PENINSULA TOWN CENTER
COMMUNITY DEVELOPMENT AUTHORITY

AUDITED FINANCIAL STATEMENTS
AS OF JUNE 30, 2020 AND 2019

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THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

PENINSULA TOWN CENTER
COMMUNITY DEVELOPMENT AUTHORITY

ANNUAL FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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I. *BOARD OF DIRECTORS*

Ms. Judy Miller, Chairman

Mr. Brian DeProfio, Vice Chairman

Mr. Nick Hobbs, Secretary/Treasurer

Mr. James A. “Pete” Peterson

Mr. James Eason

Ms. Ava Green

THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Peninsula Town Center Community Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Peninsula Town Center Community Development Authority (Authority), as of and for the years ended June 30, 2020 and 2019, 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 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. Those standards 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 Authority as of June 30, 2020 and 2019, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2-I to the financial statements, in 2019 the Authority adopted new accounting guidance, GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. Our opinion is not modified with respect to this matter.

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 4-8 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 Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2021, 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,

The Nichols Group

The Nichols Group, PA
Certified Public Accountants
Fleming Island, Florida

March 2, 2021

III. *MANAGEMENT'S DISCUSSION AND ANALYSIS*

The Management's Discussion and Analysis of the Peninsula Town Center Community Development Authority's (the "Authority") financial performance provides an overall review of the Authority's financial activities for the fiscal periods ended June 30, 2020 and 2019. 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 incurred long term debt of $92,850,000 in Special Obligation Bonds on September 6, 2007, bearing interest at 5.8% to 6.45% per annum. The Authority's debt was paid through the collection of special assessments, special *ad valorem* taxes and incremental tax revenues imposed on the chargeable properties benefiting from the capital improvements.
2. On August 15, 2018, the Authority issued $77,880,000 in Special Obligation Refunding Bonds, Series 2018 to refund the Series 2007 Bonds and to pay costs related to the issuance of the Series 2018 Bonds. For more information, please see Note 6 of the Notes to the Financial Statements.
3. Net Deficit at June 30, 2020 and 2019 totaled $(21,391,873) and $(21,634,418), respectively.
4. Capital assets, net of depreciation, at June 30, 2020 and 2019 totaled $47,613,087 and $47,823,915, respectively. On January 18, 2011, the City of Hampton issued a Certificate of Completion for the public improvements. Costs associated with the site preparation of $22,802,439 were expensed. The land and parking structure will be owned by the Authority. The cost of the parking structure is being depreciated using the straight-line method over its estimated useful life.
5. The Retail Portion of the Annual Installment totaling $608,374 and $578,332 was remitted to the CDA in fiscal years 2020 and 2019, respectively.
6. Special *Ad Valorem* taxes of $540,146 and $507,570 were remitted in fiscal years 2020 and 2019, respectively. Delinquencies totaled $353 as of June 30, 2020.
7. Incremental tax revenues totaling $2,478,740 and $2,299,644 were remitted in fiscal years 2020 and 2019, respectively. Delinquencies totaled $1,751 as of June 30, 2020.
8. Special assessments totaling $185,564 were remitted in fiscal year 2020. As of June 30, 2020, $1,436 was delinquent. No special assessments were required to be collected during fiscal year 2019, however $1,815,078 was received in fiscal year 2019 that related to the prior fiscal year's assessments.
9. In March 2013, the construction lender, HSBC Realty Credit Corporation, foreclosed on property within the District owned by the Developer. The property was sold to Hampton Owners, LLC. In September 2014, Hampton Owners, LLC subsequently sold the majority of parcels to three entities.

10. The board of directors for the Authority, at a meeting held on September 19, 2017, approved revisions to the original public improvement development plans to accommodate the developer's proposed revisions to the development.

11. At the time of the issuance of the 2018 Bonds, $1.7 million was deposited with the trustee to be released to the developer if certain conditions were met by September 15, 2020. If the conditions were not met, the funds would be used to call bonds. On September 11, 2020, the developer filed an injunction to defer the release of the funds to call bonds until questions regarding the conditions had been resolved.

Overview of the Financial Statements

This annual report consists of two parts – Management's Discussion and Analysis and 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 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.

