

City of Virginia Beach Development Authority

# **Audit Executive Summary**

November 12, 2024

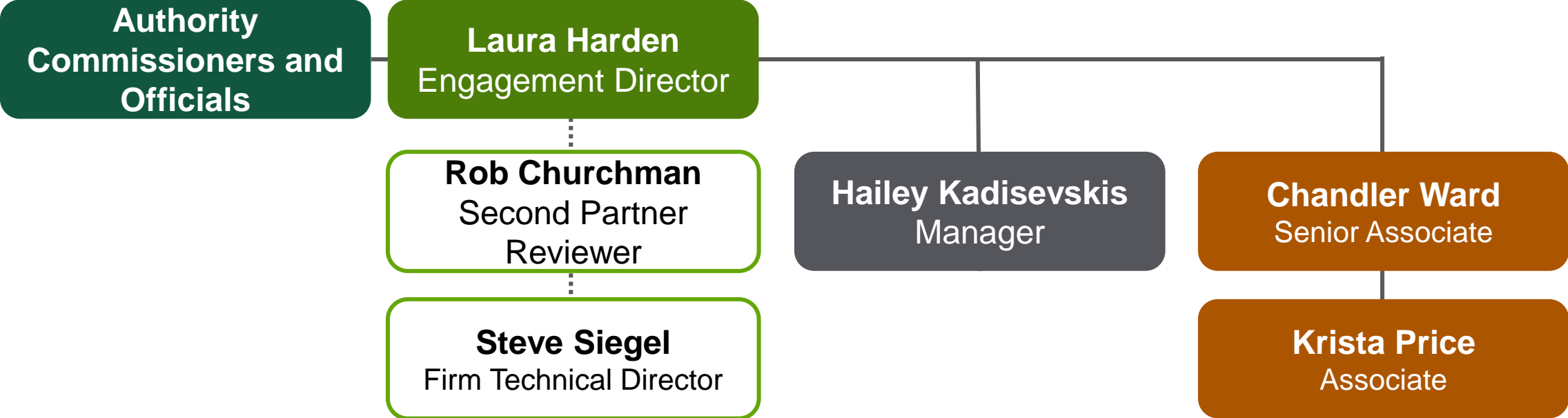
# Agenda

- ▶ Client Service Team
- ▶ Results of the Audit
- ▶ Internal Control Communication
- ▶ Corrected and Uncorrected Misstatements
- ▶ Qualitative Aspects of Accounting Practices
- ▶ Independence Considerations
- ▶ Other Required Communications
- ▶ Other Matters

This information is intended solely for the use of the Commissioners of the City of Virginia Beach Development Authority and management and is not intended to be, and should not be, used by anyone other than these specified parties.



