Economic and Industrial Development Authorities City of Newport News, Virginia

Component Units of the City of Newport News, Virginia











Financial Statements and Schedule
Fiscal Years Ended June 30, 2025 and 2024

(With Independent Auditor's Report Thereon)

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(Component Units of the City of Newport News, Virginia)

Financial Statements and Schedule

For the Years Ended

June 30, 2025 and 2024

(With Report of Independent Auditor Thereon)

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of the City of Newport News, Virginia
(Component Units of the City of Newport News, Virginia)
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Economic and Industrial Development Authorities of the City of Newport News, Virginia

(Component Units of the City of Newport News, Virginia)
Listing of Members, Officials, and Other Support Staff

Members

Cathy T. Williams	Chair
Jonathan P. Skinner	Vice Chair
Xavier Beale	Director
Daniel L. Chenoweth	Director
Faye P. Gargiulo	Director
Nicole R. Guajardo	Director
Renard C. Miller	Director

Officials

Alan K. Archer	City Manager (ex officio)
Florence G. Kingston	Secretary/Treasurer (ex officio)
Joy Robison	Assistant Secretary

Other support staff

Jessica Jacobs	Recording Secretary
Derek Perry	Assistant Director
Christopher Morello	Assistant Director
Priscilla Green	Chief of Fiscal Operations
Mallory Butler	Economic Development Manager
Thomas O'Grady	Economic Development Manager
Jameson LeClair	Real Estate Coordinator
Brittany Thompson	Project Coordinator
Darius Turner	Project Coordinator
Madison Hool	Economic Analyst
Tricia Wilson	Community Development Manager
Robin Boyd	Senior Marketing Coordinator
Andy Wilks	Property Manager
Shakir Johnson	Business Retention Coordinator
Lizabeth Meier	Accountant
Jared Midkiff	Marketing and Development Coordinator
Elizabeth McCoury	Redevelopment Project Manager

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Directors
Economic and Industrial Development Authorities of the
City of Newport News, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Economic and Industrial Development Authorities of the City of Newport News, Virginia (the "Authorities"), a component unit of the City of Newport News, Virginia, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authorities' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authorities as of June 30, 2025 and 2024, and the changes in financial position and its 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, 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* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and Specifications 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 Authorities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1(h) to the financial statements, the Authorities adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. As a result, the beginning net position has been restated. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authorities' ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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, *Government Auditing Standards*, and the Specifications 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, *Government Auditing Standards*, and the Specifications, 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 Authorities' 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 Authorities' 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

In connection with our audits 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 November 7, 2025, on our consideration of the Authorities' 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 Authorities' 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 Authorities' internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons Corner, Virginia
November 7, 2025

ECONOMIC AND INDUSTRIAL DEVELOPMENT AUTHORITIES OF THE CITY OF NEWPORT NEWS, VIRGINIA

(Component Units of the City of Newport News, Virginia)
Management's Discussion and Analysis (Unaudited)
Years ended June 30, 2025 and 2024

This section of the Economic and Industrial Development Authorities of the City of Newport News, Virginia (collectively, the "Authorities") annual financial report presents management's discussion and analysis of the financial performance during the fiscal years ended June 30, 2025, 2024 and 2023. A comparative analysis is presented. Please read it in conjunction with the Authorities' financial statements, which follow this section.

Financial Highlights

At the end of the fiscal year, the Authorities' assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by $181.80 million. This amount represents an increase of $22.04 million from prior year's ending balance of $159.76 million, which was an increase of $2.77 million over the fiscal year 2023 ending balance. Total operating revenues increased by approximately $10.88 million in fiscal year 2025 due primarily to intergovernmental transfers as a result of the acquisition of properties. Total operating revenues increased in fiscal year 2024 compared to 2023 by approximately $6.12 million. This increase occurred primarily because of an increase in intergovernmental transfers as a result of the delivery of Defense Production Zone incentives .

Total operating expenses in 2025 remained steady at $19.7 million. Total operating expenses increased in 2024 over 2023 by $1.72 million due to an increase in contractual services, cost of land sold, materials and supplies, and depreciation and amortization. Net non-operating revenues/expenses were a net revenue of $1.07 million in 2025 versus net expense of $7.38 million in 2024.

The Economic Development Authority (the "EDA") provided support to the Newport News Redevelopment and Housing Authority and the City in obtaining the Choice Neighborhood Initiative ("CNI") grant of $30 million from the US Department of Housing and Urban Development for a Transformation Plan for the area surrounding the Marshall-Ridley choice neighborhood. The City is using the new CNI Implementation Grant to transform the neighborhood surrounding the Marshall-Ridley Place public housing complex into a neighborhood of opportunity, focusing on housing, people development, small business growth, and neighborhood investments. This grant is leveraged by $128.5 million in private investment and $146.80 million in public investment. To address regional workforce needs, particularly in shipbuilding and marine trades, in FY25, the Authorities authorized a $7.8 million design-build contract for the Virginia Peninsula Community College Newport News Trades Center. The 16,000 square foot facility, located at 520 21st Street, is projected to serve up to 380 students annually and will offer training in welding, marine electrical, and structural fitting. Scheduled for completion in Spring 2026, the center will offer hands-on programs in welding, marine electrical, structural fitting, coatings, electrical, HVAC, plumbing and facilities maintenance.

In November 2017, the EDA was awarded a $0.50 million Virginia Brownfields Restoration and Economic Assistance competitive grant by the Virginia Economic Development Partnership to accelerate the continued cleanup of the former Chase Packaging site (a 26-acre parcel) purchased by the EDA. This funding has helped speed up redevelopment in the Marshall-Ridley Choice Neighborhood, the focus of the CNI Implementation grant application. Two above ground and five underground storage tanks, along with their contents, have been assessed, removed and recycled. Work on this site continued in fiscal year 2025 on removal of the remaining concrete slab of the previously demolished building on the property.

In fiscal year 2023, the EDA authorized the award of a bid in the amount of $2.86 million, which included contingencies, for the parcel adjacent and attached to 2506 Jefferson Avenue, 2510 Jefferson Avenue, for rehabilitation. This rehabiliation was included as a Critical Community Improvement for Choice Neighborhood recognizing the need for additional commercial space within the neighborhood, supporting entrepreneurship, as well as eliminating blight & preserving the character of the existing building. This project was funded through Choice Neighborhood Initiatives funds, Virginia Department of Housing and Community Development's Industrial Revitalization Fund and Port Host Community Revitalization Fund grants awarded in fiscal year 2022, and the City's Capital Improvement Plan. Construction at 2510 Jefferson Avenue was completed during the fiscal year, preserving the historic façade and delivering new commercial and office space supported by Choice Neighborhood Initiative and state grants. The property is now fully leased to four small businesses, positioning the property for ongoing revenue generation in future periods. These tenants provide essential goods and services to an historically underserved community, aligning with the organization's mission to support inclusive economic development. In parallel, design work progressed for the adjacent Seafood Market, a 7,600 square foot facility that will offer seafood retail, food stalls, and outdoor dining and serve as a new amenity and attraction within the neighborhood.

In fiscal year 2020, the Authorities passed a resolution to authorize conveyance of the Applied Research Center building to the

United States Department of Energy (DOE), subject to negotiations between the two entities. The timing of this transaction was pushed back by the DOE as the transaction terms were being negotiated. Following the announcement for the High-Performance Data Facility project at Jefferson Lab, and to support the growth and mission of the lab, in October 2023, the EDA donated the Applied Research Center to the DOE. With the transfer to the DOE, the building will be leveraged to enhance Jefferson Lab's continued growth, including serving as a visitor and STEM education outreach center for the federal facility. As of result of the transfer of assets and obligations paid, in 2025 the ARC Fund was formally closed, and its remaining balances were fully reallocated. Additionally, through their public-private partnership, the Authorities completed the Drillfield Plaza - a new community plaza and event space in the Tech Center Research Park where the Applied Research Center building is located.

Liebherr Mining Equipment Company, a manufacturer of mining equipment, located in southern Copeland Industrial Park, made substantial investments in its Newport News facility. The project was completed in 2021 and added over 251,000 square feet of manufacturing, distribution, warehouse, and office space occupied by Liehberr USA, Co., the umbrella for eight divisions positioned accross the United States. Much needed improvements to City Line road were completed with joint funding from the company, available grants, and the City, which improved the transportation of finished goods from its facility to accommodate not only its expansion but increase in production. Infrastructure improvements to a public pump station and public sanitary sewer improvements, which benefit the broader Copeland Industrial Park business community, supported this expansion. In June 2024, it was announced that Liebherr Mining Equipment Manufacturer will expand manufacturing capabilities once again. A grant from the Commonwealth's Opportunity fund was approved to assist with the project. In fiscal year 2025, long-standing industry partners advanced new projects reinforcing Newport News' position as a center of advanced manufacturing. Liebherr-America, Inc. invested $74 million to expand its Copeland Industrial Park facility, created 175 new jobs and enhancing production capabilities for mining equipment.