Summary Statement of Net Position:

		2020		2019
Assets:				
Current and Other Assets	$	11,712,923	$	11,325,112
Capital Assets		47,613,087		47,823,915
Total Assets		59,326,010		59,149,027
Deferred outflow of resources		839,880		888,805
Total Assets and Deferred outflow of resources		60,165,890		60,037,832
Liabilities:				
Current Liabilities		1,715,666		1,338,545
Long Term Liabilities		79,842,097		80,333,705
Total Liabilities		81,557,763		81,672,250
Net Position:				
Net investment in capital assets		(32,564,010)		(32,509,790)
Restricted assets		564,529		400,840
Unrestricted assets		10,607,608		10,474,532
Total Net Position	$	(21,391,873)	$	(21,634,418)

The increase in net position was due to increased taxes and assessments partially offset by a decrease in interest income due to falling interest rates.

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

	2020	2019
Operating Revenue	$ 4,158,136	$ 3,518,797
Operating Expenses	(160,201)	(163,410)
Operating Income (Loss)	3,997,935	3,355,387
Non-Operating Revenues	142,504	4,680,718
Non-Operating Expenses	(3,897,894)	(6,701,276)
Total Non-operating Revenues/(Expenses)	(3,755,390)	(2,020,558)
Change in Net Position	$ 242,545	$ 1,334,829

For fiscal year 2019, no assessments were required due to the refunding of the Series 2007 Bonds. The large change in net position in 2019 was the result of a developer contribution at the refunding of the Series 2007 bonds.

Capital Assets

The Authority's capital assets at June 30, 2020 consisted of land and a parking structure financed with the Series 2007 Bonds to be owned by the Authority. The parking structure is being depreciated using the straight-line method over the estimated useful life.

Long-Term Debt

The Authority issued $92,850,000 of Special Obligation Bonds, Series 2007, dated September 6, 2007, paying interest at 5.80% to 6.45% per annum, and due in annual installments with maturities ranging from 2011 to 2037. On August 15, 2018, the Authority issued $77,880,000 in Special Obligation Refunding Bonds, Series 2018 to refund the Series 2007 Bonds and to pay costs related to the issuance of the Series 2018 Bonds. The Series 2007 Bonds have since been redeemed in full.

The proceeds from the Series 2007 Bonds were used to finance construction of certain public infrastructure improvements within the District including land, road and traffic improvements, parking facilities, storm water management improvements, water and sewer extensions and improvements, streetscaping and parks.

The debt service on the Series 2018 Bonds will be paid annually beginning September 1, 2020 by the revenue received from the special assessments, *ad valorem* taxes levied on the property owners within the District, and incremental tax revenues generated by the business operations within the District.

When the Series 2018 Bonds were issued, $1.7 million was deposited with the trustee to be released to the developer if certain conditions were met by September 15, 2020. If the conditions were not met, the funds would be used to call bonds. The developer met one condition on August 31, 2020, which required completion of an additional development. The second condition was based on projected revenues, with several assumptions in question. On September 11, 2020, the developer filed an injunction to defer the release of the funds to call bonds until the assumptions have been resolved. The CDA has at this point agreed to the request for the deferral. See Note 9 - Subsequent Events in the Notes to the Financial Statements for additional discussion.

Revenues

Revenues are being paid from three sources:

- Special Assessments which consist of Annual Payment A collected from property owners to the extent first available pledged revenues are insufficient to fund the annual revenue requirement and Annual Payment B which is equal to 0.50% of sales by retail establishments within the District, also known as the "Retail Portion",
- Special *Ad Valorem* taxes of $0.25 per $100 of assessed value of taxable real estate levied on the parcels in the District, and
- Incremental tax revenues, including real property taxes, sales taxes, meals taxes, and amusement taxes above the base value.

These revenue collections totaled $3,812,824 and $5,200,624 for fiscal years 2020 and 2019, respectively.

Revisions to the Development Plans

At a meeting of the board of directors on September 19, 2017, the board approved alterations to the Authority's property and easements in connection with a proposal by the developer to make changes to Executive Drive to accommodate the "Power Center" improvements. The "Power Center" will consist of two commercial buildings totaling 98,000 square feet on the westernmost parcel of the District.