# Client Service Team



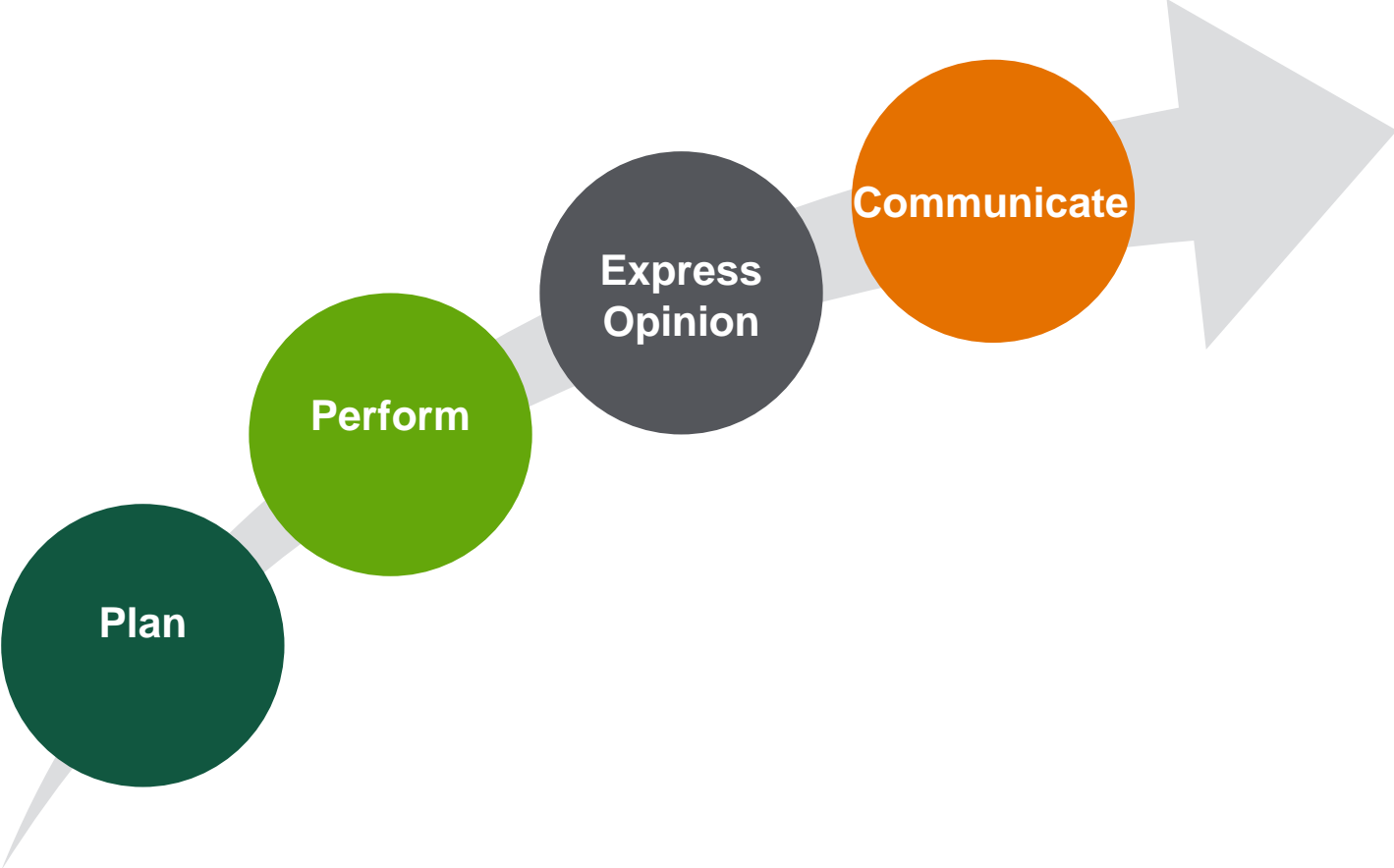
# Results of the Audit

We have audited the financial statements of the City of Virginia Beach Development Authority (the "Authority"), a component unit of the City of Virginia Beach, Virginia, as of and for the year ended June 30, 2024, and we plan to issue our report thereon dated November 13, 2024.

We plan to issue an unmodified opinion on the financial statements.

We identified no instances of noncompliance required to be reported under *Government Auditing Standards* or the *Specifications for Audits of Authorities, Boards, and Commissions*.

We identified no material weaknesses in internal control over financial reporting.



# Internal Control Communication

In planning and performing our audit, we considered 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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.



# Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

## Corrected Misstatements

- ▶ In FY2024 the Authority implemented GASB 91, *Conduit Debt*, which was effective for FY2022. This standard resulted in the Authority recording debt issued on behalf of the City on the Authority's financial statements. The previously reported balances at June 30, 2023 were restated as follows:

	6/30/2023 Previously Reported	Restatement	7/1/2023 As Restated
-			
Due From City of Virginia Beach	\$-	\$301,989,422	\$301,989,422
Deferred Gain on Refunding	(276,973)	586,792	309,819
Accrued Liabilities	(275,150)	(864,384)	(1,139,534)
Long-Term Debt	(27,446,806)	(301,711,830)	(329,158,636)



# Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

## Uncorrected Misstatements

- ▶ None noted.