The Authorities continue the planning of the development of a premier, predominantly residential community at its 285-acre Endview tract located at 350 Yorktown Road. D.R. Horton was selected as the preferred developer, and a letter of intent was authorized by the Authorities' Board. This new development is adjacent to the historic Endview House and Newport News Park. The project continued in the planning stages throughout fiscal year 2024. The Authorities continued to advance the Parkside Endview residential development. The 620-unit project was successfully rezoned in April of 2025, marking a major milestone for the site. With entitlements in place, D.R. Horton has begun progressing on plans for the new community, which will include mix of single-family and attached housing. The project is expected to support long-term growth in the northern area of the City and expand housing options aligned with regional demands.

The EDA continues its Façade Improvement Grant Program, which restores, sustains, and improves commercial properties located within the City by providing matching funds toward eligible façade improvements. This program was originally funded by the EDA with an initial commitment of $0.30 million in FY 2012. Because of its huge success, the next year, the City contributed half of the funding to support the program and did so through fiscal year 2018. The EDA has continued funding the program which has benefited nearly 250 properties City-wide with grants distributed of approximately $4.4 million. In 2023, the Authorities expanded the program with a Modified Façade Improvement Grant for commercial properties located within the Marshall-Ridley Choice Neighborhood and in 2024 expanded it even further to commercial properties located in the Southeast area of the City. The Modified Façade Improvement Grant supports the Neighborhood Plan goals connected with the Transformation Plan for the Marshall-Ridley Choice Neighborhood.

In 2016, the Authorities were an integral partner in establishing the grocery store at Brooks Crossing located at 3101 Jefferson Avenue. To facilitate financing and leverage New Markets Tax Credits (NMTC) to help provide the needed gap funding to construct a building at 3101 Jefferson Avenue to be leased to a grocery store operator, Brooks Crossing Grocery Store LLC (BCGS) was established by the Newport News Redevelopment and Housing Authority, which had solely owned BCGS. BCGS LLC was the owner and landlord of 3101 Jefferson Avenue. The New Market Tax Credits had a seven (7) year compliance period that ended March 1, 2023. At the end of the compliance period, the debt related to the NMTC was forgiven. In 2023, once the debt was forgiven, BCGS LLC was dissolved, and the Authorities were conveyed all of the assets and liabilities of BCGS LLC by the Newport News Redevelopment and Housing Authority. The primary reason for the conveyance at this time was to simplify the ownership structure of the property at 3101 Jefferson Avenue now that the necessary period to take advantage of the New Market Tax Credits had passed. The Authorities are now the owners and landlord of 3101 Jefferson Avenue and will receive revenue from the lease agreement in place.

In 2024, Virginia Economic Development Partnership (VEDP), awarded the Authorities a grant of $327,600 through the Virginia Business Readiness Sites Program. This funding will enhance the development readiness of the Newport News - Williamsburg Airport (PHF) and boost its appeal to aviation-related industries looking to locate near the airport.

The Authorities are actively moving forward with site preparation efforts for the Carleton Advanced Manufacturing Site. This includes conducting due diligence to support a proposed rezoning of the property from R-9 Mixed-Use to M-1 Light Industrial. Once approved, the rezoning would elevate the site's readiness from Tier 2 to Tier 3, significantly enhancing its marketability and positioning it for potential funding through the Virginia Business Ready Sites Program (VBRSP). In 2024, CSX Transportation designated the Carleton Site as a Select Site in April 2024 - one of only two such designations in Virginia. This recognition identifies the property as a top-tier, rail-served industrial site in the Mid-Atlantic region. Its inclusion in CSX's searchable national database offers prospective industries access to detailed site information, further boosting its appeal for future investment and development. The rezoning application is anticipated to be submitted by the end of 2025.

The City has made significant progress in advancing the Denbigh-Warwick Area Plan. A new North Police Precinct and Police Training Academy have recently opened at the Sherwood Site, currently owned by the Authorities, marking key milestones in the plan's implementation. Meanwhile, design work is currently underway for the new Grissom Library, with completion anticipated in 2026. The site's design also incorporates opportunities for private development through available outparcel spaces.

With continued momentum in the Hilton area of the City, the Authorities have strategically invested in key properties to foster new development and enhance the vital neighborhood within the City. In 2023, the Authorities acquired a 106,00-square-foot former call center located at 11008 Warwick Boulevard. The property has since been leased in its entirety by Riverside Hospital. In addition, during fiscal year 2025, the Authorities purchased the neighboring Warwick Village Shopping Center located at 11006 Warwick Boulevard.

Overview of the Financial Statements

The Authorities are component units of the City. Component units are other governmental units over which the City (the City Council, acting as a group) can exercise influence and/or may be obligated to provide financial support. Component units of the City are presented as a separate column in the government-wide financial statements of the City. The Authorities' operations are accounted for as business-type activities in a proprietary fund, which is used to account for the ongoing activities that are financed and operated similar to those often found in the private sector. Throughout these financial statements, the economic resources measurement focus is used.

The Authorities' financial section of the annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements and related notes.

Financial Analysis

The following table reflects the condensed net position of the Authorities:

Table A-1
Authorities' Net Position

For the years ended June 30, 2025, 2024 and 2023
(in Millions)

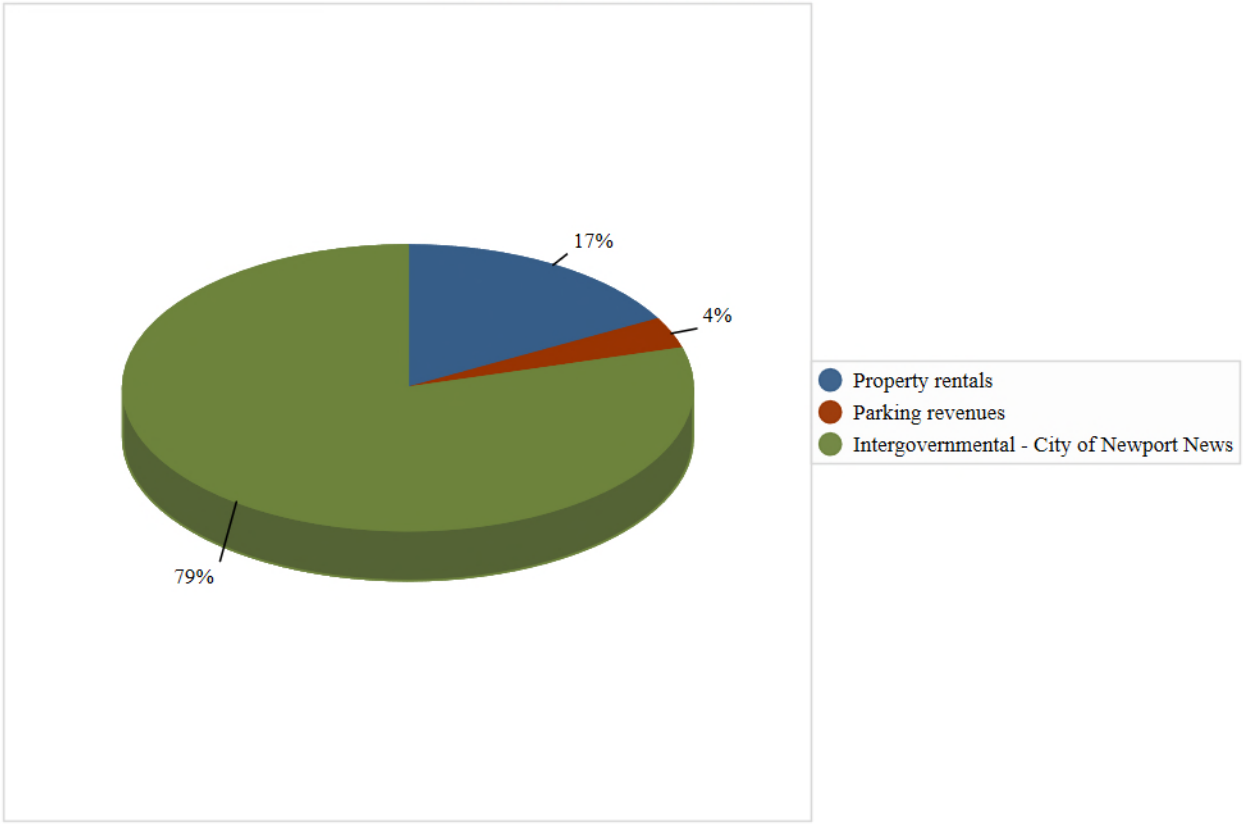
	2025	2024*	2023
Current and other assets	$ 125.38	103.40	88.17
Capital assets, net	133.00	129.81	140.41
Total assets	258.38	233.21	228.58
Deferred refunding	1.27	1.65	2.08
Current and other liabilities	11.83	12.52	12.52
Long-term liabilities	31.92	37.02	44.74
Total liabilities	43.75	49.54	57.26
Deferred inflows of resources	34.10	25.57	16.41
Net Position			
Net investment in capital assets	94.25	85.26	90.35
Restricted	22.98	18.64	20.41
Unrestricted	64.57	55.86	46.23
Total net position	$ 181.80	159.76	156.99

*As restated

Total assets and deferred outflows of resources of the Authorities exceeded recorded liabilities and deferred inflows of resources by $181.80 million as of June 30, 2025, $159.76 million as of June 30, 2024 and $156.99 million as of June 30, 2023. Approximately $22.98 million in fiscal year 2025, $18.64 million in fiscal year 2024, and $20.41 million in fiscal year 2023 of net position is restricted for various specific economic development projects and programs.