Refunding of Series 2007 Bonds

On August 15, 2018, the Authority issued $77,880,000 in Special Obligation Refunding Bonds, Series 2018 (the Series 2018 Bonds) to refund the Series 2007 Bonds and to pay costs related to the issuance of the Series 2018 Bonds. The Series 2018 Bonds were issued as follows:

		Par Value	Rate	Final Maturity	Price
Term 2023	$	2,325,000	4.00%	September 1, 2023	102.338%
Term 2028	$	6,000,000	4.50%	September 1, 2028	103.915%
Term 2037	$	21,970,000	5.00%	September 1, 2037	104.207%
Term 2045	$	38,385,000	5.00%	September 1, 2045	103.453%
Turbo Term Bond	$	9,200,000	4.50%	September 1, 2045	100.000%

The Series 2018 Bonds were issued at the request of the developer pursuant to an Amended and Restated Indenture of Trust and an Amended and Restated Memorandum of Understanding to reduce the interest rate and extend the financing terms on the original bonds in order to facilitate additional development to include retail, hotel, office, theater, and residential space.

Interest is payable on March 1 and September 1 and began on March 1, 2019. Sinking fund payments are due to begin on September 1, 2020.

Economic Factors and Future Outlook

The COVID-19 outbreak in the United States in the last quarter of fiscal year 2020 resulted in reduced customer traffic and the temporary reduction of operating hours for the stores in the Peninsula Town Center, as well as temporary store closures when government mandated. These developments resulted in lower sales and gross margin for the stores and will impact the Retail Portion of the Annual Installment for at least fiscal years 2020 and 2021.

The developer injunction discussed in Long-Term Debt above is resulting in an increase in administrative expenses due to attorneys' fees.

Presently, the Authority is not aware of any other significant 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*

PENINSULA TOWN CENTER COMMUNITY DEVELOPMENT AUTHORITY
STATEMENTS OF NET POSITION

As of June 30,

	2020	2019
Assets:		
Current Assets		
Accrued interest receivable	$ 32,555	$ 63,381
Accrued facilities charges receivable	47,056	41,883
Due from primary government	2,270,444	2,029,320
Prepaid expenses	1,046	-
Short term investments	8,797,293	8,789,688
Total Current Assets	11,148,394	10,924,272
Noncurrent Assets		
Restricted cash and cash equivalents	564,529	400,840
Capital assets, net of depreciation	47,613,087	47,823,915
Total Noncurrent Assets	48,177,616	48,224,755
Total Assets	59,326,010	59,149,027
Deferred outflows of resources		
Deferred loss from restructure of debt	839,880	888,805
Total deferred outflows of resources	839,880	888,805
Total assets and deferred outflows of resources	$ 60,165,890	$ 60,037,832
Liabilities:		
Current Liabilities		
Accounts payable	115,749	73,628
Accrued interest payable	1,264,917	1,264,917
Short-term portion of long-term debt	335,000	-
Total Current Liabilities	1,715,666	1,338,545
Noncurrent Liabilities		
Bonds payable, long-term portion	77,545,000	77,880,000
Premium on long term debt, net	2,297,097	2,453,705
Total Noncurrent Liabilities	79,842,097	80,333,705
Total Liabilities	81,557,763	81,672,250
Net Position:		
Net investment in capital assets	(32,564,010)	(32,509,790)
Restricted	564,529	400,840
Unrestricted	10,607,608	10,474,532
Total Net Position	$(21,391,873)	$(21,634,418)

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

PENINSULA TOWN CENTER COMMUNITY DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ending June 30,

	2020	2019
Operating Revenues		
Special assessments	$ 372,564	$ -
Incremental tax revenues	3,158,745	2,949,621
Facilities charge revenues	626,827	569,176
Total Operating Revenues	4,158,136	3,518,797
Operating Expenses		
Administrative fees	101,944	120,261
Legal fees	50,051	33,947
Lockbox fees	2,708	4,246
Accounting and audit fees	4,500	4,000
Insurance expense	998	956
Total Operating Expenses	160,201	163,410
Operating Income	3,997,935	3,355,387
Non-Operating Revenues (Expenses)		
Interest income	140,250	277,532
Penalties and interest on delinquent payments	2,254	35
Miscellaneous income	-	151
Developer contribution	-	4,403,000
Bond interest expense	(3,687,066)	(3,965,047)
Bond issue costs	-	(2,525,401)
Depreciation expense	(210,828)	(210,828)
Total Non-Operating Revenues (Expenses)	(3,755,390)	(2,020,558)
Change in net position	242,545	1,334,829
Net position, beginning of year	(21,634,418)	(22,969,247)
Net position, end of year	$ (21,391,873)	$ (21,634,418)

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

PENINSULA TOWN CENTER COMMUNITY DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ending June 30,

