landing Project

* Reissued with lower interest rate on 7/7/10

NOTE 6 - RISK MANAGEMENT:

The EDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets errors and omissions; injuries to employees; and natural disasters. The EDA carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

- Compliance Section -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Honorable Members of the Board of Directors
Williamsburg Economic Development Authority
Williamsburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Williamsburg Economic Development Authority as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Williamsburg Economic Development Authority's basic financial statements and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Williamsburg Economic Development 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 Williamsburg Economic Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Williamsburg Economic Development 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 Williamsburg Economic Development 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 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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 24, 2014