

**CHIPPENHAM PLACE
COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)**

Annual Financial Report

For the Year Ended June 30, 2020

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Directory of Officials
June 30, 2020

Board Members

Jay Lafler, Chairman

Samuel Kaufman, Vice Chairman

Quenton Lee

John Pettengill

Chris Zitzow

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Annual Financial Report
June 30, 2020

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Report of Independent Auditor

To the Board of Directors
Chippenham Place Community Development Authority
Chesterfield, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Chippenham Place Community Development Authority (the "Authority"), a component unit of the County of Chesterfield, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Directory of Officials is presented for purposes of additional information and is not a required part of the basic financial statements. The Directory of Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020, 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.



Richmond, Virginia
September 28, 2020

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Management's Discussion and Analysis
(Unaudited)

This section of the Chippenham Place Community Development Authority's (the "Authority") Annual Financial Report presents our discussion and analysis of the Authority's financial performance as of and during the fiscal year ended June 30, 2020. Please read it in conjunction with the Authority's financial statements and accompanying notes that follow.

The Authority

The Authority, a political subdivision of the Commonwealth of Virginia, was created on June 25, 2008 pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2, Code of Virginia. The Authority was created to fund public infrastructure improvements at the former Cloverleaf Mall site, also referred to as Stonebridge. The Stonebridge project revolves around reviving a once vibrant commercial property that is located at a key gateway into the County of Chesterfield, Virginia (the "County").

Financial Highlights

- Total net position (deficit) decreased by \$872,578 (9.6%) to a net position (deficit) amount of (\$8,183,257).
- Revenues decreased \$15,789 (1.3%) to \$1,185,546.
- Expenses decreased by \$20,197 (6.1%) to \$312,968.
- Note principal on the Special Assessment Revenue Note, Series 2017, in the amount of \$674,008 was paid.
- Note interest in the amount of \$302,141 was paid.

Overview of Financial Statements

The Authority's annual report consists of two parts - management's discussion and analysis (this section, which is unaudited) and the audited financial statements. The governmental activities are reported through government-wide and governmental fund financial statements.

Government-wide Financial Statements. The government-wide financial statements provide readers with a broad view of the Authority's finances using the accrual basis of accounting in a manner similar to that of a private-sector business. The *Statement of Net Position (Deficit)* presents information on all assets and liabilities with the difference reported as net position (deficit). Over time, increases or decreases in net position (deficit) may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The *Statement of Activities* presents information that shows how the Authority's net position (deficit) changed during the fiscal year. All changes in net position (deficit) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will have actual cash flows in a future fiscal period.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Management's Discussion and Analysis
(Unaudited)

Governmental Fund Financial Statements. The governmental fund financial statements reinforce the information provided in the government-wide financial statements by providing a narrower focus. The governmental fund financial statements, using the modified accrual basis of accounting, look at near-term inflows and outflows of spendable resources and the available balances of those resources at the end of the fiscal year. The *Balance Sheet* reports the Authority's fund balance as of the fiscal year end. Fund balance information is useful when evaluating the Authority's near-term financing requirements. The *Statement of Revenues, Expenditures and Changes in Fund Balance* is the statement of activities for the governmental fund. Consistent with the current financial resources measurement focus, the financial statement reports expenditures rather than expenses. To facilitate comparison, reconciliations are presented for the governmental fund *Balance Sheet* and *Statement of Revenues, Expenditures, and Changes in Fund Balance* to the government-wide financial statements.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and governmental fund financial statements.

Financial Analysis of the Authority

Government-wide financial analysis. The Authority's liabilities exceeded assets by \$8,183,257 at the close of the most recent fiscal year. The Authority's net position (deficit) decrease of \$872,578 (9.6%) from the prior year is mainly due to a decrease in the Authority's outstanding long-term debt of \$674,008 and receiving incremental taxes in excess of debt service requirements for the year.