The Authorities' total operating revenues were $40.71 million for the fiscal year ending June 30, 2025. Property rentals comprised of both operating and capital lease revenues represented 17% of total operating revenues. Intergovernmental revenue from the City was $32.35 million, or 79% of total operating revenues in fiscal year 2025. Parking contributions and parking fund revenues in FY 2025 were approximately $1.43 million, or 4% of total operating revenues. In FY 2024, total operating revenues were $29.83 million, property rentals comprised of both operating and capital lease revenue of 17%, intergovernmental revenue of 77%, parking revenue of 5% and land sales of 1%. In fiscal year 2023, total operating revenues equaled $23.71 million, comprised of lease revenue of 26%, intergovernmental of 66%, parking revenue of 6%, and land sales of 2% .

Revenues by Source by Percentages



The following table summarizes the changes in the Authorities' net position:

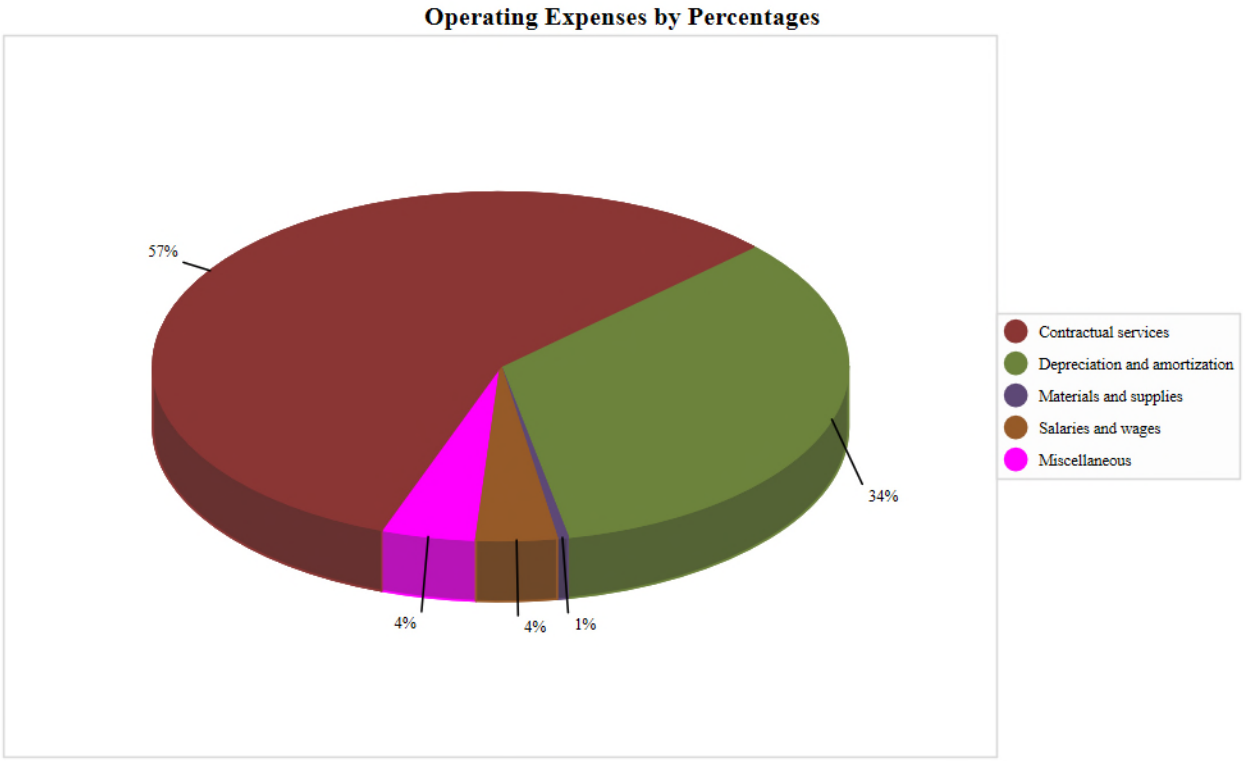
Table A-2
Changes in Authorities' Position
For the years ended June 30, 2025, 2024 and 2023
(in Millions)

	2025	2024*	2023
Revenues and expenses:			
Operating revenues:			
Property rentals	$ 6.93	5.17	6.17
Parking contributions	0.19	0.20	0.20
Land sales	-	0.40	0.50
Parking Fund revenues	1.24	1.22	1.18
Intergovernmental - City of Newport News	32.35	22.84	15.66
Total operating revenues	40.71	29.83	23.71
Operating expenses:			
Cost of land sold	-	0.32	0.67
Contractual services	11.29	10.63	11.35
Depreciation and amortization	6.67	6.74	7.20
Materials and supplies	0.10	0.29	0.53
Rental expenses	0.08	0.10	0.20
Salaries and wages	0.73	0.74	0.66
Miscellaneous	0.87	0.82	0.75
Total operating expenses	19.74	19.64	21.36
Operating income	20.97	10.19	2.35
Non-operating revenues (expenses), net	1.07	(7.38)	2.16
Change in net position, before extraordinary items	22.04	2.81	4.51
Net position, beginning**	159.76	156.99	152.48
Net position, ending	$ 181.80	159.80	156.99

*As restated

**Net position at the beginning of the year for Fiscal Year 2024 has been adjusted downward by $40,985 in accordance with adoption of GASB 101, Compensated Absences, discussed in note (1)(h). See the Notes to the Financial Statements for more details.

The net position (assets and deferred outflows of resources over liabilities and deferred inflows of resources), increased in fiscal year 2025 by approximately $22.04 million compared to an increase in fiscal year 2024 of $2.81 million and an increase in fiscal year 2023 of $4.51 million. Total operating revenues increased by approximately $10.88 million, primarily due to an increase of intergovernmental transfers. In fiscal year 2024, intergovernmental transfers increased predominantly due to an increase in the Defense Production Zone incentive. Operating expenses remained consistent in fiscal year 2025 as compared to fiscal year 2024 with a slight increase of $.10 million. In fiscal year 2024, net non-operating revenues (expenses) decreased significantly as a result of the transfer of the ARC building to the U.S. Department of Energy disclosed in Note 6 of the accompanying notes to financial statements.



Capital Assets and Debt Administration

The following table shows the capital assets at year-end:

Table A-3
Authorities' Capital Assets
As of June 30, 2025, 2024 and 2023
(In millions)

	2025	2024	2023
Buildings	$ 194.80	186.57	203.52
Improvements, machinery and equipment (IME)	26.34	21.09	24.33
Infrastructure	2.54	2.54	2.54
Right to use asset	8.20	8.20	8.14
Construction in progress (CIP)	2.17	5.78	2.13
Accumulated depreciation/amortization	(101.05)	(94.38)	(100.25)
Total	$ 133.00	129.80	140.41

At the end of fiscal year 2025, the Authorities had $133.00 million in capital assets as compared to $129.80 in 2024 and $140.41 in 2023. During the year, Buildings, IME, and accumulated depreciation increased, mainly due to the acquisition of Warwick Village Shopping Center, Brentwood Shopping Center and 11008 Warwick Boulevard. In fiscal year 2024, Buildings & IME decreased significantly due to the transfer of assets to the Department of Energy disclosed in Note 6 of the accompanying notes to financial statements. Additional information on the Authorities' capital assets can be found in Note 6 of the basic financial statements.

The following table summarizes debt outstanding:

Table A-4
Authorities' Oustanding Debt
As of June 30, 2025, 2024 and 2023
(in millions)

	2025	2024	2023
Industrial revenue bonds - IDA	$ 2.93	3.91	4.88
Industrial revenue bonds - EDA	27.48	33.81	37.21
Bond premiums	0.09	0.11	0.13
Notes payable	7.30	4.90	5.29
Leases (as Lessee)	2.21	3.47	4.62
Compensated Absences	0.09	0.10	0.09
Total	$ 40.10	46.30	52.22

As of June 30, 2025, the Authorities had $40.10 million of debt outstanding in bonds, notes payable and leases (as lessee) as compared to debt outstanding in June 2024 and June 2023, of $46.30 million and $52.22 million, respectively. In fiscal year 2023, the 2012A, 809 Omni Boulevard and the Foundry bonds were paid off. In FY 2025, one of the Downtown Engineering Center Bonds was paid in full.

Contacting the Authorities' Financial Management

This financial report is designed to provide our citizens, taxpayers, bondholders and creditors with a general overview of the Authorities' finances and to demonstrate the Authorities' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Secretary/Treasurer or Chief of Fiscal Operations at (757) 926-8428 or the Authorities, c/o Department of Development, 2400 Washington Avenue, 3rd Floor, Newport News, Virginia 23607.