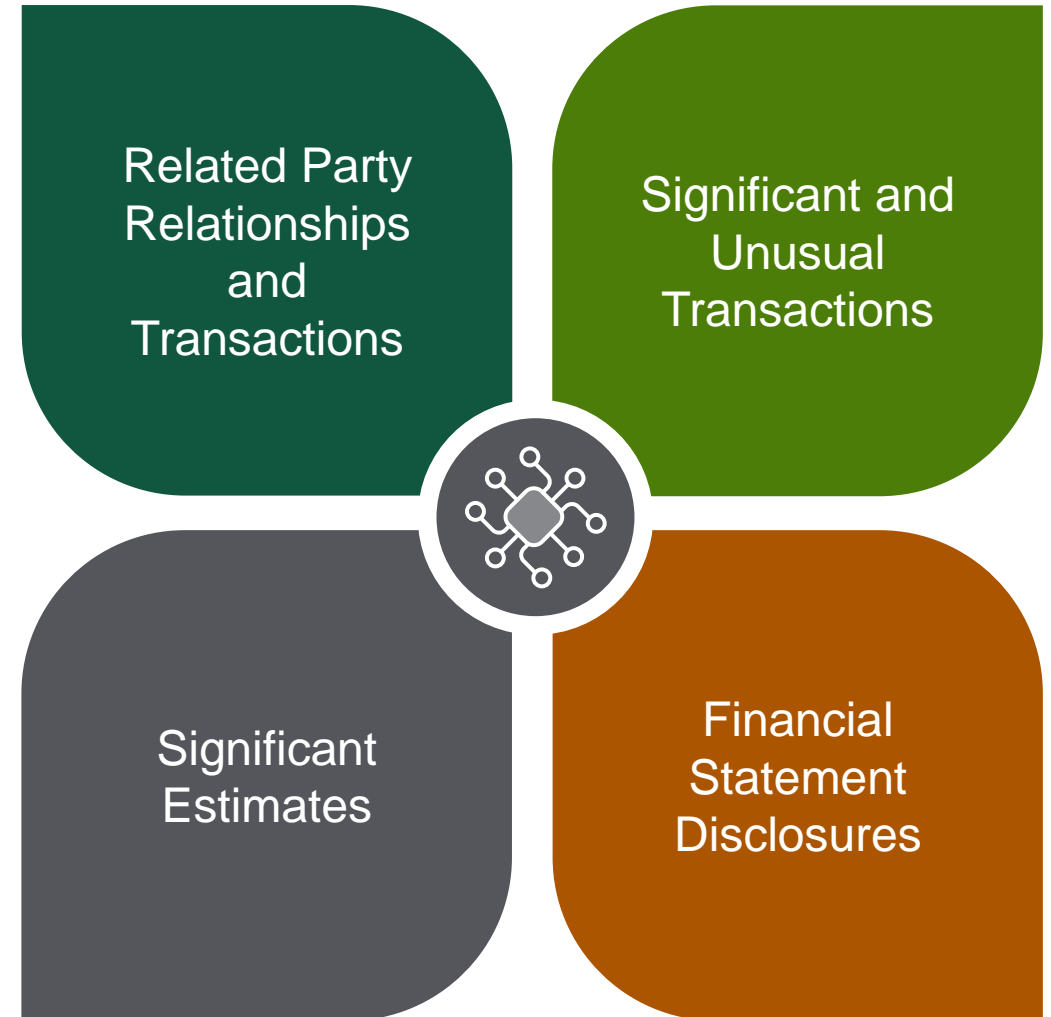


# Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements.

As described in Notes 1 and 10 to the financial statements, the Authority implemented Governmental Accounting Standards Board Statement 91, *Conduit Debt Obligations* during the fiscal year ended June 30, 2024.

The application of existing policies was not changed during the year. We noted no inappropriate accounting policies or practices.