Table 1
Condensed Summary of Net Position (Deficit)
As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ <u>1,668,917</u>	\$ <u>1,474,004</u>
Note payable	9,780,708	10,454,716
Other liabilities	<u>71,466</u>	<u>75,123</u>
Total liabilities	<u>9,852,174</u>	<u>10,529,839</u>
Net position (deficit):		
Unrestricted	(8,183,257)	(9,055,835)
Total net position (deficit)	\$ <u>(8,183,257)</u>	\$ <u>(9,055,835)</u>

The purpose of the Authority is to issue debt as a means to finance a portion of the cost of the infrastructure improvements at Stonebridge. The improvements, which include demolition of the former mall, road improvements and utilities, benefit the citizens of the County by promoting increased employment opportunities, a strengthened economic base and increased tax revenues, and additional retail and residential opportunities. Since the Authority has no capital assets, the outstanding debt without an offsetting asset presents a negative balance for net position under full accrual accounting in the government-wide financial statements.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Management's Discussion and Analysis
(Unaudited)

The Authority's total revenues decreased from the prior year by \$15,789 (1.3%) to \$1,185,546. The Authority's revenues are mainly incremental taxes. The County has committed to remitting incremental tax and special assessment revenues collected to the Authority. The Authority's total expenses decreased from the prior year by \$20,197 (6.1%) to \$312,968. Approximately 95.0% of the Authority's expenses relate to debt expenses and the remaining 5.0% relate to administrative expenses (see Table 2).

Table 2
Condensed Summary of Changes in Net Position (Deficit)
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Expenses:		
Administrative	\$ 15,670	\$ 16,799
Debt related expenses	<u>297,298</u>	<u>316,366</u>
Total expenses	<u>312,968</u>	<u>333,165</u>
General revenues:		
Incremental taxes	1,184,308	1,199,914
Interest income	<u>1,238</u>	<u>1,421</u>
Total general revenues	<u>1,185,546</u>	<u>1,201,335</u>
Increase in net position	872,578	868,170
Net position (deficit), beginning of year	(9,055,835)	(9,924,005)
Net position (deficit), end of year	<u><u>\$(8,183,257)</u></u>	<u><u>\$(9,055,835)</u></u>

Key elements contributing to these results are as follows:

- Incremental taxes decreased by \$15,606 (1.3%) due to an increase in receipt of incremental real estate tax of \$59,654 and a decrease in incremental sales tax of \$75,260. This increase is due to the growth in real property assessed values along with decreased retail sale activity in the CDA District.
- Debt related expenses decreased by \$19,068 (6.0%) from the prior year due to less interest paid on the outstanding debt due to payments of note principal during the fiscal year.

Governmental fund financial analysis. As previously noted, the focus of the governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. For the fiscal year ended June 30, 2020, fund balance increased \$193,727 (13.1%) from the prior year to \$1,667,731 (see Table 3).

Table 3
Condensed Summary of Balance Sheet
As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Current and other assets	<u>\$1,668,917</u>	<u>\$1,474,004</u>
Current liabilities	\$ 1,186	\$ -
Fund balance:		
Assigned	<u>1,667,731</u>	<u>1,474,004</u>
Total liabilities and fund balance	<u><u>\$1,668,917</u></u>	<u><u>\$1,474,004</u></u>

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Management's Discussion and Analysis
(Unaudited)

The Authority's governmental fund total revenues decreased from the prior year by \$15,789 (1.3%) to \$1,185,546. The Authority's revenues are mainly incremental taxes. The Authority's governmental fund total expenditures decreased from the prior year by \$1,129 (0.1%) to \$991,819. Approximately 98.4% of the Authority's expenditures relate to debt expenditures and the remaining 1.6% relate to administrative expenditures. (see Table 4).

Table 4
Condensed Summary of Changes in Fund Balance (Deficit)
For the Year Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues:		
Incremental taxes	\$1,184,308	\$1,199,914
Interest income	<u>1,238</u>	<u>1,421</u>
Total revenues	<u>1,185,546</u>	<u>1,201,335</u>
Expenditures:		
Administrative	15,670	16,799
Debt related expenditures	<u>976,149</u>	<u>976,149</u>
Total expenditures	<u>991,819</u>	<u>992,948</u>
Increase in fund balance	193,727	208,387
Fund balance, beginning of year	<u>1,474,004</u>	<u>1,265,617</u>
Fund balance, end of year	<u>\$1,667,731</u>	<u>\$1,474,004</u>

Key elements contributing to these results are as follows:

- Incremental taxes decreased by \$15,606 (1.3%) due to an increase in receipt of incremental real estate tax of \$59,654 and a decrease in incremental sales tax of \$75,260. This increase is due to growth of real property assessed values along with decreased retail sales in the CDA District.