Economic and Industrial Development Authorities of the City of Newport News, Virginia
(Component Units of the City of Newport News, Virginia)
Statements of Net Position
June 30, 2025 and 2024

	2025	2024 (As restated)
Assets		
Current assets:		
Cash (note 2)	$ 17,324,560	$ 15,058,685
Restricted cash and cash equivalents (note 3)	22,572,578	18,264,970
Receivables:		
Newport News Capital Fund - revolving loans	62,692	126,374
Accounts, notes & grants, net of allowance (note 5)	480,908	349,978
Other Receivables (Current)	111,806	102,571
Lease Receivable (Current) (note 7)	5,554,444	3,918,943
Total current assets	46,106,988	37,821,521
Noncurrent assets:		
Restricted cash and cash equivalents (note 3)	456,884	406,369
Deposits with Management Company	542,215	449,271
Receivables:		
Newport News Capital Fund - revolving loans	482,863	537,099
Accounts, notes & grants, net of allowance (note 5)	2,511,450	2,804,354
Lease Receivable (note 7)	29,389,735	22,164,882
Land held for lease or resale (note 4)	45,893,861	39,217,130
Capital assets:		
Non depreciable capital assets: (note 6)		
Construction in progress	2,169,627	5,784,535
Depreciable capital assets: (note 6)		
Buildings	194,804,091	186,569,115
Improvements	23,869,869	18,622,450
Machinery and equipment	2,462,464	2,462,464
Infrastructure	2,543,500	2,543,500
Lease Right to Use Asset - Buildings	8,203,110	8,203,110
Accumulated depreciation/amortization	(101,053,685)	(94,379,542)
Depreciable capital assets	130,829,349	124,021,097
Total noncurrent assets	212,275,984	195,384,737
Total assets	258,382,972	233,206,258
Deferred Outflows of Resources		
Deferred amount on debt refunding	1,267,033	1,653,024
Liabilities		
Current liabilities:		
Trade accounts payable and accrued liabilities	3,599,375	3,196,371
Compensated absences - current portion	33,711	40,414
Notes payable - current portion (note 8)	1,064,845	659,419
Industrial revenue bonds payable-current (note 8)	5,832,726	7,322,726
Liabilities payable from restricted assets	47,040	33,226
Deferred revenues	2,766	230
Leases (as Lessee) (note 8)	1,251,406	1,264,279
Total current liabilities	11,831,869	12,516,665
Notes payable (note 8)	6,232,572	4,240,574
Industrial revenue bonds payable (note 8)	24,672,239	30,504,965
Compensated absences (note 1.h.)	55,080	62,254
Leases (as Lessee) (note 8)	958,184	2,209,591
Total liabilities	43,749,944	49,534,049
Deferred Inflows of Resources		
Lease Related	34,099,874	25,567,223
Total deferred inflows of resources	34,099,874	25,567,223
Net Position		
Net investment in capital assets	94,254,035	85,257,101
Restricted:		
Capital projects	21,237,583	16,908,229
Capital loans	1,744,839	1,729,884
Unrestricted	64,563,730	55,862,795
Total net position	$ 181,800,187	$ 159,758,009

See accompanying notes to financial statements.

Economic and Industrial Development Authorities of the City of Newport News, Virginia
(Component Units of the City of Newport News, Virginia)
Statements of Revenues, Expenses and Changes in Net Position
Years ended June 30, 2025 and 2024

	2025	2024 (As restated)
Operating revenues:		
Property rentals	$ 6,931,360	$ 5,168,020
Parking contributions	189,264	201,731
Land sales	-	398,184
Parking Fund revenues	1,244,477	1,221,616
Intergovernmental - City of Newport News (note 10)	32,348,142	22,837,470
Total operating revenues	40,713,243	29,827,021
Operating expenses:		
Cost of land sold	-	319,190
Contractual services	11,288,654	10,629,123
Depreciation and amortization	6,674,143	6,742,873
Materials and supplies	105,202	286,157
Rental expenses	79,470	97,376
Salaries and wages	726,379	741,289
Miscellaneous	865,761	817,630
Total operating expenses	19,739,609	19,633,638
Operating income	20,973,634	10,193,383
Non-operating revenues (expenses):		
Interest Income	2,782,262	2,308,790
Interest expense	(1,580,735)	(1,498,602)
Gain/(Loss) on lease termination	-	(4,872)
Bond and administrative fee income	225,450	202,025
Housing and Community Development Grants	(13,750)	28,000
Virginia Business Readiness Site Program Grant	(309,202)	-
Resurgence Grant	(47,626)	75,250
Micro Enterprise Grants	-	(48,500)
e-Commerce grant	15,000	15,000
Letter of credit and trustee fees	(65,200)	(65,200)
Other income (expenses), net	62,345	146,924
Gain/(Loss) disposal of assets	-	1,044,570
Land Donation (see note 6)	-	4,695,300
Gain/(Loss) sale of assets (see note 6)	-	(14,280,912)
Non-operating revenues (expenses), net	1,068,544	(7,382,227)
Change in net position	22,042,178	2,811,156
Net position at beginning of year, as previously reported	-	156,987,838
Restatement - Implementation of GASB 101 (see note 1.h.)	-	(40,985)
Net position at beginning of year, as restated	159,758,009	156,946,853
Net position at end of year	$ 181,800,187	$ 159,758,009

See accompanying notes to financial statements.

Economic and Industrial Development Authorities of the City of Newport News, Virginia
(Component Units of the City of Newport News, Virginia)
Statements of Cash Flows
Years ended June 30, 2025 and 2024

	2025	2024 (As restated)
Cash flows from operating activities:		
Receipts from leased properties	$ 2,102,942	$ 2,323,891
Receipts from Parking Authority	1,244,477	1,221,616
Parking contributions received from developers	189,264	201,731
Receipts from City of Newport News	30,267,013	22,837,470
Receipts from land sales, net of settlement charges	-	398,184
(Amounts lent)/payments received from loans and mortgages	117,917	159,375
Payments to suppliers	(18,641,223)	(16,400,371)
Payments to employees	(740,256)	(737,253)
Net cash provided by operating activities	14,540,134	10,004,643
Cash flows used in capital and related financing activities:		
Acquisition of capital assets	(7,827,084)	(7,249,403)
Net proceeds from sale of capital assets	-	2,631,183
Repayment and retirement of industrial revenue bonds and note payable	(8,175,302)	(4,787,666)
Proceeds from issuance of industrial bonds and notes payable	3,250,000	-
Interest paid	(1,195,278)	(1,075,760)
Lease liability principal payments made	(1,264,279)	(1,204,657)
Other revenues	(132,984)	353,499
Net cash used in capital and related financing activities	(15,344,927)	(11,332,804)
Cash flows from investing activities:		
Interest received	2,763,565	2,279,630
Lease receivable payments received	4,892,864	3,072,689
Loans issued	(227,638)	(2,179,496)
Net cash provided by investing activities	7,428,791	3,172,823
Increase in cash and restricted cash and cash equivalents	6,623,998	1,844,662
Cash and cash equivalents at beginning of year	33,730,024	31,885,362
Cash and cash equivalents at end of period	$ 40,354,022	$ 33,730,024
Reported as:		
Cash	$ 17,324,560	$ 15,058,685
Restricted cash and cash equivalents (current)	22,572,578	18,264,970
Restricted cash and cash equivalents at end of year (non-current)	456,884	406,369
Cash and restricted cash and cash equivalents at end of year	$ 40,354,022	$ 33,730,024
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 20,973,634	$ 10,193,383
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	6,674,143	6,742,873
Deferred lease revenue recognized	(5,220,565)	(3,239,675)
Noncash intergovernmental - City of Newport News	(2,081,129)	-
Land Inventory received from/transferred to City of Newport News	40,726	-
Changes in assets and liabilities:		
Land inventory	(6,676,731)	(2,659,845)
Mortgages receivable	117,917	159,375
Other receivables, net	306,130	632,740
Trade accounts payable and accrued liabilities	417,350	(1,834,304)
Deferred revenues	2,536	230
Compensated Absences	(13,877)	9,866
	(6,433,500)	(188,740)
Net cash provided by operating activities	$ 14,540,134	$ 10,004,643

Non-Cash Investing and Financing Activities:

1. In FY25, the Authorities entered into lessor leases, acquiring lease receivables in exchange for deferred inflows of resources totalling $13,753,217.

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

Narrative profile

The Economic Development Authority of the City of Newport News, Virginia (the "EDA") was created by Chapter 726 of the 1972 Acts of the Virginia General Assembly, as amended, and the Industrial Development Authority of the City of Newport News, Virginia (the "IDA") was created by City Ordinance 3954-89 in accordance with Title 15.2, Chapter 49 of the Code of Virginia, 1950, as amended, (collectively, the "Authorities" or "EIDA") for the purpose of attracting and promoting industry and economic development within the City of Newport News, Virginia (the "City"). This purpose has been served through the acquisition, development and resale of land for business and industrial sites within the City, through issuance of industrial revenue bonds to finance the sale of land and construction of buildings for private enterprises, and through the establishment of loan programs to promote small business development.

