

Presentation to the Board of Directors

City of Virginia Beach Development Authority

November 16, 2021



Your guide forward



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Engagement Services

Engagement Services

- ▶ You have engaged us to provide the following:
 - An audit of the Authority's FY 2021 financial statements
 - A compliance audit of the:
 - Authority's compliance with the Auditor of Public Accounts' (APA) *Specifications for Audits of Authorities, Boards and Commissions*
 - *Government Auditing Standards*

Planned timing
of the audit:

**Audit
fieldwork**

**October
2021**

Financials

**November
2021**

Continuous Communication

A grayscale photograph of several stacks of papers and folders. The stacks are arranged in a row, with the leftmost stack being the tallest and most prominent. Each stack is held together by a metal binder ring. The papers are slightly fanned out, showing their edges. The background is a plain, light-colored surface, possibly a desk or table. The overall tone is professional and organized.

Overall Audit Results

Service Deliverables

Audit Opinions:

- Our opinion on the 2021 financial statements is unmodified
- We noted no material weaknesses in internal control over financial reporting
- Significant deficiency over financial reporting – item 2021-001

Board Reporting:

- Nothing came to our attention where management did not comply with laws or regulations, which noncompliance with could have a material effect on the financial statements



Required Communications

Required Communications

Accounting Policies

- Change in accounting policies - the application of existing policies was not changed during 2021

Management Judgement and Accounting Estimates

- Impairment of land held for resale
- Depreciation of capital assets based on estimated useful lives

Audit Adjustments and Uncorrected Misstatements

- There were no uncorrected misstatements
- There was one audit adjustments as a result of our audit procedures – see Finding 2021-001

Required Communications

Disagreements with Management

- There were none noted during fieldwork

Difficulties Encountered in Performing the Audit

- We encountered no difficulties in performing the audit

Consultation with Other Accountants

- We are not aware of any

Required Communications

Material Client Communications

- Management representation letter is expected to be provided on November 17, 2021, at the completion of the audit

Independence

- We are not aware of any relationship that we believe, based on current authoritative guidance, would impair our independence

Other Matters

- We applied limited procedures to the Management's Discussion and Analysis ("MD&A") – no opinion



Future Accounting and Reporting Changes

Future Accounting and Reporting Changes

GASB statements effective for FY 2022:

▶ **Statement No. 87** – *Leases*

- Addresses accounting and financial reporting for leases

▶ **Statement No. 89** – *Accounting for Interest Cost Incurred before the End of a Construction Period*

- Addresses accounting requirements for interest cost incurred before the end of a construction period.

Future Accounting and Reporting Changes

GASB statements effective for FY 2022/2023:

- ▶ **Statement No. 93** – *Replacement of Interbank Offered Rates*
 - Addresses accounting and financial reporting implications that result from the replacement of an IBOR.

GASB statements effective for FY 2023:

- ▶ **Statement No. 91** – *Conduit Debt Obligations*
 - Provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Future Accounting and Reporting Changes

GASB statements effective for FY 2023:

- ▶ **Statement No. 94** – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (PPPs)*
 - Improves financial reporting by addressing issues related to PPPs

- ▶ **Statement No. 96** – *Subscription-Based Information Technology Arrangements*
 - Provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users.

Your Guide Forward



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NAS Oceana – City of Virginia Beach Development Authority Future Base Design Intergovernmental Support Agreement Summary of Terms

