

**SOUTH PEAK
COMMUNITY DEVELOPMENT AUTHORITY**

(A COMPONENT UNIT OF THE COUNTY OF ROANOKE, VIRGINIA)

**AUDITED FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 AND 2023**



THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**SOUTH PEAK
COMMUNITY DEVELOPMENT AUTHORITY**

**ANNUAL FINANCIAL STATEMENTS
AS OF JUNE 30, 2024 AND 2023**

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I. BOARD OF DIRECTORS

Linwood P. Windley, Chairman

Daniel O'Donnell, Vice Chairman

Rebecca E. Owens, Secretary/Treasurer

Richard Caywood

Rick Pevarski

II. INDEPENDANT AUDITOR'S OPINION



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Peak Community Development Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the South Peak Community Development Authority (Authority), a component unit of the County of Roanoke, Virginia, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2024 and 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Authority's

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

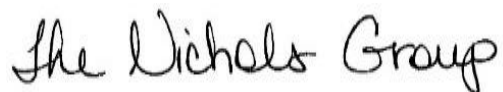
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, 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 audit 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "The Nichols Group".

The Nichols Group, PA

Fleming Island, Florida

October 31, 2024

III. *MANAGEMENT'S DISCUSSION AND ANALYSIS*

The Management's Discussion and Analysis of the financial performance of the South Peak Community Development Authority (the "Authority") provides an overall review of the Authority's financial activities for the years ended June 30, 2024, and 2023. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. Readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. The Authority was created by Ordinance #082410-4 adopted on August 24, 2010 by the Roanoke County Board of Supervisors and given approval to issue up to \$16,000,000 in debt to fund public improvements related to the construction of public improvements to benefit the South Peak Community Development Authority District.
2. The Authority approved issuance of up to \$7,000,000 in a Special Assessment Revenue Note on December 1, 2012 (the "Note") for the initial phase of construction, bearing interest at 6.5% per annum, according to a Note Purchase Agreement with Carter Bank (the "Bank"). The Note will be repaid beginning September 1, 2016, from incremental tax revenues, surplus revenues, and the collection of special assessments, if necessary, imposed on the chargeable properties benefiting from the public improvements. As of June 30, 2015, the Note was fully drawn.
3. On April 21, 2021, the Authority approved an offer by Carter Bank to reduce the interest rate on the Note from 6.0% to 4.49%. This amendment was approved by the Board of Supervisors on April 27, 2021, and took effect on April 28, 2021. This amendment has been deemed to constitute a re-issuance of the Note.
4. Net position at June 30, 2024 and 2023 totaled \$1,406,700 and \$830,227, respectively, due to costs for public improvements and subsequent donation of the Phase I water improvements, note interest accrued and paid, administrative fees, and note issuance costs offset by revenues collected.
5. As of June 30, 2016, it was determined that all improvements financed by the Note were completed and Phase I water improvements were accepted and conveyed to the Western Virginia Water Authority. The conveyed improvements were shown in the financial statements as "Donated Public Improvements". Both South Peak Boulevard and Phase II water improvements, although complete, have not yet been accepted and conveyed. These remain assets of the Authority as of June 30, 2024.
6. Incremental tax revenues totaling \$6,442,844 and special assessments totaling \$416,434 for 2012 through June 30, 2024, have been accrued. Roanoke County (the "County") has set these funds aside until such time as the Authority has opened trust accounts. The County uses these funds to pay debt service and the Authority's

administrative expenses. As of June 30, 2024, the total revenues collected exceeded the total Authority's expenses paid by \$1,236,677.

7. No special assessments were imposed for tax years 2024 or 2023 as tax increment revenues were expected to exceed expenses. All special assessments imposed for previous tax years have been collected.

Overview of the Financial Statements

This annual report consists of two parts – (i) Management's Discussion and Analysis and (ii) the basic financial statements consisting of a *Statement of Net Position*; *Statement of Revenues, Expenses, and Changes in Net Position*; *Statement of Cash Flows*; and related footnotes. The Statement of Net Position represents the financial position of the Authority and provides information about the activities of the Authority, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total financial position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

Comparative Financial Statements

Summary Statements of Net Position

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets:			
Current and other assets	\$ 1,237,319	\$ 1,008,474	\$ 779,686
Capital assets	5,330,063	5,330,063	5,330,063
Total assets	<u>6,567,382</u>	<u>6,338,537</u>	<u>6,109,749</u>
Liabilities:			
Current liabilities	462,682	430,310	396,489
Long-term debt	4,698,000	5,078,000	5,421,000
Total Liabilities	<u>5,160,682</u>	<u>5,508,310</u>	<u>5,817,489</u>
Net Position			
Net investment in capital assets	252,063	(90,937)	(400,937)
Unrestricted	1,154,637	921,164	693,197
Total Net Position	<u>\$ 1,406,700</u>	<u>\$ 830,227</u>	<u>\$ 292,260</u>

Net position in fiscal year 2024 and 2023 increased due to increases in incremental tax revenues and decreases in note interest paid. Net position in fiscal year 2023 and 2022 increased due to increases in incremental tax revenues and decreases in the note balance.