Debt Administration and Capital Assets

At year-end, the Authority had \$9,780,708 of its Special Assessment Revenue Note, Series 2017, outstanding, a decrease of \$674,008 (6.5%) compared to fiscal year 2019. The reduction in long-term debt is due to payments of note principal during the fiscal year. More detailed information on the note and debt service requirements is presented in Note 4 to the Financial Statements.

The Authority has no capital assets. The improvements financed with proceeds of the Authority's Note were conveyed to the Economic Development Authority.

Requests for Information

The purpose of this financial report is to provide interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. For additional information or answers to questions, please contact the Chesterfield County Accounting Department, 9901 Lori Road, Chesterfield, Virginia 23832.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Statement of Net Position (Deficit)
June 30, 2020

Assets:

Cash and cash equivalents (Note 3)	\$ <u>1,668,917</u>
Total assets	<u>1,668,917</u>

Liabilities:

Current liabilities:

Accounts payable	1,186
Accrued interest on note payable (Notes 4 and 7)	70,280
Note payable (Notes 4 and 7)	693,487

Non-current liabilities:

Note payable (Notes 4 and 7)	<u>9,087,221</u>
Total liabilities	<u>9,852,174</u>

Net position (deficit):

Unrestricted	<u>(8,183,257)</u>
Total net position (deficit)	<u>\$(8,183,257)</u>

See accompanying notes to the financial statements.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Statement of Activities
For the Year Ended June 30, 2020

Expenses:

General government - administrative	\$ 15,670
Note interest expense (Note 4)	<u>297,298</u>
Total expenses	<u>312,968</u>

General revenues:

Incremental taxes (Note 5)	1,184,308
Interest income	<u>1,238</u>
Total general revenues	<u>1,185,546</u>

Change in net position (deficit)	872,578
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Net position (deficit), July 1, 2019	<u>(9,055,835)</u>
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Net position (deficit), June 30, 2020	<u>\$(8,183,257)</u>
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See accompanying notes to the financial statements.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Balance Sheet - Governmental Fund
June 30, 2020

Assets:

Cash and cash equivalents (Note 3)	\$ <u>1,668,917</u>
Total assets	\$ <u>1,668,917</u>

Liabilities:

Accounts payable	\$ 1,186
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Fund balance:

Assigned	<u>1,667,731</u>
Total fund balance	<u>1,667,731</u>
Total liabilities and fund balance	\$ <u>1,668,917</u>

Reconciliation of the Balance Sheet to the Statement of Net Position (Deficit)

Total fund balance	\$ 1,667,731
Amounts reported for governmental activities in the Statement of Net Position (Deficit) are different because:	
Note payable is not due and payable in the current period and is not reported in the fund.	(9,780,708)
Interest on long-term debt is not accrued in the governmental fund, but is recognized as an expenditure when due.	(<u>70,280</u>)
Net position (deficit) of governmental activities	\$(<u>8,183,257</u>)

See accompanying notes to the financial statements.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2020

Revenues:

Incremental taxes (Note 5)	\$1,184,308
Interest income	<u>1,238</u>
Total revenues	<u>1,185,546</u>

Expenditures:

General government – administrative	15,670
Debt service – principal (Note 4)	674,008
Debt service – interest (Note 4)	<u>302,141</u>
Total expenditures	<u>991,819</u>

Net change in fund balance	193,727
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Fund balance, July 1, 2019	<u>1,474,004</u>
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Fund balance, June 30, 2020	<u>\$1,667,731</u>
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See accompanying notes to the financial statements.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
To the Statement of Activities
For the Year Ended June 30, 2020

Net change in fund balance – total governmental fund	\$193,727
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Amounts reported for governmental activities in the Statement of Activities are different because:

Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Position (Deficit) and has no effect on net position.	674,008
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The governmental fund reports interest on long-term debt when it becomes due, whereas the interest is accrued and reported as a liability in the Statement of Activities. This adjustment is the net change of accrued interest payable on long-term debt.	<u>4,843</u>
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Change in net position of governmental activities	<u>\$872,578</u>
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See accompanying notes to the financial statements.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)
Notes to the Financial Statements
June 30, 2020

1. DESCRIPTION OF THE AUTHORITY AND ITS ACTIVITIES

The Chippenham Place Community Development Authority (the “Authority”), a political subdivision of the Commonwealth of Virginia, was created on June 25, 2008 pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2, Code of Virginia by the Board of Supervisors (the “Board”) of the County of Chesterfield, Virginia (the “County”). The County Board appoints the five members of the Authority’s Board and has pledged a tax increment of certain real property and sales taxes collected within the Chippenham Place CDA district as a revenue source for retiring debt issued by the Authority. The County’s obligation is limited to the amount of tax increments collected as well as to any special assessments collected on the Authority’s behalf. The Authority is presented as a component unit in the County’s Comprehensive Annual Financial Report (the “CAFR”).

The Authority was created to fund public infrastructure improvements at the former Cloverleaf Mall site (the “CDA District”), also referred to as Stonebridge. The Authority’s improvements are part of a mixed-use development project that provides residential, retail, commercial and office components.

The County has committed to remitting incremental tax and special assessment revenues collected within the CDA District to the Authority. The Authority has full control over all operations but must comply with certain agreements. The Authority engaged Municap, Inc., a public finance consulting firm, to prepare the annual special assessment report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Model

The financial statements presented for the Authority are prepared in accordance with accounting principles generally accepted in the United States of America (the “GAAP”) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (the “GASB”). The Authority’s Annual Financial Report includes:

- Management’s Discussion and Analysis (the “MD&A”) (unaudited) – MD&A is required supplementary information that introduces the financial statements and provides an analytical overview of the Authority’s activities for the year. It describes the decisions or conditions that are expected to have a significant effect on financial positions or results of operations.
- Financial Statements – The financial statements include both government-wide and governmental fund statements and related notes. The notes are an integral part of the financial statements and communicate information that is essential for fair presentation of the financial statements that is not displayed on the face of the statements.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)
Notes to the Financial Statements, Continued
June 30, 2020

- B. Measurement Focus, Basis of Accounting and Financial Statement Presentation
The financial statements include both government-wide and governmental fund financial statements.

Government-wide financial statements consist of a Statement of Net Position (Deficit) and a Statement of Activities and reflect a full economic resources measurement focus and the accrual basis of accounting. The Statement of Net Position (Deficit) reports information about all assets and liabilities of the Authority, both current and long-term. The Statement of Activities measures the Authority's operations over the past year. All changes in revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Interest income, real estate tax increment revenues and sales tax increment revenues are classified as general revenues and used to offset net expenses.

The governmental fund financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance and are prepared using the current financial resources measurement and the modified accrual basis of accounting. Revenues are recorded when both measurable and available and are considered available if received within 45 days after the end of the accounting period. Expenditures are recognized when the liability is incurred. The Balance Sheet measures only current assets and liabilities. The Statement of Revenues, Expenditures and Changes in Fund Balance reports only on the Authority's near-term inflows and outflows of spendable resources for the year.

Because government-wide and governmental fund financial statements are designed to present information from different perspectives, the governmental fund financial statements include a summary reconciliation between the governmental fund and government-wide statements.

The activities of the Authority and all financial resources are accounted for in the following major governmental fund:

- General Fund - The General Fund is the general operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

- C. Cash Equivalents
The Authority considers all highly liquid investments with an original maturity of less than three months when purchased to be cash equivalents.

- D. Net Position and Fund Balance
Net position represents the difference between assets and liabilities and is reported as restricted when there are limitations imposed on the use of resources either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Amounts with no such restrictions are presented as unrestricted. Assigned fund balance represents amounts considered available for new spending at the direction of management.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)
Notes to the Financial Statements, Continued
June 30, 2020

E. Income Taxes

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

F. Administrative Functions

The County provides certain administrative services to the Authority.