Virginia Beach Development Authority
November 16, 2021

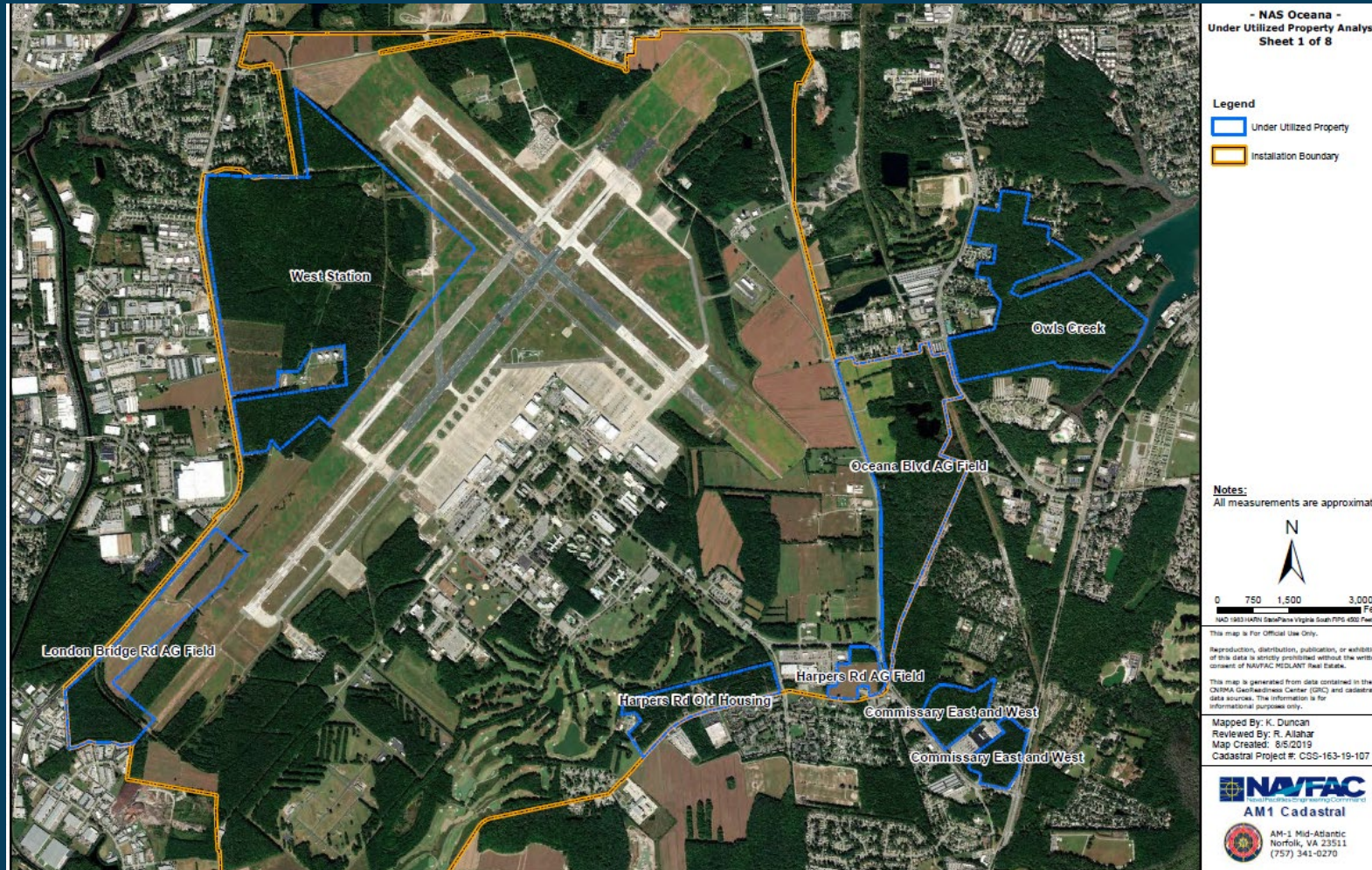
IGSA Summary of Terms Scope

- Navy is seeking opportunities to leverage underutilized portions of Naval Air Station (NAS) Oceana and surrounding property into economic development opportunities.
- Navy, with the assistance of VBDA, intends to enter into long-term lease arrangements with businesses with compatible uses. VBDA would provide assistance in site evaluation and locating and recruiting potential users.
- Navy would benefit from rental income and/or in-kind services provided by the tenants.
- VBDA would benefit from increased compatible economic development and additional building sites in the areas around NAS Oceana, and the increased leasehold real estate tax paid to the City from the tenants. Note: In no event would the Navy's interest be subject to local property and/or leasehold tax.
- Proposed term of the IGSA is one (1) year, with nine (9) one-year extensions, on mutual agreement of parties. Total term not to exceed ten (10) years.