Summary Statements of Revenues, Expenses, and Changes in Net Position:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating Revenues	\$ 829,018	\$ 810,808	\$ 639,970
Operating Expenses	<u>46,458</u>	<u>27,731</u>	<u>17,947</u>
Operating Income	782,560	783,077	622,023
Non-operating Revenues/(Expenses)	<u>(206,087)</u>	<u>(245,110)</u>	<u>(266,218)</u>
Change in Net Position	<u>\$ 576,473</u>	<u>\$ 537,967</u>	<u>\$ 355,805</u>

Net position increased in both fiscal years 2024 and 2023 due to incremental tax revenues and interest income in excess of the funds needed for debt service and the Authority's administrative expenses. Debt service has decreased due to the decreases in the note balance.

Capital Assets

The Authority's capital assets consisted of public improvements financed with the Series 2012 Note. All improvements financed with the Note were deemed to have been complete as of June 30, 2016, and the Phase I water improvements were subsequently accepted and conveyed to the Western Virginia Water Authority. As of June 30, 2024, the South Peak Boulevard and Phase II water improvements, with a total cost of \$5,330,063, remain an asset of the Authority until such time as the improvements are accepted and conveyed to the appropriate public entity.

Long-Term Debt

The Authority issued a Special Assessment Revenue Note, Series 2012, not to exceed \$7,000,000 dated December 1, 2012 bearing interest at 6.5% per annum with a final maturity of March 1, 2033. This note represents 100% of the Authority's long-term debt balance. The 2012 Note is subject to optional redemption requirements as specified in the Note Purchase Agreement. The Note terms were amended by resolutions of the Authority on November 26, 2019, and the Board of Supervisors on December 17, 2019, to reduce the interest rate on the Note from 6.5% to 6.0%. The Note terms were amended a second time to reduce the interest rate from 6.0% to 4.49%, effective on April 28, 2021.

Advances from the Note were used to finance construction of certain public infrastructure improvements within the District including public road and intersection improvements, public utilities, parking facilities, curbs, gutters, sidewalks, traffic signals, storm water management and retention systems, street lights and landscaping improvements, and interest on the Note, Note issuance costs, and administrative expenses.

Repayment on the Note is made semi-annually beginning September 1, 2016 according to the loan amortization schedule from incremental tax revenues, surplus revenues, and special assessment revenues received by the Authority after the payment of the County's administrative expenses.

As of June 30, 2015, the Note was fully drawn. Debt service subsequent to June 30, 2015 is being paid from incremental tax revenues and special assessments held by the County.

Revenues

The County credits the Authority for the tax increment and special assessment revenues collected each year. These revenues totaled \$829,018 and \$810,808 for the years ending June 30, 2024 and 2023, respectively. The County uses these revenues to pay the expenses of the Authority.

Economic Factors and Future Outlook.

Presently, the Authority is not aware of any changes in conditions that would have a significant effect on the administrative expenses in the near future.

Contacting Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Authority's administrator, MuniCap, Inc., at 8965 Guilford Road, Suite 210, Columbia, Maryland 21046.

IV. FINANCIAL STATEMENTS

SOUTH PEAK COMMUNITY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF ROANOKE, VIRGINIA)
STATEMENTS OF NET POSITION
As of June 30,

	<u>2024</u>	<u>2023</u>
Assets		
Current Assets		
Due from primary government	\$ 1,236,677	\$ 1,008,474
Accrued interest receivable	642	-
Total Current Assets	<u>1,237,319</u>	<u>1,008,474</u>
Noncurrent Assets		
Capital assets	<u>5,330,063</u>	<u>5,330,063</u>
Total Noncurrent Assets	<u>5,330,063</u>	<u>5,330,063</u>
Total Assets	<u>6,567,382</u>	<u>6,338,537</u>
Liabilities		
Current Liabilities		
Accounts payable	6,048	5,500
Accrued interest payable	76,634	81,810
Current portion of long-term debt	<u>380,000</u>	<u>343,000</u>
Total Current Liabilities	<u>462,682</u>	<u>430,310</u>
Noncurrent Liabilities		
Notes payable, long-term portion	<u>4,698,000</u>	<u>5,078,000</u>
Total Noncurrent Liabilities	<u>4,698,000</u>	<u>5,078,000</u>
Total Liabilities	<u>5,160,682</u>	<u>5,508,310</u>
Net Position		
Net investment in capital assets	252,063	(90,937)
Unrestricted	<u>1,154,637</u>	<u>921,164</u>
Net Position	<u>\$ 1,406,700</u>	<u>\$ 830,227</u>