3. DEPOSITS

As of June 30, 2020, the carrying value of the Authority's deposits, with their respective credit ratings, was as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$1,668,917	\$1,668,917	N/A

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Virginia Security for Public Deposits Act requires financial institutions holding public deposits in excess of amounts covered by Federal insurance to pledge collateral to a pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the requirements of the Act and for notifying local governments of compliance by banks and savings and loans. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Accordingly, all deposits in banks and savings and loans are considered to be insured.

As required by State statute, the Policy requires that commercial paper, with a maturity of 270 days or less, shall be rated by at least two of the following: Moody's Investors Service, within its NCO/Moody's rating of prime 1, by Standard & Poor's, within its rating of "A-1", by Fitch Investor's Services, within its rating of "F-1", by Duff and Phelps, within its rating of "D-1", or by their corporate successors. Corporate notes, with a maturity of no more than five years, shall have a rating of at least "Aa" by Moody's Investors Service, and a rating of at least "AA" by Standard & Poor's. Negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service, and for maturities over one year and not exceeding five years, a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. Asset-backed securities with a duration of no more than five years and a rating of no less "AAA" by two rating agencies, one of which must be either Moody's Investors Service or Standard & Poor's. Deposits and investments not exposed to credit quality risk, as defined by GAAP, are designated as "N/A" in the credit rating column in the table.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2020, \$462,583 of the Authority's \$1,668,917 demand deposits was exposed to custodial credit risk since the funds were invested in money market accounts that were uncollateralized and not insured or guaranteed by the Federal Deposit Insurance Corporation or any other

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)
Notes to the Financial Statements, Continued
June 30, 2020

governmental agency. Although the money market accounts seek to preserve the value of the investments, it is possible to lose money.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. As of June 30, 2020, excluding demand deposits, the Authority had no investments that exposes the Authority to interest rate risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities. As of June 30, 2020, excluding demand deposits, the Authority had no investments that exposes the Authority to concentration of credit risk.

Fair Value Measurements: GAAP has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is based on the valuation inputs used to measure the fair value of investments. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of June 30, 2020, excluding demand deposits, the Authority had no investments.

4. SPECIAL ASSESSMENT REVENUE NOTE

On October 1, 2011, the Authority entered into a Financing Agreement with the Economic Development Authority of the County of Chesterfield (the “EDA”). In accordance with the Financing Agreement, the EDA issued a Tax-Exempt Revenue Note (the “Note”) in an amount up to \$8 million and loaned the proceeds of the Note to the Authority to finance the infrastructure improvements at the Cloverleaf Mall site. The outstanding amount of the Special Assessment Revenue Note, Series 2011, at December 1, 2014 was \$6,670,000.

On December 1, 2014, the Authority entered into a new Financing Agreement with the EDA. In accordance with the Financing Agreement, the EDA issued a Tax-Exempt Revenue Note (the “2014B Note”), Series 2014B, in an amount of \$12,577,548, the proceeds of which were used to pay the outstanding balance of the Series 2011 Note; reimburse the County for infrastructure improvements; and pay the costs of issuing the 2014B Note.

On May 1, 2017, the Authority entered into a new Financing Agreement with the EDA. In accordance with the Financing Agreement, the EDA issued a Special Assessment Revenue Note, Series 2017, in the amount of \$11,774,028, the proceeds of which were used to pay the outstanding balance and interest accrued on the Series 2014B Note. In accordance with the Financing Agreement, the Authority committed to pay the outstanding principal balance and interest on the EDA’s Series 2017 Note solely from the revenues and other property pledged to the payment of this Note. The 2017 Note is a limited obligation of the Authority secured by pledged revenues consisting of incremental tax and special assessment revenues collected by the County. The County intends to make annual appropriations sufficient to cover the required annual debt service. The Series 2017 Note will be repaid with the incremental tax revenues and, to the extent incremental tax revenues are not sufficient, special assessment revenues.