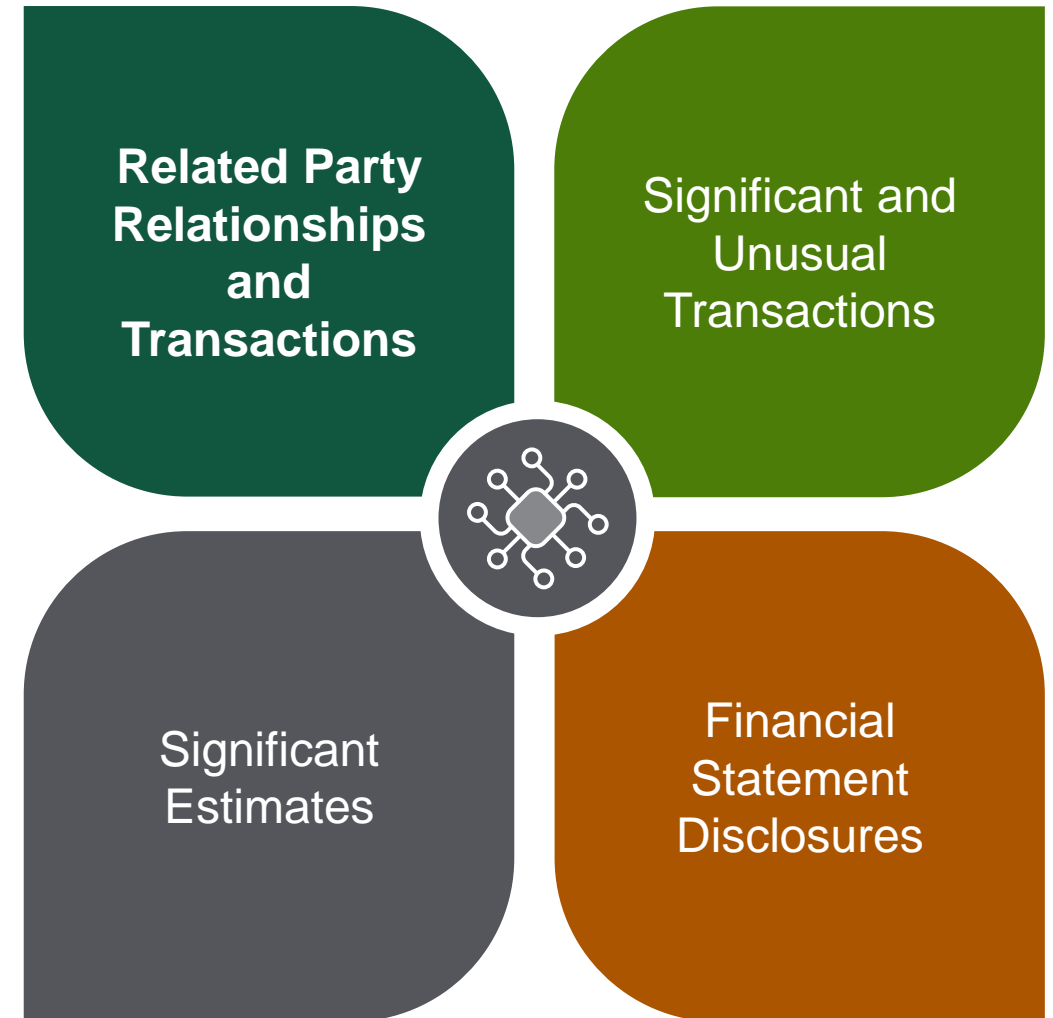


# Qualitative Aspects of Accounting Practices

As part of our audit, we evaluated the Authority's identification of, accounting for, and disclosure of the Authority's relationships and transactions with related parties as required by professional standards.

We noted none of the following:

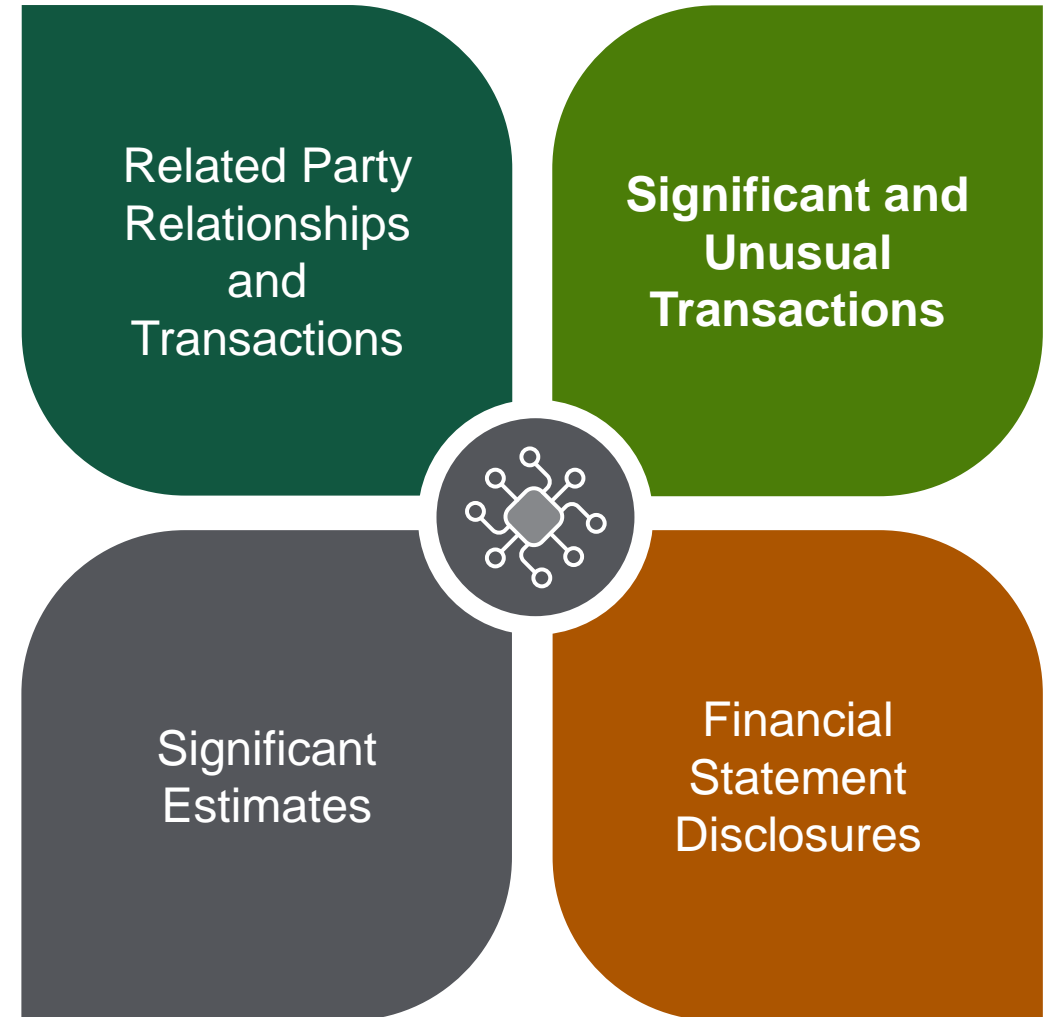
- Related parties or related party relationships or transactions that were previously undisclosed to us;
- Significant related party transactions that have not been approved in accordance with the Authority's policies or procedures or for which exceptions to the Authority's policies or procedures were granted;
- Significant related party transactions that appeared to lack a business purpose;
- Noncompliance with applicable laws or regulations prohibiting or restricting specific types of related party transactions, and
- Difficulties in identifying the party that ultimately controls the Authority.