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

SOUTH PEAK COMMUNITY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF ROANOKE, VIRGINIA)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ending June 30,

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Incremental tax revenues	\$ 829,018	\$ 810,808
Total Operating Revenues	<u>829,018</u>	<u>810,808</u>
Operating Expenses		
Administrative fees	35,202	16,775
Legal fees	5,000	5,000
Insurance expenses	1,456	1,456
Accounting and audit fees	4,800	4,500
Total Operating Expenses	<u>46,458</u>	<u>27,731</u>
Operating Income	<u>782,560</u>	<u>783,077</u>
Non-Operating Revenues (Expenses)		
Note interest expense	(238,390)	(252,718)
Interest and dividend income	32,303	7,608
Total Non-Operating Revenues (Expenses)	<u>(206,087)</u>	<u>(245,110)</u>
Change in Net Position	576,473	537,967
Net Position, Beginning of Year	<u>830,227</u>	<u>292,260</u>
Net Position, End of Year	<u><u>\$ 1,406,700</u></u>	<u><u>\$ 830,227</u></u>

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

SOUTH PEAK COMMUNITY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE COUNTY OF ROANOKE, VIRGINIA)
STATEMENTS OF CASH FLOWS
For the Years Ending June 30,

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Cash payments for administrative fees	\$ -	\$ -
Cash payments for legal fees	-	-
Net Cash Used in Operating Activities	-	-
Cash Flows from Investing Activities		
Interest and dividends received on investments	-	-
Net Cash Provided by Investing Activities	-	-
Cash Flows from Capital and Related Financing Activities		
Proceeds from note issuance	-	-
Acquisition and construction of capital assets	-	-
Interest paid on note	-	-
Payment of note issuance costs	-	-
Net Cash Provided by Capital and Related Financing Activities	-	-
Change in Cash Balance	-	-
Cash, Beginning of Year	-	-
Cash, End of Year	\$ -	\$ -
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:		
Operating Income	\$ 782,560	\$ 783,077
Adjustments		
Increase in accrued revenues	(228,203)	(228,788)
Increase in accounts payable	548	5,500
Accrued interest on County holdings	31,661	7,608
Accrued revenues used for debt service	(586,566)	(567,397)
Net Cash Used in Operating Activities	\$ -	\$ -

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

V. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1—FINANCIAL REPORTING ENTITY

The South Peak Community Development Authority (the “Authority”) was established pursuant to the Virginia Waste and Water Authorities Act, Chapter 51, Title 51.2, Code of Virginia, 1950 (the “Act”), as amended. The Act provides for the creation of an authority and a related Special Assessment District for the sole purpose of financing, constructing, and maintaining, if necessary, certain public improvements within, contiguous to, or serving the District. The Authority was created pursuant to the Act by an Ordinance #082410-4 adopted August 24, 2010 by the Board of Supervisors of Roanoke County, Virginia (the “County”). The creation of the Authority was a result of the petition filed with the County by the owners of the land area that constitutes the South Peak Community Development Authority District (the “District”).

The Authority is a component unit of the County for financial reporting purposes; the Authority has no component units that meet the criteria for inclusion in the Authority’s basic financial statements.

The Authority has been authorized to issue bonds in one or more series in an aggregate maximum principal amount of \$16,000,000. The term of the bonds will be no longer than twenty years from the year in which the bonds are issued and may be issued either on a tax-exempt basis, a taxable basis or a combination thereof.

A Special Assessment Revenue Note, Series 2012 (the “Note”), was issued pursuant to a Note Purchase Agreement by and between the Authority and Carter Bank & Trust (the “Bank”), dated as of December 1, 2012, in an amount not to exceed \$7,000,000. The Authority and the Bank have agreed that the Bank will make advances to the Authority under the Note according to certain terms and conditions specified in the Note Purchase Agreement. The Note shall be payable primarily from incremental tax revenues, surplus revenues and special assessments imposed and collected by the County against the taxable real property in the District. Unless prepaid, such special assessments are payable in installments at the same time general real estate taxes are paid in the County. Special assessments, when imposed, will be made a lien on parcels subject to taxation in the District, and the County has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special assessment annual installment.