(a) Financial Reporting Entity

The Authorities' financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with GAAP, the Authorities are considered component units of the City for reporting purposes and, as such, will be discretely presented component units in the City's Annual Comprehensive Financial Report. Future funding and ongoing cash flows of the Authorities are dependent on the City. The EDA and the IDA are reported as one consolidated entity in their financial statements.

In evaluating how to define the Authorities, for financial reporting purposes, management has determined that there are no entities over which the Authorities exercise significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Authorities. Since the Authorities do not exercise significant influence or accountability over other entities, they have no component units.

(b) Measurement Focus and Basis of Accounting

The Authorities' operations are accounted for as a proprietary fund, using the economic resources measurement focus. The Authorities charge fees for Industrial Revenue Bonds, acquire, develop, and resell land and buildings and administer various operating and direct financing leases.

The financial statements are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to the timing of receipt or disbursement of cash. Proprietary funds distinguish operating revenues and expenses from non-operating items. The principal operating revenues of the Authorities include the sale of land, intergovernmental transfers in from the City and lease income. Operating expenses include the cost of land sold, contractual services, depreciation and amortization, materials and supplies, rental expenses, salaries and wages, and commissions.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(c) Capital Assets

Capital assets are recorded at historical cost. Contributed capital assets are recorded at acquisition value on the date of receipt. Capital assets are defined by the Authorities as assets used in operations with an initial, individual cost of more than $5,000 and a useful life greater than one year. The costs of major improvements are capitalized while the cost of maintenance and repairs, which do not improve or extend the life of an asset, are expensed. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. Depreciation has been provided over the useful lives using the straight-line method. In addition, leases in which the Authorities are the lessee may create an intangible right to use assets, which is also treated as capital asset - see note (1)(g) for more detail.

The estimated useful lives are as follows:

(1) Summary of Significant Accounting Policies (continued)

(c) Capital Assets (continued)

Buildings and improvements	5-50 years
Machinery and equipment	5-20 years
Infrastructure	20-50 years
Lease right to use assets	Shorter of lease term or asset useful life

(d) Land Held for Lease or Resale and Cost of Land Sold

Land held for lease or resale is stated at acquisition cost plus improvements, but not in excess of net realizable value. Capitalized costs of projects are assigned to individual components of the projects based on specific identification. As land is sold, all costs associated with that land are charged to cost of land sold.

(e) Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to a future period and so will not be recognized as an expense until then. The Authorities' deferred outflows of resources consist of the amounts by which the principal and premium of the 2021B, 2015 and 2012 refunding bonds exceeded the net carrying amount of the refunded debt. The deferred refunding outflow is being recognized over the remaining life of the refunded debt. Deferred inflows of resources represent revenues that are applicable to a future period. The deferred inflows will be recognized as inflows of resources in a future reporting periods when they become available.

(f) Miscellaneous

Cash Equivalents

For purposes of the Statements of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, the Authorities consider investments with original maturities of three months or less to be cash equivalents.

Loans and Mortgages Receivable

Loans and mortgages receivable include loans extended from the Newport News Capital Fund: a U.S. Economic Development Administration-funded revolving loan fund program that extends mortgages, equipment loans, and working capital to certain area businesses for the land and property they are occupying. The loans and mortgages range in length from 1 to 15 years. In 1998, the Authorities established a micro loan program to encourage entrepreneurship and small business development within the City. Once approved, micro loans are serviced and accounted for by the Newport News Redevelopment and Housing Authority.

Allowance for Doubtful Accounts

The allowance for doubtful accounts reflects management's best estimate of probable losses in the accounts receivable balance. The allowance is determined based on known troubled accounts, historic experience, and other currently available evidence. As of June 30, 2025 and 2024, there was $5,136,513 and $5,020,274 respectively, for allowance for doubtful accounts.

Restricted Resources

The Authorities do not have a policy for the use of its unrestricted resources, but in practice restricted resources are reduced first, followed by unrestricted resources when expenditures are incurred for purposes for which restricted resources could not be used.

(1) Summary of Significant Accounting Policies (continued)

(f) Miscellaneous (continued)

Net Position Policies

Net position is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets is defined as capital assets net of related debt and net of deferred inflows and outflows attributable to the acquisition, construction or improvements of those assets. Restricted net position represents constraints on resources that are either externally imposed by creditors, contributions, or laws and regulations of other governments, or imposed by law through state statute.

(g) Leases

Lessee: The Authorities engage in various lease agreements throughout the year in which they are the lessee. The Authorities recognize a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements presented herein to account for these leases.

At the commencement of a lease, the Authorities initially measure the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to lessee leases include how the Authorities determine (1) the discount rate they use to discount the expected lease payments to present value, (2) the lease term, and (3) the lease payments.

- The Authorities use the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authorities generally use their estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the exercise price of any purchase options that the Authorities are reasonably certain to exercise.

The Authorities monitor changes in circumstances that would require a remeasurement of their leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

Lessor: The Authorities engage in various lease agreements throughout the year in which they are the lessor. The Authorities recognize a lease receivable and a deferred inflow of resources in the financial statements presented herein to account for these leases.

At the commencement of a lease, the Authorities initially measure the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources is recognized as revenue over the life of the lease term.

(1) Summary of Significant Accounting Policies (continued)

(g) Leases (continued)

Key estimates and judgments related to lessor leases include how the Authorities determine (1) the discount rate they use to discount the expected lease receipts to present value, (2) the lease term, and (3) the lease receipts.

- The Authorities use their estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.
- The Authorities monitor changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

(h) Implementation of New Accounting Pronouncements

Effective for the fiscal year ended June 30, 2025, the Authorities implemented GASB Statement No. 101, Compensated Absences.This Statement requires recognition of a liability for leave benefits that are attributable to services already rendered and are expected to be used or paid out. Accordingly, the Authority now records a liability for paid personal and medical leave as they are earned by employees. Implementation of GASB 101 required a restatement of beginning net position as of July 1, 2024 to recognize the compensated absences liability. The effect of this restatement can be found on the financial statements.

In addition, GASB issued Statement No. 102, Certain Risk Disclosures. This Statement requires disclosure of certain risks and uncertainties. The Authorities have evaluated the requirements of GASB No. 102 and determined that its adoption does not have a material effect on the financial statements.

(2) Cash

Cash consists of cash on hand, deposits in banks (including certificates of deposit) and short-term investments in the State Treasurer's Local Government Investment Pool (the "LGIP"). Deposits with Management companies are held by property management companies and authorized use on behalf of the Authorities is provided through our management agreements with these companies. The cash and investments of the Authorities are included in a cash and investment pool administered by the City in order to optimize investment returns. Earnings are allocated monthly to the Authorities on the basis of their average daily cash balance.

(a) Deposits

All cash of the authorities is maintained in accounts collateralized in accordance with the *Virginia Security for Public Depositories Act*, Section 2.2-4400 et. Seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of the excess deposits to a collateral pool in the name of the Commonwealth's Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The Commonwealth's Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

(b) Investments

The Authorities categorize its fair value measurements within the fair value hierarchy established within GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant un-observable inputs. The Virginia LGIP is reported at amortized cost, which approximates fair value.

(c) Credit Risk

Custodial Credit Risk: The Authorities deposits at June 30, 2025 and June 30, 2024 were fully insured or collateralized by securities held in the name of the City by the City's custodial banks.

Custodial Credit Risk – Investments: The City policy requires that all securities purchased for the Authorities shall be held by the City Treasurer or by the City Treasurer's designated third party custodian. If held by a custodian, the securities must be in the Authorities' or in the custodian's nominee name and identifiable on the custodian's books as belonging to the Authorities and the custodian must be a third party, not a counter-party (buyer or seller).

Credit Risk of Debt Securities of Primary Government: The Authorities' rated debt investments as of June 30, 2025 and June 30, 2024, were rated by Standard & Poors. The rating for the LGIP is presented below using the Standard & Poors rating scale.