	2020	2019
Cash Flows from Operating Activities		
Cash received from property owners	$ 3,204,450	$ 4,622,292
Cash received from retailers	608,374	578,332
Cash received for lockbox county remittance	101,231	-
Cash payments for administrative fees	(70,029)	(123,627)
Cash payments for accounting and audit fees	(8,500)	(4,000)
Cash payments for legal fees	(35,844)	(32,748)
Cash payments for lockbox fees	(2,708)	(4,645)
Cash payments for lockbox county remittance	-	(273,194)
Cash payments for insurance	(2,044)	(956)
Net Cash Provided by Operating Activities	3,794,930	4,761,454
Cash Flows from Investing Activities		
Interest received on investments	194,159	158,540
Cash payments for short term investments	(30,685)	(8,720,301)
Net Cash Provided by (Used in) Investing Activities	163,474	(8,561,761)
Cash Flows from Capital and Related Financing Activities		
Interest paid on bonds	(3,794,750)	(4,564,942)
Redemption of bonds	-	(85,663,000)
Proceeds from bond issuance	-	79,718,050
Bond issuance costs	-	(1,824,481)
Developers contribution	-	4,403,000
Miscellaneous income	-	151
Penalties and interest received	35	35
Net Cash Used in Capital and Related Financing Activities	(3,794,715)	(7,931,187)
Net Change in Cash and Investments	163,689	(11,731,494)
Cash and Investments, Beginning of Year	400,840	12,132,334
Cash and Investments, End of Year	$ 564,529	$ 400,840
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	$ 3,997,935	$ 3,355,387
Adjustments		
(Increase) decrease in due from primary government	(241,124)	1,423,859
Increase in prepaid expenses	(1,046)	-
Increase in facilities charges receivable	(5,173)	(15,267)
Increase (decrease) in accounts payable	42,121	(2,525)
Increase in penalties & interest revenues	2,217	-
Net Cash Provided by Operating Activities	$ 3,794,930	$ 4,761,454

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 Peninsula Town Center Community Development Authority (the "Authority") was established pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Section 15.2-5152 *et seq*., of the Code of Virginia, 1950 as amended (the "Act"). The Act provides for the creation of an authority and a related Special Assessment District (the "District") for the sole purpose of financing, constructing, and maintaining, if necessary, certain public improvements within, contiguous to or serving the District. In accordance with the Act, the Authority was created as a Virginia public body by the adoption of an ordinance by the City of Hampton City Council on February 22, 2006.

The Peninsula Town Center Community Development Authority, $92,850,000 Special Obligation Bonds, Series 2007 (the "Series 2007 Bonds"), were issued pursuant to an Indenture of Trust (the "Indenture") by and between the Authority and Wells Fargo Bank, National Association (the "Trustee"), dated as of September 1, 2007, and a limited offering memorandum for the Bonds dated August 29, 2007. The Bonds are limited obligations payable from (i) special assessments levied on the taxable parcels in the District, (ii) special *ad valorem* taxes to be levied on the taxable parcels in the District, and (iii) certain incremental tax revenues pledged to the payment of the Bonds. The City of Hampton, Virginia (the "City), will apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the taxes and assessments.

At a meeting of the Board of Directors on October 18, 2016, the Board approved a resolution authorizing the issuance of refunding bonds, which were used to refund the Series 2007 Bonds. The 2007 Bonds were refunded with $77,880,000 of Series 2018 Special Obligation Refunding Bonds (the "Series 2018 Bonds") on August 15, 2018. The proceeds of the Series 2018 Bonds provide funding of the Debt Service Reserve Fund and certain other funds and accounts established by the Indenture.

The District consists of approximately 77 acres of land within the City near the southern end of the Virginia Peninsula. The development, when completed, is expected to contain shopping, dining, office, entertainment and residential components, all within a short walk of each other. The development's goal is to be the premiere destination shopping center in the southeastern Virginia peninsula. At a meeting of the Board of Directors on March 29, 2017, the Board approved a revision to the original development plan to include the construction of a hotel and apartments, along with revisions to the roadways. At a meeting of the Board of Directors on September 19, 2017, the Board authorized certain alterations to the District property and easements in connection with a proposal by the developer to make certain changes to Executive Drive to accommodate the "Power Center" improvements.

The powers of the Authority are exercised by six members appointed by the City Council in accordance with the Act. The City Council also appoints successor members of the Authority 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 financial 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 total 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 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 infrastructure improvements that will be donated upon completion/acquisition. Assets owned by the Authority are depreciated on a straight-line basis over the estimated useful life. Interest expense during the period of construction was capitalized, net of investment earnings.