The District consists of approximately sixty-two acres of land within the County. The District is part of a mixed-use project that is expected to contain commercial, retail, and residential components.

The Authority is governed by a board of five members who are appointed by the Board of Supervisors for a term of four years.

The Authority’s management believes these financial statements present all activities for which the Authority is financially accountable.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

A. Basis of Presentation

The Authority's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Authority uses enterprise fund accounting to maintain its financial records during the fiscal year. Enterprise fund accounting focuses on the determination of operating income, financial position and changes in net position, and cash flows.

B. Measurement Focus and Basis of Accounting

The Authority's financial activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs.

Net Position is segregated into Net Investment in Capital Assets, Restricted, and Unrestricted components, if applicable.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, and measurement focus relates to the timing of the measurements made. The Authority uses the accrual basis of accounting and the flow of economic resources measurement focus for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Cash, Cash Equivalents and Investments

Cash received by the Authority is deposited with a financial institution or invested. Deposits and investments having an original maturity of three months or less at the time they are purchased are presented in the financial statements as Cash and Cash Equivalents. Investments with an initial maturity of more than three months are reported as Investments.

D. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets will be recorded at their fair market value on the date that they will be donated. The Authority does not maintain a capitalization threshold as all infrastructure assets are

capitalized. The Authority does not depreciate capital assets as all assets will be donated upon completion/acquisition.

E. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net Position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. For the Authority, these revenues are incremental tax revenues and special assessments. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the Authority. All revenues and expenses not meeting this definition are reported as non-operating.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Income Taxes

The Authority is a governmental entity, and therefore, is exempt from all federal and state income taxes.

I. New Accounting Standards

GASB Statement No. 100, Accounting Changes and Error Corrections, became effective in fiscal year 2024. Any accounting changes or error corrections noted during the audit will be presented as per the new standard.

J. Future Accounting Standards

GASB has issued new standards that will become effective in future fiscal years. The Authority will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE 3—DEPOSITS AND INVESTMENTS

Funds from the Note were disbursed directly by the Bank as needed for the costs of improvements under the terms of the Note Purchase Agreement. In addition, the County currently holds all revenues and makes any necessary payments for Authority expenses from those revenues. Therefore, the Authority has no cash deposits at this time.

NOTE 4—RECEIVABLES

Receivables at June 30, 2024 and 2023 consisted of tax increment revenues collected by the County to be transferred to the Authority, net of payments made on behalf of the Authority, and accrued interest. All receivables are considered collectible in full within one year.

NOTE 5—CAPITAL ASSETS

The Authority's capital asset activity for the years ended June 30, 2024 and 2023 was as follows:

	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Donations</u>	<u>Ending Balance</u>
<u>2024</u>				
South Peak Blvd	\$ 5,240,031	\$ -	\$ -	\$ 5,240,031
Phase II Water	90,032	-	-	90,032
Total Capital Assets	<u>\$ 5,330,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,330,063</u>
	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Donations</u>	<u>Ending Balance</u>
<u>2023</u>				
South Peak Blvd	\$ 5,240,031	\$ -	\$ -	\$ 5,240,031
Phase II Water	90,032	-	-	90,032
Total Capital Assets	<u>\$ 5,330,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,330,063</u>

As of June 30, 2016, it was determined that all public improvements had been completed and that the Phase I Water improvements had been accepted and conveyed to the Western Virginia Water Authority, as evidenced by a Utility Acceptance Certificate. As of June 30, 2024, neither the South Peak Boulevard nor the Phase II water improvements had been conveyed.

NOTE 6—LONG-TERM OBLIGATIONS

The Authority's long-term debt activity for the years ending June 30, 2024 and 2023 was as follows:

<u>2024</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Series 2012 Note Payable	\$ 5,421,000	\$ -	\$ (343,000)	\$ 5,078,000	\$ 380,000

<u>2023</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Series 2012 Note Payable	\$ 5,731,000	\$ -	\$ (310,000)	\$ 5,421,000	\$ 343,000

A. Special Assessment Revenue Note, Series 2012

On December 1, 2012, the Authority approved a Note in the maximum authorized principal amount of \$7,000,000 to finance a portion of certain public infrastructure improvements described in a Development, Acquisition and Financing Agreement. The Note is repayable from incremental tax revenues, surplus revenues and special assessments, when necessary. Pursuant to a Memorandum of Understanding, a special assessment lien in the maximum amount of \$37,270,028 was established on the real property located within the District. The County, on behalf of the Authority, will impose and collect the special assessment annual installments and has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special assessment annual installments, which may include the assessment of penalties and interest and tax foreclosure proceedings on delinquent parcels. The Note is a limited obligation of the issuer.