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June 30, 2020

Revenue note outstanding at June 30, 2020 are as follows:

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Note issued, due 2032	\$11,774,028	2.89%	\$693,487-\$948,731	<u>\$9,780,708</u>

The following is a summary of long-term debt transactions for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Decrease</u>	<u>Balance June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Note payable	<u>\$10,454,716</u>	<u>\$674,008</u>	<u>\$9,780,708</u>	<u>\$693,487</u>

Debt service requirements to maturity for the revenue notes are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 693,487	\$ 282,662	\$ 976,149
2022	713,528	262,621	976,149
2023	734,150	241,999	976,149
2024	755,367	220,782	976,149
2025	777,197	198,952	976,149
2026-2030	4,236,165	644,583	4,880,748
2031-2032	<u>1,870,814</u>	<u>81,486</u>	<u>1,952,300</u>
Total	<u>\$9,780,708</u>	<u>\$1,933,085</u>	<u>\$11,713,793</u>

For the year ended June 30, 2020, the Authority reported total note interest expense of \$297,298, which includes \$302,141 interest paid on the note, \$70,280 of interest accrued less \$75,123 of interest accrued in the prior year.

5. INCREMENTAL TAXES AND SPECIAL ASSESSMENTS

The 2017 Note is a limited obligation of the Authority secured and payable from the Authority's right, title and interest in pledged revenues collected by the County. The pledged revenue consists of incremental tax revenues and special assessment revenues.

Tax increment revenues are payments received by the Authority from appropriations by the Board, derived from real property tax increments and sales tax increments. Incremental tax revenues shall be paid semi-annually by the County to the Authority in an amount equal to the amount collected in each such six-month period on each April 1 and October 1. The current year's tax increment revenues were not impacted by the COVID-19 pandemic. Management cannot predict the impact of the pandemic on future revenues.

- Real Property Tax Increments – The County will pay all of its ad valorem real property tax revenues (including roll back taxes, but not including special tax revenues) collected each calendar year on taxable property within the District that exceed the base amount collected in calendar year 2011 of \$2,453,200. Real

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property tax increment revenues are collected by the County by June 5 and December 5 each year. For the year ended June 30, 2020, the County remitted to the Authority \$683,778 in real property tax increments.

- Sales Tax Increments – The County will pay to the Authority its entire local portion of sales tax revenue collected each calendar year from retail establishments within the District. The County appropriates payments to the Authority in the fiscal year in which they are due. For the year ended June 30, 2020, the County remitted to the Authority \$500,530 in sales tax revenues related to calendar year 2019.

Special assessment revenues are derived from special assessments levied and collected on all taxable real property within the District subject to special assessments. The total amount of special assessments equals the sum of the principal and interest due on the 2017 Note plus administrative expenses less other amounts available for the payment of debt service and expenses, including incremental tax revenues. The special assessments are collected by the County in the same manner and at the same time as it collects ad valorem real property taxes, which is June 5 and December 5 each year. The special assessments shall be paid semi-annually by the County to the Authority in an amount equal to the amount collected in each such six-month period on each April 1 and October 1. No special assessments were levied during the current fiscal year.

6. **CLAIMS AND LAWSUITS**

At June 30, 2020, there were no claims or lawsuits pending involving the Authority that are considered material to the financial statements.

7. **RELATED-PARTY TRANSACTIONS**

The County provides certain administrative services to the Authority, which includes maintaining the general ledger, preparing financial statements and coordinating the annual financial statement audit. During the year ended June 30, 2020, the Authority made payments of \$5,000 to the County.

The Authority owes the EDA a total of \$9,850,988, which includes \$9,780,708 from proceeds loaned to the Authority from a note payable issued by the EDA and accrued interest on the note of \$70,280 as of June 30, 2020.

8. **SUBSEQUENT EVENTS**

At June 30, 2020, the County had collected incremental taxes on behalf of the Authority. Since the County appropriates payments to the Authority in the fiscal year in which they are due and the payment is not due to the Authority until October 1, 2020, the Authority does not meet the time criteria to recognize the revenues or a receivable related to these collections. The County collected by June 5, 2020 incremental real property taxes in the amount of \$402,146.

**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
Chippenham Place Community Development Authority
Chesterfield, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and the major fund of the Chippenham Place Community Development Authority (the "Authority"), a component unit of the County of Chesterfield, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 28, 2020.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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* or the *Specifications for Audits of Authorities, Boards, and Commissions*.

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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive, flowing style.

Richmond, Virginia
September 28, 2020