Properties

1. Oceana Boulevard Agricultural Field (200.83 ac +/-)
2. Former Horse Stables on Oceana Boulevard (140 ac +/-)
3. Harpers Road Agricultural Field (19.46 ac +/-)
4. East Commissary on Oceana (24.45 ac +/-)
5. West Commissary on Oceana (29.91 ac +/-)
6. Certain property “within the fence line” of NAS Oceana as designated by Navy, or other parcels identified by Navy

Map of Properties



Navy Responsibilities

Navy will:

- Provide VBDA with physical and environmental site information in its possession.
- Identify use restrictions and other federal requirements for each site.
- Assist VBDA marketing efforts.
- Direct prospects for the sites who contact the Navy to the VBDA if deemed appropriate by the Navy (for clarity, the Navy reserves the right to work with other parties for assistance in marketing and leasing the sites).
- Provide form documents (leases, rights of entry, etc.) to allow VBDA to communicate requirements and restrictions to potential tenants.
- Provide VBDA temporary access to sites as needed for purposes of the IGSA.
- Reimburse VBDA for reasonable costs incurred as set forth below.

VBDA Responsibilities

VBDA will:

- Assess marketability and prepare marketing plan for each site.
- Marketing plans to include analysis of highest and best use, and available incentives, considering use restrictions, adjacent developments, and Navy mission requirements.
- Develop mutually agreeable competitive procedures for soliciting interest from prospective tenants.
- Develop and implement a plan to market and promote the sites.
- Host website regarding sites and development opportunities.
- Support Navy in gathering expressions of interest for sites.
- Evaluate users for receipt of VBDA incentives (such as the Economic Development Investment Program).
- Take the lead in responding to Virginia Freedom of Information Act (FOIA) requests regarding the program.

Financial Details

- The Navy has budgeted \$100,000 per year for costs of all efforts undertaken in furtherance of the IGSA.
- Navy will request work from VBDA on a work order basis with the VBDA being reimbursed on completion of the tasks.



Photo by
ORSTED

Questions, Answers and Discussion

NAS Oceana – City of Virginia Beach Development Authority Future Base Design Intergovernmental Support Agreement Summary of Terms



Virginia Beach Development Authority
November 16, 2021



THE VIRGINIA BEACH DEVELOPMENT AUTHORITY

EDIP RECOMMENDATION

NOVEMBER 16, 2021

DISCLOSURES



- President: Scott Prunty
- Accountant: Jones CPA Group
- Architect/Engineers: WPL
- Financial Institution: Blue Ridge Bank
- Legal Services: Wolcott Rivers Gates Attorneys at Law
- Real Estate Broker: Riddle Associates Inc.

ABOUT THE COMPANY



- Established in 2008
- Current Location: 106 S First Colonial Road
- Outdoor Living Design/Build Construction Firm
- Offers full-service design and construction
- Services include installation of:
 - Fiberglass Pools
 - Outdoor Kitchens
 - Lighting
 - Decks
 - 3D Designs
 - Fences
 - Shade Features
 - Fire Features
 - Hardscapes
 - Premium Outdoor Audio