Interest on the Note is payable according to the terms specified by the Note Purchase Agreement on March 1 and September 1 of each year. Interest is calculated daily on the actual number of days elapsed over a 360-day year. Interest payments totaled \$243,567 and \$257,397 for the years ended June 30, 2024 and 2023, respectively.

Principal repayments on the Note are due each March 1 and September 1 beginning September 1, 2016 according to the loan amortization schedule. Principal repayments of \$343,000 and \$310,000 were made during the years ended June 30, 2024 and 2023, respectively.

B. Optional Prepayment Redemption

The Note may be prepaid in whole or in part at any time without penalty or premium upon three day's prior written notice to the Bank by paying the principal amount of the Note plus accrued interest to the prepayment date.

C. Note Reissuance

At a meeting of the board of directors on April 21, 2021, the Authority approved an offer by the Bank to reduce the interest rate on the Note from 6.0% to 4.49%. This amendment was approved

by the Board of Supervisors on April 27, 2021 and took effect on April 28, 2021. This amendment has been deemed to constitute a re-issuance of the Note.

D. Loan Amortization Schedule

The Note is required to be repaid by the Authority in the years and in the amounts set forth below, as adjusted for the amendment to the Note on April 28, 2021:

For the period ending June 30:	Principal	Interest
2025	\$ 380,000	\$ 226,880
2026	419,000	209,141
2027	460,000	189,603
2028	505,000	168,599
2029	553,000	144,623
2030-2033	2,761,000	296,566
Total	<u>\$ 5,078,000</u>	<u>\$ 1,235,412</u>

NOTE 7—INCREMENTAL TAX REVENUES

The County has agreed to pay the Authority certain incremental tax revenues (“TIF Revenues”) for each year in which the Notes are outstanding. The TIF Revenues equal the sum of 70% of all regular ad valorem, or real estate, (which exceed those levied by the County within the District during calendar year 2010), personal property, occupancy, sales, BPOL, and meals incremental tax revenues collected in each calendar year within the District. Payments are to be made to the Authority semi-annually in an amount equal to one-half of the TIF Revenues for the prior calendar year on each April 1 and October 1 beginning on the April 1 immediately following the issuance of the Note. Any TIF Revenues exceeding amounts needed to pay debt service and Authority expenses will be deposited into a Surplus Fund. Amounts in the Surplus Fund after stabilization will be returned to the County.

TIF Revenues totaling \$829,018 and \$810,808 for fiscal years 2024 and 2023, respectively, have been accrued and are being held by the County until such time as the required trust accounts are opened. Total TIF Revenues of \$6,442,844 have been accrued from the Note issuance through June 30, 2024.

NOTE 8—SPECIAL ASSESSMENTS

Annual special assessments are to be imposed and collected on all real property within the District (excepting those for which the assessment lien has been prepaid) if sufficient funds are not expected from TIF Revenues or are not available from the Surplus Fund. The annual revenue requirement, generally, is equal to: (i) annual debt service and administrative expenses, less (ii) other amounts available for the payment of such debt service and expense. Special assessments, unless prepaid, will be payable in installments at the same time general real estate taxes are paid in the County, currently June 7 and December 6. The County has agreed to apply its customary

tax payment enforcement proceedings to the collection of any delinquent payment of special assessments.

No special assessments were imposed on property owners for the 2024 or 2023 tax years as the TIF Revenues were expected to exceed the total Authority expenses. Total Special Assessments of \$416,434 have been collected and accrued from the Note issuance through June 30, 2024.

NOTE 9—ARBITRAGE REQUIREMENTS

When applicable, arbitrage calculations are performed on the Authority's funds to determine any arbitrage rebate or yield restriction liability. No liabilities for arbitrage rebate or yield restrictions were identified in fiscal years ending June 30, 2024 and 2023.

NOTE 10—CONTINGENT LIABILITIES

As of June 30, 2024, there were no claims or lawsuits pending against the Authority.

NOTE 11—EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2024, the date which the financial statements were available to be issued.

VI. COMPLIANCE



THE NICHOLS GROUP, P.A.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
South Peak Community Development Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the South Peak Community Development Authority (Authority) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 31, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

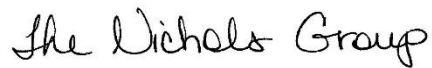
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely

A handwritten signature in cursive script that reads "The Nichols Group".

The Nichols Group, PA
Fleming Island, Florida

October 31, 2024