Assets held by the Treasurer	Fair value	Credit rating	Average maturity (years)
LGIP - year ending 2025	$ 13,551,500	AAAm	0.16
LGIP - year ending 2024	$ 12,535,441	AAAm	0.16

(3) Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents dedicated for specific projects and activities at June 30, 2025 and 2024 are as follows:

	2025	2024
Applied Research Center Fund	$ -	$ 1,202,750
Reserve for Incentive	3,250,000	-
Air Service Enhancement Fund	1,192,924	1,165,206
City Center at Oyster Point	7,887,315	6,919,053
Bond Escrow Funds	456,884	406,369
Newport News Capital Fund	1,195,108	1,057,477
Micro Loan Fund	4,176	12,410
Rouse Tower Fund	3,890,604	4,452,086
City Center Garage Escrow Accts and Imprest Fund	25	25
Parking Authority Fund	2,249,745	1,945,545
Brooks Crossing	30,911	29,475
Warwick Village Shopping Center	357,190	-
2510 Jefferson Avenue	75,000	-
Offices @ Two Five & J	100,000	-
Seafood Market	200,000	-
Brentwood Shopping Center	200,000	-
City Center	100,000	-
2875 Warwick Boulevard	100,000	-
Drillfield Plaza	100,000	-
Tourism Zones (Current)	526,418	373,925
FIG Grant	577,279	608,335
Animal Shelter Reserve	285,883	248,683
Sherwood Reserves	250,000	250,000
Total	$ 23,029,462	$ 18,671,339
Classified as:		
Current	$ 22,572,578	$ 18,264,970
Noncurrent	456,884	406,369
	$ 23,029,462	$ 18,671,339

(4) Land Held for Lease or Resale

Land held for lease or resale at June 30, 2025 and 2024 is comprised of the following tracts:

	2025	2024
Oakland Industrial Park	$ 3,786,991	$ 3,786,991
Jefferson Avenue/Habersham	2,246,598	2,246,598
Jefferson Center - Research and Technology	4,486,797	4,486,797
Oyster Point of Newport News	3,641,103	3,641,103
Patrick Henry Commerce Center	986,568	1,431,942
Sears and VSS Land	674,943	674,943
Port Warwick/Light Rail	1,036,640	1,036,640
Downtown Engineering Center	753,600	753,600
809 Omni Blvd	433,900	433,900
Southest Corridor	4,367,174	2,745,445
Oriana Road	1,066,900	1,066,900
Rouse Tower Land	1,164,800	1,164,800
11008 Warwick Blvd/89 Nelson Drive	2,845,950	2,845,950
Apprentice School Garage Land	641,700	641,700
South Police Precinct Land	357,200	357,200
Upper Warwick Corridor	1,350,809	1,350,809
Sherwood	2,696,860	2,696,860
Chase	1,105,938	1,105,938
K-Mart	3,226,075	3,226,075
351 25th Street	347,500	347,500
3101 Jefferson Ave (BCGS)	244,000	244,000
Warwick Village Shopping Center	3,150,949	-
Brentwood Shopping Center	2,286,632	-
Miscellaneous parking lots	874,323	874,323
Miscellaneous parcels	2,119,911	2,057,116
Total	$ 45,893,861	$ 39,217,130

(5) Other Notes Receivable

The largest component of receivables, as of June 30, 2025 and 2024, is two promissory notes. The first is a promissory note originally due from Oyster Point Hotel Associates, LLC ("OPHA, LLC") for $3,700,000. The balance of this note as of June 30, 2025 and 2024 was $3,037,590, plus accrued interest of $1,918,051 and $1,811,735 for June 30, 2025 and 2024, respectively. This note bears interest, compounded annually, at the rate of 3.5% per year. Provided Newport News-Oyster Point Hotel, LLC has funds to satisfy a preferred return to its members on the total project, Newport News-Oyster Point Hotel, LLC is required to make a repayment of principal and accrued interest on this loan. During fiscal year 2025, Newport News-Oyster Point Hotel, LLC was not required to make a payment of principal or accrued interest due to the inability to satisfy the preferred return to its members on the total project.

In addition, in December 2023, The IDA acquired the gap financing loan related to the Tourism Zone Incentive Program performance agreement with CCOP Thimble Shoals One, LLC. The original amount of the note aquired was $2,139,757 and the balance of the note was $1,856,524 as of June 30, 2025 and $2,044,927 as of June 30, 2024. The repayment terms are for ten (10) years at an interest rate of three percent (3%) per annum.

(6) Capital Assets

Capital assets at June 30, 2025 and 2024 and related changes for the years then ended are as follows:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets, not being depreciated:				
Construction in progress	$ 5,784,535	$ 1,841,996	$ (5,456,904)	$ 2,169,627
Capital assets, being depreciated:				
Buildings	186,569,115	8,234,976	-	194,804,091
Improvements	18,622,450	5,247,419	-	23,869,869
Infrastructure	2,543,500	-	-	2,543,500
Machinery and equipment	2,462,464	-	-	2,462,464
Right to use asset - Buildings	8,203,110	-	-	8,203,110
Total capital assets, being depreciated	218,400,639	13,482,395	-	231,883,034
Less accumulated depreciation/amortization for :				
Buildings	(74,563,450)	(4,633,530)	-	(79,196,980)
Improvements	(10,766,118)	(717,779)	-	(11,483,897)
Infrastructure	(1,793,284)	(70,734)	-	(1,864,018)
Machinery and equipment	(2,450,660)	(11,804)	-	(2,462,464)
Right to use asset - Buildings	(4,806,030)	(1,240,296)	-	(6,046,326)
Total accumulated depreciation/amortization	(94,379,542)	(6,674,143)	-	(101,053,685)
Total capital assets being depreciated, net	124,021,097	6,808,252	-	130,829,349
Capital assets, net	$ 129,805,632	$ 8,650,248	$ (5,456,904)	$ 132,998,976

	July 1, 2023	Increases	Decreases	June 30, 2024
Capital assets, not being depreciated:				
Construction in progress	$ 2,125,433	$ 4,248,011	$ (588,909)	$ 5,784,535
Capital assets, being depreciated:				
Buildings	203,519,114	3,590,301	(20,540,300)	186,569,115
Improvements	21,868,846	-	(3,246,396)	18,622,450
Infrastructure	2,543,500	-	-	2,543,500
Machinery and equipment	2,464,831	-	(2,367)	2,462,464
Right to use assets	8,144,259	58,851	-	8,203,110
Total capital assets, being depreciated	238,540,550	3,649,152	(23,789,063)	218,400,639
Less accumulated depreciation/amortization for:				
Buildings	(80,741,306)	(4,755,473)	10,933,329	(74,563,450)
Improvements	(11,833,974)	(613,288)	1,681,144	(10,766,118)
Infrastructure	(1,695,516)	(97,768)	-	(1,793,284)
Machinery and equipment	(2,382,201)	(70,825)	2,366	(2,450,660)
Right to Use Asset	(3,600,510)	(1,205,520)	-	(4,806,030)
Total accumulated depreciation/amortization	(100,253,507)	(6,742,874)	12,616,839	(94,379,542)
Total capital assets being depreciated, net	138,287,043	(3,093,722)	(11,172,224)	124,021,097
Capital assets, net	$ 140,412,476	$ 1,154,289	$ (11,761,133)	$ 129,805,632

(7) Lease Agreements

(a) The Authorities as Lessee

During Fiscal Year 2025 and 2024, the Authorities were engaged in 3 (three) leases as the lessee. The underlying assets for all of these leases were buildings and ranged in lease terms from 16 months to just under 5 (five) years as of the beginning of Fiscal Year 2025. In addition, certain leases have extension and/or termination options, for which the Authorities have made determinations as to if those options are reasonably certain to be exercised, and those determinations are reflected in the calculations presented, in accordance with GAAP. During Fiscal Year 2024, the Authorities were engaged in one, and during Fiscal Year 2025, the Authorities were engaged in two sublease transactions involving a GAAP lease in which the Authorities were the lessee. In both cases, the Authorities are the lessee of a building in a lease which is reportatble as a GAAP lease, and then the Authorities sublease a portion or all of the space of said building, via a non-GAAP lease (due to the short-term nature of the sublease or because the sublease is a non-exchange transaction). Thus, since neither sublease is a GAAP lease, only the original lease where the Authorities are the lessee is included in the disclosures and calculations below, in accordance with GAAP.

The Authorities are not aware of any variable payments made or required to be made in relation to their lessee leases which are not included in the measurement of the lease liability.

The Authorities do not believe there are any residual value guarantees, either needing to be included in the measurement of the lease liability or otherwise, in their lessee leases.

The Authorities did not have any other outflows of resources in Fiscal Year 2025 or 2024 for other payments related to their lessee leases, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability.

(b) The Authorities as Lessor

During Fiscal Year 2025, the Authorities were engaged in 37 (thirty-seven), and during Fiscal Year 2024, the Authorities were engaged in 23 (twenty-three) leases as the lessor. These leases were for various underlying assets, and ranged from leases of land that the City's Regional Animal Shelter sits on to leases of various cell towers and buildings throughout the City. The remaining lease terms of these leases ranged from 3 months to just over 28 years as of the beginning of Fiscal Year 2025. In addition, certain leases have extension and/or termination options, for which the Authorities have made determinations as to if those options are reasonably certain to be exercised, and those determinations are reflected in the calculations presented, in accordance with GAAP. See the lessee disclosures below for information on any sublease transactions in which the Authorities are engaged.