# Qualitative Aspects of Accounting Practices

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

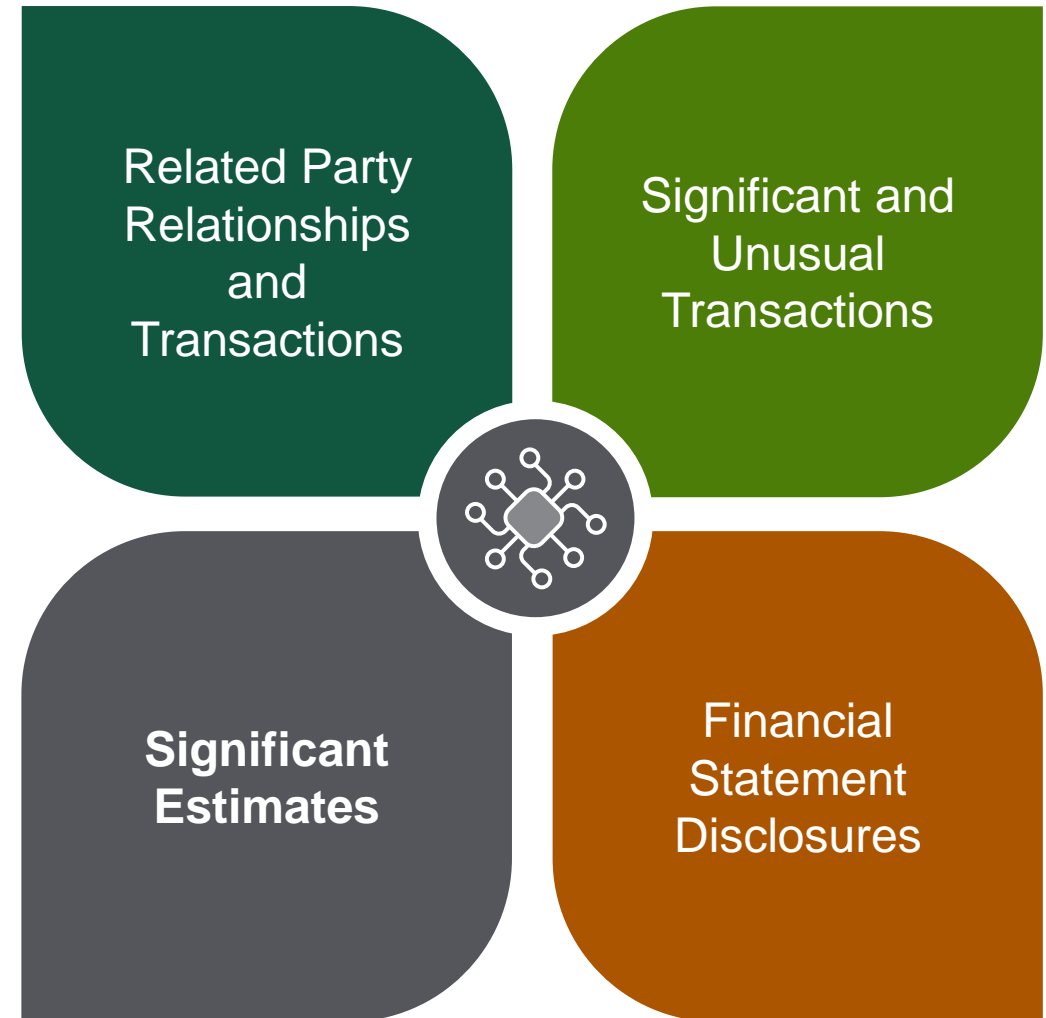
For purposes of this presentation, professional standards define significant unusual transactions as transactions that are outside the normal course of business for the Authority or that otherwise appear to be unusual due to their timing, size, or nature. We noted no significant unusual transactions during our audit.