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. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

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 special assessments, special *ad valorem* taxes, and incremental tax revenues. 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

The Authority has adopted all current Statements of the GASB that are applicable. In fiscal year 2019, GASB Statement No. 88 was implemented which requires disclosures related to debt, including direct borrowings and direct placements. See Note 6 for these disclosures, where applicable.

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—CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of June 30, 2020 and 2019:

	2020	2019
US Treasury money market funds	$ 459,513	$ 338,849
Cash	105,016	61,991
Total cash and cash equivalents	$ 564,529	$ 400,840

Cash and cash equivalents are carried at cost, which approximates fair market value.

A. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. There is no custodial credit risk to these accounts as the entire bank balance was covered by federal depository insurance or collateralized in accordance with the Indenture.

B. Interest Rate Risk

Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. As a means of limiting exposure to fair value losses arising from rising interest rates, the Indenture requires the investment of moneys in the Debt Service Reserve Fund must mature or be payable at the option of the Trustee not more than ten years after the date of their purchase. The Authority's investments in money market funds are withdraw-able on demand.

C. Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Indenture specifies the minimum rating of different types of cash equivalents and investments in order to address this risk. Investments in the money market funds at June 30, 2020 and 2019 have met the specified ratings criteria.

Although state statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances, or money market mutual funds, the Indenture establishes stringent credit standards for these investments to minimize portfolio risk. All money held in the funds created by the Indenture which are on deposit with any bank will be continuously secured in the manner required by the Indenture.

D. Concentration of Credit Risk

Concentration of credit risk can also arise by failing to adequately diversify investments. The Indenture establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. Not more than 35% of the Authority's total funds available for investment may be invested in commercial paper, and not more than 5% of the Authority's total funds available for investment may be invested in the commercial paper of any single issuer.

E. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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. The Authority's investments in money market funds totaling $459,513 are valued using quoted market prices (Level 1 inputs).

NOTE 4—INVESTMENTS

Investments are reported at amortized cost and are segregated into short-term and long-term components based on the maturity date of the investment. Investments maturing within one year are considered short-term. Amortization of investment premiums or discounts is calculated using the straight-line method. All investments are expected to be held until maturity. Investments consisted of the following at June 30, 2020:

	Par Value	Interest Rate	Maturity
US Treasury Bill	$ 7,042,000	1.35%	8/20/2020
US Treasury Bill	$ 1,757,000	0.11%	9/3/2020

NOTE 5—CAPITAL ASSETS

The Authority's capital asset activity for the years ended June 30, 2020 and 2019 was as follows:

	Beginning Balance	Additions	Transfers	Expense	Ending Balance
2020					
Land	$ 41,165,179	$ -	$ -	$ -	$ 41,165,179
Vertical core construction	8,433,205	-	-	-	8,433,205
Total Capital Assets	49,598,384	-	-	-	49,598,384
Accumulated depreciation	(1,774,469)	(210,828)	-	-	(1,985,297)
Net Capital Assets	$ 47,823,915	$ (210,828)	$ -	$ -	$ 47,613,087

2019	Beginning Balance	Additions	Transfers	Expense	Ending Balance
Land	$ 41,165,179	$ -	$ -	$ -	$ 41,165,179
Vertical core construction	8,433,205	-	-	-	8,433,205
Total Capital Assets	49,598,384	-	-	-	49,598,384
Accumulated depreciation	(1,563,641)	(210,828)	-	-	(1,774,469)
Net Capital Assets	$ 48,034,743	$ (210,828)	$ -	$ -	$ 47,823,915

Public improvements acquired and constructed with the Bond proceeds consisted of land, road and traffic improvements, parking facilities, storm water management improvements, water and sewer extensions and improvements, streetscaping and parks. Pursuant to the Memorandum of Understanding, the infrastructure improvements will be transferred by the Authority to the appropriate public entity for their operation and maintenance upon final inspection and acceptance. The public improvements were completed as of June 30, 2009, and the City issued a Certificate of Completion for the public improvements on January 18, 2011.

According to the Development Acquisition Agreement, land for the public portion of the District was purchased from the Developer at bond closing for $27,600,000. The cost of the land as reported in the financial statements includes the purchase price of the public portion of the District plus site work costs to ready the property for the improvements.