COMPANY PORTFOLIO



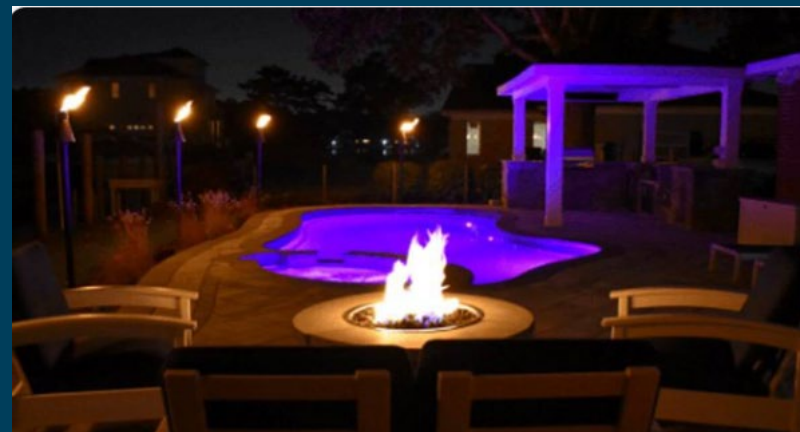
Fiberglass Pool Installation



Deck Installation



Shade Structures



Fire Features

COMPANY PORTFOLIO

**SOLID
STRUCTURES**



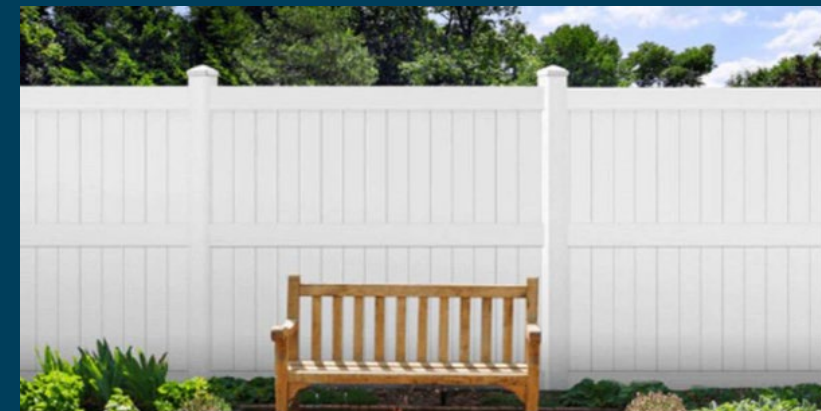
Hardscape Installation



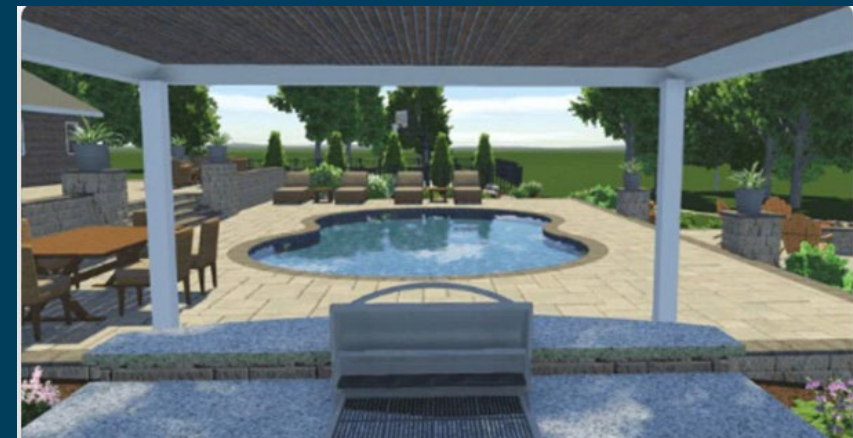
Landscape Lighting



Outdoor Kitchen Installation



Fence Installation



3D Design

LOCATION



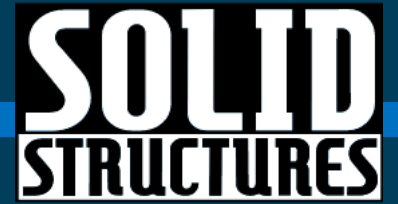
Current: 106 S. First Colonial Rd.