# Qualitative Aspects of Accounting Practices

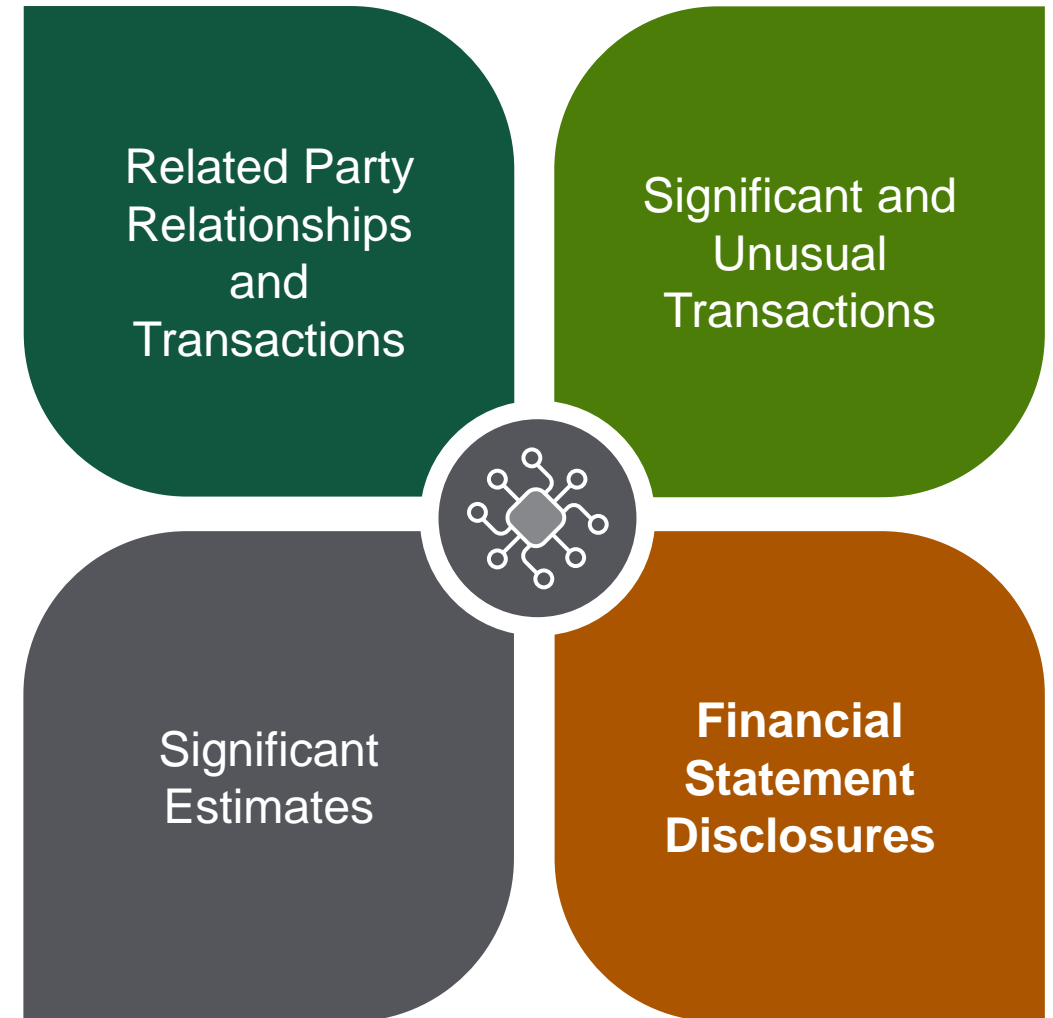
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the land held for resale is based on the acquisition cost plus improvements. We evaluated the key factors and assumptions used to develop the land held for resale in determining that it is reasonable in relation to the financial statements taken as a whole.