The public parking garage owned by the Authority is being depreciated using the straight-line method over an estimated useful life of 40 years.

NOTE 6—LONG-TERM OBLIGATIONS

Long term debt consisted of the following at June 30, 2020 and 2019:

2020	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**	**Due Within One Year**
Series 2018 Bonds					
Term 2023	$ 2,325,000	$ -	$ -	$ 2,325,000	$ 205,000
Term 2028	6,000,000	-	-	6,000,000	-
Term 2037	21,970,000	-	-	21,970,000	-
Term 2045	38,385,000	-	-	38,385,000	-
Turbo Term 2045	9,200,000	-	-	9,200,000	130,000
Series 2018 Bond Premium	2,453,705	-	(156,608)	2,297,097	-
Net Bonds Payable	$ 80,333,705	$ -	$ (156,608)	$80,177,097	$ 335,000

2019	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series 2007 Bonds					
Term 2024	$ 13,002,000	$ -	$ (13,002,000)	$ -	$ -
Term 2028	13,844,000	-	(13,844,000)	-	-
Term 2037	58,817,000	-	(58,817,000)	-	-
Unamortized Deferred Bond Costs	(937,730)	-	937,730	-	-
Total Series 2007 Bonds	84,725,270	-	(84,725,270)	-	-
Series 2018 Bonds					
Term 2023	-	2,325,000	-	2,325,000	-
Term 2028	-	6,000,000	-	6,000,000	-
Term 2037	-	21,970,000	-	21,970,000	-
Term 2045	-	38,385,000	-	38,385,000	-
Turbo Term 2045	-	9,200,000	-	9,200,000	-
Series 2018 Bond Premium	-	2,538,970	(85,265)	2,453,705	-
Total Series 2018 Bonds	-	80,418,970	(85,265)	80,333,705	-
Net Bonds Payable	$ 84,725,270	$ 80,418,970	$ (84,810,535)	$ 80,333,705	$ -

A. Special Obligation Bonds, Series 2007

On September 6, 2007, the Authority issued $92,850,000 in Special Obligation Bonds Series 2007 to finance the construction of public infrastructure improvements located within the District, to fund a reserve fund, to fund capitalized interest on the Bonds, to fund certain administrative expenses, and to pay costs relating to the issuance of the Bonds. The City, on behalf of the Authority, will impose and collect the special assessment and *ad valorem* taxes and has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the taxes.

The Bonds are limited obligations of the Authority, payable solely from and secured by revenues collected from special assessment taxes, *ad valorem* taxes and incremental tax revenues after payment of administrative expenses.

The Bonds originally consisted of the following:

- $ 3,889,000 in 5.80% term bonds maturing on September 1, 2017
- $13,502,000 in 6.25% term bonds maturing on September 1, 2024
- $14,378,000 in 6.35% term bonds maturing on September 1, 2028
- $61,081,000 in 6.45% term bonds maturing on September 1, 2037

Interest on the Bonds was payable semiannually on March 1 and September 1 of each year beginning on March 1, 2008. Principal payments on the Bonds were due each September 1 according to the mandatory sinking fund redemption schedule.

Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest payments totaled $0 and $2,498,912 for the years ended June 30, 2020 and 2019, respectively.

The Bonds are subject to optional redemption, extraordinary optional redemption, mandatory sinking fund redemption, and special mandatory redemption. The Bonds were redeemed by Series 2018 Bonds – see Note B.

B. Special Obligation Bonds, Series 2018

On August 10, 2018, the Authority issued $77,880,000 in Special Obligation Bonds, Series 2018 in five terms as follows:

	Amount		Maturity	Interest Rate	Price
Term 2023	$	2,325,000	9/1/2023	4.00%	102.34%
Term 2028	$	6,000,000	9/1/2028	4.50%	103.92%
Term 2037	$	21,970,000	9/1/2037	5.00%	104.21%
Term 2045	$	38,385,000	9/1/2045	5.00%	103.45%
Turbo Term Bonds	$	9,200,000	9/1/2045	4.50%	100.00%

The Series 2018 Bonds were issued to refund all of the outstanding Series 2007 Bonds, fund a repair and replacement account, fund a debt service reserve fund for the Series 2018 Bonds, fund the administrative expenses through July 1, 2020, and pay the costs of issuing the Series 2018 Bonds. The Authority, on behalf of the District, will impose and collect the special taxes and has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special taxes, including assessing penalties and interest and foreclosure proceedings. In addition, when special taxes are imposed, a lien is made on the applicable parcels.