(7) Lease Agreements (continued)

(b) The Authorities as Lessor (continued)

The Authorities engage as the lessor in certain leases in which the payments required to be made by the lessee are, in part, tied to the amounts the Authorities owe on certain debts associated with the buildings being leased. On one particular lease agreement, the principal payments on that debt is fixed, but the interest payments are variable, with the interest rate being adjusted at least annually based on current market conditions as determined by a "Remarketing Agent" as defined in the debt documents. In Fiscal Year 2024, the inflows of resources due to these variable payments that were previously included in the measurement of the lease receivable were $119,408, but due to adjustments in the rate used to determine those variable payments, actual inflows of resources due to these variable payments collected during Fiscal Year 2024 were $285,063. In Fiscal Year 2025, the inflows of resources due to these variable payments that were previously included in the measurement of the lease receivable were $98,843, but due to adjustments in the rate used to determine those variable payments, actual inflows of resources due to these variable payments collected during Fiscal Year 2025 were $209,656. In addition, the Authorities engage in one lease where variable payments were scheduled to begin in Fiscal Year 2024 based on a percentage of gross sales of the tenant, but those variable payments were not enforced as the Authorities continue to renegotiate the lease with the tenant. The Authorities are not aware of further variable payments made or required to be made in relation to their lessor leases which are not included in the measurement of the lease receivable.

The total amount of inflows of resources from the Authorities' lessor leases during Fiscal Year 2025 are as follows:

Lease Revenue	Interest Revenue	Other*
$ 5,220,565	$ 860,972	$ 110,813

The total amount of inflows of resources from the Authorities' lessor leases during Fiscal Year 2024 are as follows:

Lease Revenue	Interest Revenue	Other*
$ 3,239,675	$ 564,234	$ 165,655

*The "Other" amount above represents the difference between the variable payments expected to be received as inflows of resources during the fiscal year when the lease receivable was measured and those actually received during the fiscal year. This amount changed due to adjustments in the underlying rate used to calculate the payments. See paragraph above regarding variable payments for more details.

There were no inflows of resources recognized in Fiscal Years 2025 or 2024 for variable or other payments not previously included in the measurement of the lease receivable (other than those disclosed above), to include any inflows of resources related to residual value guarantees or termination penalties.

(7) Lease Agreements (continued)

(b) The Authorities as Lessor (continued)

The principal and interest expected to be collected on the Authorities' lease receivables for lessor leases for the succeeding Fiscal Years are as follows:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	$ 5,554,444	$ 856,261	$ 6,410,705
2027	5,905,871	694,491	6,600,362
2028	5,474,262	526,012	6,000,274
2029	3,880,391	378,727	4,259,118
2030	2,093,497	308,445	2,401,942
2031 - 2035	7,143,821	921,917	8,065,738
2036- 2040	1,780,698	421,278	2,201,976
2041 - 2045	1,689,632	244,862	1,934,494
2046 - 2050	1,333,492	65,087	1,398,579
2051 - 2053	88,071	3,427	91,498
	$ 34,944,179	$ 4,420,507	$ 39,364,686

The Authorities have issued certain debt for which the principal and interest payments are secured by lease payments. In the event of default by the lessee on those leases which secure debt payments, the holders of the Bonds and Notes have no recourse against the Authorities, but must look to the property and lessee for indemnity.

The Authorities are the lessor in four (4) leases with related parties. All of these leases are with the City of Newport News, which reports the Authorities as a discretely presented component unit within its annual comprehensive financial report. Relevant information on these leases in provided in the following table:

Description of Leased Property	Counterparty to Lease	Lease Expiration*	Lease Receivable**	Deferred Inflows of Resources**
Coats & Clark Building - 5849 Jefferson Ave	City of Newport News	7/31/2029	$ 1,207,791	$ 1,068,962
Rouse Tower - 6060 Jefferson Ave	City of Newport News	11/30/2028	8,833,400	8,509,756
Animal Shelter Site - 5843 Jefferson Ave	City of Newport News	10/31/2052	818,914	775,161
Sherwood Shopping Center - 13771 Warwick Blvd Unit 29	City of Newport News	6/30/2026	6,382	6,221
			10,866,487	10,360,100

* To include reasonably certain options

** As of the end of the fiscal year

(8) Long-Term Liabilities

The Authorities' long-term liabilities consist of Industrial Revenue Bonds, Notes Payable, Lease Liabilities and compensated absences. Industrial Revenue Bonds and Notes Payable (the "Bonds and Notes") have been issued in the name of the Authorities to finance construction projects. The Bonds and Notes, both as to principal and interest, are payable generally from lease proceeds. In the event of default by the lessee, the holders of the Bonds and Notes have no recourse against the Authorities, but must look to the property and lessee for indemnity. In 2025 and 2024, approximately $6.7 million and $8.2 million, respectively, of the Bonds and Notes are considered a moral obligation of the City. A moral obligation of the City is a contingent guarantee of a third party's debt. It is referred to as a "moral" obligation because it is not a legal obligation of the City, but a good faith obligation, which, if called upon, would require appropriations by City Council of amounts sufficient to pay the guaranteed amounts. Since 1995, when the first moral obligation was issued by the Authorities, there has never been a need to call upon the City to appropriate any funds on morally obligated debt.

At June 30, 2025 and June 30, 2024 the Authorities have outstanding bonds and notes from direct borrowings in the amount of $14,208,177 and $15,087,677 respectively. Significant events of default are the presence of falsifying or misleading information in the financing documents, assignment without prior consent, or non-payment. Sherwood A & B notes are payable from revenues pledged and derived from leases related to the properties less the Authorities expenses plus any payments made to the Authorities pursuant to a support agreement with the City. The Authorities have no lines of credit.

At June 30, 2025 and June 30, 2024, the Authorities had lease liabilities of approximately $2.2 million and $3.5 million, respectively and compensated absences liability of $.09 million and $.10 million, respectively.

(8) Long-Term Liabilities (continued)

A summary of changes in bonds, notes, lease liabilities and compensated absences at June 30, 2025 and June 30, 2024 are comprised of the following:

	Issue date	Maturity date	Effective interest rates	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Amount due within one year
Compensated Absences				$ 102,668	$ -	$ (13,877)	$ 88,791	$ 33,711
Lease liability	Various	Various	Various	$ 3,473,870	$ -	$ (1,264,280)	$ 2,209,590	$ 1,251,406
Bonds payable								
Series 2012B	10/12/12	07/01/31	0.76%	9,410,000	-	(1,690,000)	7,720,000	1,655,000
Series 2015	07/23/15	09/01/27	3.48%	2,520,000	-	-	2,520,000	-
Series 2021B	02/09/21	07/01/30	3.00%	15,600,000	-	(2,335,000)	13,265,000	2,280,000
Total bonds payable				27,530,000	-	(4,025,000)	23,505,000	3,935,000
Premium on bonds payable - 2015				110,007	-	(20,802)	89,205	20,802
Total bonds payable, net				27,640,007	-	(4,045,802)	23,594,205	3,955,802
Direct borrowings:								
Bonds payable:								
Downtown Eng	04/05/00	07/01/31	2.58%	6,280,000	-	(2,300,000)	3,980,000	900,000
A-School garage	07/23/15	09/01/27	3.80%	3,907,684	-	(976,924)	2,930,760	976,924
Total direct borrowing bonds payable				10,187,684	-	(3,276,924)	6,910,760	1,876,924
Notes payable:								
Sherwood note A	11/23/16	01/01/32	3.14%	2,613,333	-	(326,667)	2,286,666	326,667
Sherwood note B	11/23/16	01/01/32	3.14%	1,653,333	-	(206,667)	1,446,666	206,667
Sears Renovation	07/31/20	7/31/2028	2.39%	633,327	-	(126,202)	507,125	129,170
Warwick Village	1/1/2025	11/25/2031	5.50%	-	3,250,000	(193,040)	3,056,960	402,341
Total direct borrowing notes payable				4,899,993	3,250,000	(852,576)	7,297,417	1,064,845
Total direct borrowings				15,087,677	3,250,000	(4,129,500)	14,208,177	2,941,769
Total bonds, notes payable and lease liabilities				$ 46,304,222	$ 3,250,000	$ (9,453,459)	$ 40,100,763	$ 8,182,688

(8) Long-Term Liabilities (continued)

	Issue date	Maturity date	Effective interest rates	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Amount due within one year
Compensated Absences				$ 92,802	$ 9,866	$ -	$ 102,668	$ 40,414
Lease liability	Various	Various	Various	4,619,676	58,851	(1,204,657)	3,473,870	1,264,279
Bonds payable								
Series 2012B	10/12/12	07/01/2031	0.76%	9,410,000	-	-	9,410,000	1,690,000
Series 2015	07/23/15	09/01/2027	3.48%	2,520,000	-	-	2,520,000	-
Series 2021B	02/09/21	07/1/2030	3.00%	17,980,000	-	(2,380,000)	15,600,000	2,335,000
Total bonds payable				29,910,000	-	(2,380,000)	27,530,000	4,025,000
Premiums on bonds payable - 2015				130,808	-	(20,801)	110,007	20,802
Total bonds payable, net				30,040,808	-	(2,400,801)	27,640,007	4,045,802
Direct borrowings:								
Bonds payable:								
Downtown Eng	04/05/00	07/01/2031	2.58%	7,300,000	-	(1,020,000)	6,280,000	2,300,000
A-school garage	07/23/15	09/01/2027	3.80%	4,884,608	-	(976,924)	3,907,684	976,924
Total direct borrowing bonds payable				12,184,608	-	(1,996,924)	10,187,684	3,276,924
Notes payable:								
Sherwood note A	11/23/16	01/01/2032	3.14%	2,776,667	-	(163,334)	2,613,333	326,667
Sherwood note B	11/23/16	01/01/2032	3.14%	1,756,666	-	(103,333)	1,653,333	206,667
Sears Renovation	7/31/20	07/31/28	2.39%	756,601	-	(123,274)	633,327	126,085
Total direct borrowings notes payable				5,289,934	-	(389,941)	4,899,993	659,419
Total direct borrowings				17,474,542	-	(2,386,865)	15,087,677	3,936,343
Total bonds, notes payable, and lease liabilities				$ 52,227,828	$ 68,717	$ (5,992,323)	$ 46,304,222	$ 9,286,838