# Qualitative Aspects of Accounting Practices

The financial statement disclosures are neutral, consistent, and clear.



# Independence Considerations

## Nonattest Services

- ▶ Our firm did not perform any nonattest services for the Authority.
- ▶ If we were to perform any nonattest services, you are responsible for designating a competent employee to oversee the services, make any management decisions, perform any management functions related to the services, evaluate the adequacy of the services, and accept overall responsibility for the results of the services.



## Independence Conclusion

- ▶ We are not aware of any other circumstances or relationships that create threats to auditor independence.
- ▶ We are independent of the Authority and have met our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.



# Other Required Communications

## Difficulties Encountered

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## Disagreements with Management

Includes disagreements on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## Auditor Consultations

We noted no matters that are difficult or contentious for which the auditor consulted outside the engagement team.

## Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.



# Other Required Communications

## Management Consultations

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. To our knowledge, there were no such consultations with other accountants.

## Other Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Fraud and Illegal Acts

As of the date of this presentation, no fraud, illegal acts, or violations of laws and regulations noted.

## Going Concern

No events or conditions noted that indicate substantial doubt about the Authority’s ability to continue as a going concern.



# Other Matters

## Required Supplementary Information

We applied certain limited procedures to the required supplementary information (“RSI”) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI. We were engaged to report on the other supplementary information which accompanies the financial statements, but which is not RSI.



## Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



## Annual Report

The Authority’s audited financial statements are included in its annual report. We do not have an obligation to perform any procedures to corroborate the other information contained in the annual report. However, we read the other information and considered whether such information, or the manner of its presentation, was materially inconsistent with that appearing in the financial statements. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, was materially inconsistent with that appearing in the financial statements.





# Questions

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# Monthly Cash Flow – October 2024

City of Virginia Beach Development Authority

November 12th, 2024

# Operating Account Summary: October 2024

**Beginning Cash October 1, 2024**

**\$ 8,163,472**

## Cash Receipts Detail

✓ \$ 8,198 Interest Income

## Cash Disbursements Detail

✓ \$ 55,900 Atlantic Park Construction and support services through 8/31/2024– MBP

✓ \$ 4,305 Legal Services for Atlantic Park Project through August 31  
- Davis Commercial Law

✓ \$ 15,070 Monthly Conduit Management October 15th-November 15th– Globalinx

✓ \$ 4,338 Moving of Common Area and Vacant Office Furniture  
at the International Incubator – MOI Norfolk

✓ \$ 6,000 Fiscal Year 2024 Audit Progress Billing #2 – Cherry Bekaert

**Ending Cash – October 31, 2021**

**\$ 8,080,619**

# Cont. Operating Account Summary: October 2024

## Amounts paid and reimbursed by City of VB – October 2024

- ✓ \$ **3,018,673** Atlantic Park – Draw #20 Entertainment Venue – Venture Waves
- ✓ \$ **758,751** Atlantic Park – Draw #20 Offsite Infrastructure (City Asset) – Venture Waves
- ✓ \$ **1,352,620** Innovation Park – Draw #12 Offsite Infrastructure  
construction through September 2024 – Architectural Graphics
- ✓ \$ **10,663** Innovation Park – Construction Phase Services – Kimley Horn
- ✓ \$ **3,032** Corporate Landing – New Roadway & Pond C Final Design – VHB

# Capital Maintenance: October 31, 2024

**Amphitheater** **\$ 780,665\***

\* Amphitheater Capital Maintenance funds are being held by the city and are reimbursed to the VBDA as Capital Maintenance expenses are incurred.