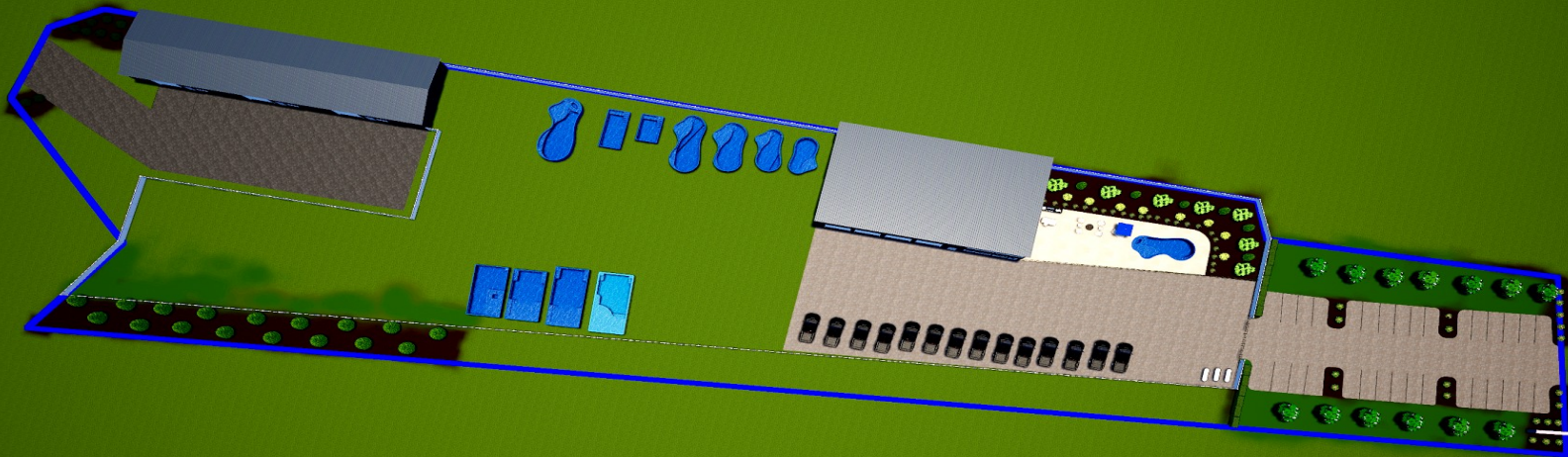
New: 1252 Jensen Drive



LOCATION



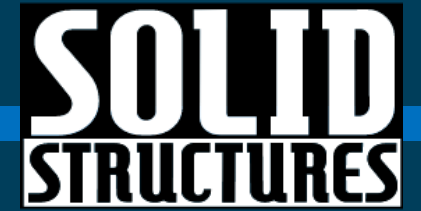
artistic conception



Solid Structures | *Ryan Earley*

Scott

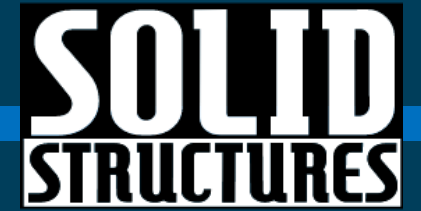
PROJECT SUMMARY



Expansion and Relocation

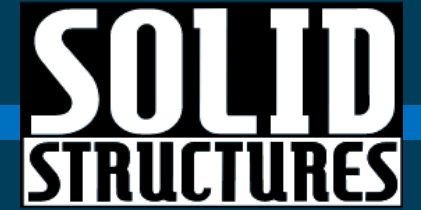
- ✓ Land Purchase
- ✓ Address of Project: 1252 Jensen Drive
- ✓ Acres: 2.70
- ✓ Zoning: APZ1, Navy Approved
- ✓ Type of Facility/Use: Office, Warehouse, Storage
- ✓ Anticipated Completion: August 2022

PROJECT SUMMARY



CAPITAL INVESTMENT (within 36 months)	AMOUNT
REAL ESTATE	\$1,200,000
FURNITURE FIXTURES & EQUIPMENT	\$ 75,000
MACHINERY & TOOLS	\$ 150,000
TOTAL:	\$1,425,000

RECOMMENDATION



- Economic Development Investment Program (EDIP) Grant: \$35,000
 - ✓ Pursuant to “Part C” of the APZ-1 EDIP Policy (pending OLUCC approval on December 8, 2021).
- Meets capital investment criteria: \$1.00 of EDIP funds yields \$10.50 (+) or more in new capital investment
- Target Industry: Compatible business use in APZ-1

QUESTIONS?