(8) Long-Term Liabilities (continued)

Maturities of industrial revenue bonds, notes payable and lessee leases for succeeding fiscal years are as follows:

	Lessee Leases		Bonds		Direct Borrowings		Total Leases, Bonds and Notes	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 1,251,406	$ 14,049	$ 3,935,000	$ 533,510	$ 2,941,769	$ 498,559	$ 8,128,175	$ 1,046,118
2027	339,771	7,407	3,915,000	441,158	3,213,246	386,577	7,468,017	835,142
2028	349,890	4,232	3,555,000	357,370	2,859,257	269,854	6,764,147	631,456
2029	268,523	1,033	3,490,000	283,052	1,907,672	177,671	5,666,195	461,756
2030	-	-	3,440,000	208,941	1,414,429	108,455	4,854,429	317,396
2031-2035	-	-	5,170,000	167,901	1,871,804	77,889	7,041,804	245,790
Totals	$ 2,209,590	$ 26,721	$ 23,505,000	$ 1,991,932	$ 14,208,177	$ 1,519,005	$ 39,922,767	$ 3,537,658

A significant portion of the Authorities' outstanding debt is payable solely from lease proceeds. Lease agreements are set up to, at the very least, cover the principal and interest payments of the outstanding debt associated with that specific lease.

In July 2020, the Authorities entered into an agreement with Towne Bank to finance the renovation of the Sears Building located at 2700 Huntington Avenue, which is leased by Huntington Ingalls Industries, Inc. ("HII"). The renovation was completed in fiscal year 2022 and totaled $1,035,368. The renovation was financed with a loan from Towne Bank at a rate of 2.39%, with interest only for six months and the remaining principal to be paid over 7.5 years. The borrowing is supported by HII's lease with terminates in October 2028. The lease payments will be equal to the debt service payments of the Towne Bank financing.

During the fiscal year 2025, the Authorities purchased Warwick Village Shopping Center located at 11006 Warwick Blvd. The purchase has a note attached that had a beginning balance of $3,250,000. The balance on the note at the end of the fiscal year was $3,056,960.

(9) Conduit Debt Obligations

From time to time, the Authorities have issued Industrial Revenue Bonds (the "Bonds") to provide financial assistance to private sector and nonprofit entities for the acquisition and construction of industrial, commercial and residential facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the Bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the Commonwealth, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Furthermore, in the event of default by the lessee, the holders of the Bonds have no recourse against the Authorities, but must look to the property and lessee for indemnity. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements.

At June 30, 2025 and June 30, 2024 there were twelve (12) bonds outstanding with an aggregate principal balance of $350,126,112 and $363,483,658, respectively. Conduit debt at June 30, 2025 and 2024 were as follows:

Economic and Industrial Development Authorities
of the City of Newport News, Virginia
(Component Units of the City of Newport News, Virginia)
Schedule of Conduit Debt Obligations
For the Years Ended June 30, 2025 and 2024

Bond	Date issued	Outstanding balance June 30, 2025	Outstanding balance June 30, 2024
Industrial revenue bonds - Christopher Newport University Rappahannock Hall - series 2013	12/20/2013	$ 26,970,465	28,086,465
New Opportunity, LLC - series 2013	11/12/2013	3,256,901	4,172,406
Industrial revenue bonds - Christopher Newport University Foundation - series 2015	06/24/2015	3,135,587	3,350,587
Industrial revenue bond - Riverside Health Systems Series 2015A	07/01/2015	100,000,000	100,000,000
Industrial revenue bonds - Riverside Health Systems Series 2015B	07/01/2015	16,500,000	19,000,000
Industrial revenue bonds - LifeSpire of Virginia - residential care facility - series 2016	10/12/2016	62,925,000	66,115,000
Industrial revenue bonds - Riverside Health Systems Series 2017A	09/07/2017	50,000,000	50,000,000
Industrial revenue bonds - Riverside Health Systems Series 2017B	09/07/2017	36,571,218	40,487,850
Industrial revenue bonds - Christopher Newport University Real Estate Foundation - Series 2019	12/18/2019	10,329,698	10,758,504
Industrial revenue bonds - Christopher Newport University Real Estate Foundation - Series 2020A	01/28/2020	13,063,731	14,314,829
Industrial revenue bonds - Christopher Newport University Real Estate Foundation - Administrative Building Project-Series 2022B	08/19/2022	21,986,962	21,272,376
Industrial revenue bonds - Christopher Newport University Real Estate Foundation - University Apartments Project (Refunding) Series 2022A	08/19/2022	5,386,550	5,925,641
		$ 350,126,112	363,483,658

(10) Transactions with Related Parties

Intergovenmental revenues from the City were $32,348,142 and $22,837,470 for the year ended June 30, 2025 and June 30, 2024, respectively.

The City provides certain financial management and accounting services to the Authorities. There were no charges for these services during the years ended June 30, 2025 and 2024.

In addition, there are several leases between the City and the Authorities. See note (7)(b).

(11) Commitment and Contingencies

The Authorities are exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For all of these risks, the Authorities maintain casualty and liability coverage through a commercial insurer and are also named as additional insured as their interests may appear on many of the properties leased to private companies.

(12) Subsequent Events

We have evaluated subsequent events through the date of the audit report, and no significant subsequent events requiring adjustment or disclosure in the financial statements were identified.

(13) Property Acquisition and Disposition

During the fiscal year, the Authorities acquired several properties with intergovernmental funds in the amount of $7,172,830. The City transferred 520 14th Street, value of $594,500, to the Authorities and the Authorities transferred 680 Turnberry Boulevard, land value of $445,374, to the City.

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor 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 and Industrial Development Authorities of the
City of Newport News, 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* (the "Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Economic and Industrial Development Authorities of the City of Newport News, Virginia (the "Authorities"), a component unit of the City of Newport News, Virginia, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authorities' basic financial statements, and have issued our report thereon dated November 7, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Authorities' 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 Authorities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Authorities' 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 audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authorities' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authorities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authorities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Tysons Corner, Virginia
November 7, 2025

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts, and Grants

To the Board of Directors
Economic and Industrial Development Authorities of the
City of Newport News, 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* (the "Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Economic and Industrial Development Authorities of the City of Newport News, Virginia (the "Authorities"), a component unit of the City of Newport News, Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authorities' basic financial statements, and have issued our report thereon dated November 7, 2025.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authorities' financial statements are free of material misstatement, we performed tests of the Authorities' compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants, 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 following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia
Auditing Standards and Audit Contract
Cash and Investments
Conflicts of Interest
Reporting

The results of our tests disclosed one instance of noncompliance that is required to be reported under the Specifications as described in the accompanying Schedule of Findings and Responses as item 2025-001.

Authorities' Response to Finding

The Authorities' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Authorities' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants and the results of that testing, and not to provide an opinion on the Authorities' compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Tysons Corner, Virginia
November 7, 2025

SCHEDULE OF FINDINGS AND RESPONSES

(1) Finding Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

None reported.

(2) Finding Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2025-001: Non-material Noncompliance – Statement of Economic Interests ("SOEI")

Condition: Three (3) new board members did not file the required SOEI prior to the required due date.

Criteria: Section 2.2-3115 of the Code of Virginia requires local officials to file a SOEI with the Clerk of the governing body by February 1st or prior to assuming office or taking employment to disclose personal financial interests that may cause conflicts. Additionally, the Council requires that the local official may not sign, date, or submit a disclosure form for the regular annual filing period prior to January 1st each year.

Cause: Lack of controls over the SOEI to ensure statements for new board members are filed before assuming office.

Effect: Noncompliance may result in action by the Commonwealth.

Questioned Cost: Non-financial finding.

Recommendation: Local government officials should complete the SOEI in accordance with prescribed requirements.

Views of Responsible Officials and Planned Corrective Action:

Responsible Person: Priscilla Green, Chief of Fiscal Operations, and the City Clerk's Office

Cause: The COI filings for the three (3) new board members were delayed due to staffing changes within the City Clerk's Office, external delays in background checks, and the timing of board members officially assuming their seats.

Estimated Completion: June 30, 2026

Corrected Action: Management has since collected all required Statement of Economic Interest forms and ensured they are properly filed. To prevent recurrence, management has enhanced communication procedures with the Clerk's Office to ensure timely notification when new board members are sent the required forms. This will allow staff to actively monitor completion and filing status for compliance going forward.