**Human Services Building** **\$ 3,532,633**

✓ Monthly Lease - October \$ 47,910

**VB National Golf Course** **\$ 2,165,693**

✓ Revenue Agreement \$ 29,991

✓ Roof replacement design phase  
– HBA Architecture (\$ 6,973)

✓ Pond 1 Maintenance Plan – VHB (\$ 12,202)

# Incentive & Initiative Account Summary: October 2024

**Beginning Cash – October 1, 2024** **\$ 1,178,113**

## Cash Receipts Detail

No Significant Receipts

## Cash Disbursements Detail

FIG Grant – Replace Windows and Covered Roof  
- Dubai Properties **\$10,000**

FIG Grant – New Signage and Awning, Building  
Exterior Revitalization – Yorkies Modern Deli **\$10,000**

October 2024 Monthly Rent, Operating Expenses,  
and R.E. Taxes – Olympia Bendix Two **\$ 12,163**

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**Ending Cash – October 31, 2024** **\$ 1,145,887**

# EDIP Grant Summary Reporting: October 2024

<b>Beginning EDIP appropriations 10/1/2024</b>	<b>\$ 11,464,491</b>
✓ SJS Executives – Job Expansion 34 of 49 qualified jobs created	(\$ 86,735)
✓ Aslin Beer Company - \$3.6 of \$3.9 million total Capital Investment	<u>(\$ 92,575)</u>
<b>Total EDIP appropriations as of 10/31/2024*</b>	<b>\$ 11,285,201</b>
EDIP Part A – Encumbered as of 10/31/2024	\$ 4,722,085
Closed Awards –15 of 49 jobs not fulfilled – SJS Executives	(\$ 38,265)
EDIP Part B – Encumbered as of 10/31/2024	<u>\$ 795,900</u>
<b>EDIP Grant Funds Available as of 10/31/2024</b>	<b>\$ 5,946,492</b>

\* Actual EDIP Cash received from the City and held by the VBDA on September 30<sup>th</sup>, 2024 is \$1,209,505. The remaining \$10,254,972 is being held by the City and will be reimbursed to the VBDA when EDIP recipients receive their awards.



# Virginia Beach National Golf Course

City of Virginia Beach Development Authority

November 12, 2024 | Open Session

*Emily Archer, Deputy Director of Economic Development*





# Disclosures (Applicant)

- Members: Duncan McDuff, Glen Pierce, Thomas C. Broyles, and Michael Rashkind
- Affiliated Business Entity: Heron Ridge Golf Club

# Background

- Virginia Beach National Golf is owned by the City of Virginia Beach and has been leased to the VBDA since 1997.
- The VBDA and the operators of Virginia Beach National Golf Club, LCC entered into a management agreement in 2007; the current agreement expires in December 2026 with one five-year term for renewal remaining.
- An Audit was completed on Virginia Beach National Golf Course in October 2023 that detailed numerous items that were in various states of disrepair. VBDA has taken action to address all of the findings.
- Facility condition assessments were conducted in Spring of 2024. The operators of VBNG and the VBDA Asset Committee met on May 8, 2024 and again on November 4, 2024 to discuss the operators recommendation for repairs.



# Current Capital Projects

Project	Estimated Cost	Update
SWMF #1	\$519,375	Design drawings received. Navigating permitting requirements. Bids expected to begin in May 2025 with work to begin October 2025.
Clubhouse roof and interior refresh	\$409,467	Bid posting in November with a pre-bid meeting in December. Work expected to begin in March 2025 with VBDA approval.
Clubhouse HVAC	\$196,965	Pre-bid meeting held on October 31, 2024. Bid opening November 22, 2024. Work expected to begin February 2025 with VBDA approval.

Total: \$1,407,257 w/ 25%Contingency



Lake 1



Clubhouse Roof

# Requests from the Operator

Project	Scope of Work
Wash Pad	Water is leaking from pump number 2 and around the concrete. This is used to clean the machinery after use
Drainage Repair	Sinkholes need to be repaired and drainage needs to be installed. Locations include areas near the #2 green, the #6 green the #16 green, and the #12 fairway.



Sinkhole near the 6<sup>th</sup> green



Drainage repair near hole 14

# Requests from the Operator 2

Project	Scope of Work
Tree Removal	Work needs to be completed near holes #14 and throughout the golf course
Lake Bank Erosion Repair	Work needs to be completed near holes # 9 and #6



Trees near the 14<sup>th</sup> hole to be cut down



Lake Bank Erosion near lake #3



**QUESTIONS**

**Request approval of the grant of 100 square foot utility easement at 312 Virginia Beach Boulevard**