When the Series 2018 Bonds were issued, $1.7 million was deposited with the trustee to be released to the developer if certain conditions were met by September 15, 2020. If the conditions were not met, the funds would be used to call bonds. See Note 9 - Subsequent Events for additional discussion.

Also, at the time of the refunding, $931,614 remained of an unamortized bond discount from the Series 2007 Bonds. This amount was reclassified and is shown on the financial statements as deferred loss from restructure of debt. It is being amortized over the original term of the Series 2007 Bonds at $4,077 per month.

The Series 2018 Bonds are limited obligations of the Authority payable solely from and secured by a pledge of special taxes and certain funds held by the Trustee.

Interest on the Series 2018 Bonds is payable according to the terms specified by the Indenture semiannually on March 1 and September 1 of each year beginning on March 1, 2019. Interest on the Series 2018 Bonds is calculated on the basis of a 360-day year comprised of twelve 30-day months. For the Series 2018 Bonds, interest paid in fiscal years 2020 and 2019 was $3,794,750 and $2,066,031, respectively.

1. Optional Redemption

The Series 2018 Bonds may be redeemed at the option of the Authority on or after September 1, 2027 from any money available for such purpose, in whole or in part at 100% of the principal amount of the Bonds plus accrued interest to the redemption date.

2. Extraordinary Mandatory Redemption

The Series 2018 Bonds are subject to extraordinary mandatory redemption in whole or in part on any date from any prepayments of special assessments or at any time from any funds remaining in the project fund after completion of the improvements. As of June 30, 2020, no special mandatory redemptions have been made.

C. Mandatory Sinking Fund Redemption

The Series 2018 Bonds are required to be redeemed each September 1 in the years and in the amounts set forth below:

	Term 2023 4% $2,325,000		Term 2028 4.5% $6,000,000	
Year Ending June 30	Principal	Interest	Principal	Interest
2021	$ 205,000	$ 93,000	$ -	$ 270,000
2022	600,000	84,800	-	270,000
2023	705,000	60,800	-	270,000
2024	815,000	32,600	-	270,000
2025	-	-	930,000	270,000
2026-2030	-	-	5,070,000	603,000
2031-2035	-	-	-	-
2036-2040	-	-	-	-
2041-2045	-	-	-	-
2046	-	-	-	-
Total	$ 2,325,000	$ 271,200	$ 6,000,000	$ 1,953,000

	Term 2037 5% $21,970,000		Term 2045 4.5% $38,385,000	
Year Ending June 30	Principal	Interest	Principal	Interest
2021	$ -	$ 1,098,500	$ -	$ 1,919,250
2022	-	1,098,500	-	1,919,250
2023	-	1,098,500	-	1,919,250
2024	-	1,098,500	-	1,919,250
2025	-	1,098,500	-	1,919,250
2026-2030	1,630,000	5,492,500	-	9,596,250
2031-2035	11,010,000	4,086,500	-	9,596,250
2036-2040	9,330,000	958,250	7,585,000	9,414,000
2041-2045	-	-	24,710,000	5,407,750
2046	-	-	6,090,000	304,500
Total	$21,970,000	$ 16,029,750	$ 38,385,000	$ 43,915,000

	Turbo Term Bonds 5% $9,200,000		Total Series 2018 Bonds	
Year Ending June 30	Principal	Interest	Principal	Interest
2021	$ 130,000	$ 414,000	$ 335,000	$ 3,794,750
2022	90,000	408,150	690,000	3,780,700
2023	105,000	404,100	810,000	3,752,650
2024	120,000	399,375	935,000	3,719,725
2025	135,000	393,975	1,065,000	3,681,725
2026-2030	950,000	1,863,225	7,650,000	17,554,975
2031-2035	1,520,000	1,599,075	12,530,000	15,281,825
2036-2040	2,220,000	1,198,575	19,135,000	11,570,825
2041-2045	3,165,000	618,525	27,875,000	6,026,275
2046	765,000	34,425	6,855,000	338,925
Total	$ 9,200,000	$ 7,333,425	$ 77,880,000	$ 69,502,375

D. Additional Bonds

Additional bonds may be issued by the Authority to finance subsequent phases of the District improvements, to refund, defease, or purchase any bonds outstanding, to finance the costs incurred with the issuance and sale of additional bonds, and to fund the debt service reserve fund upon issuance of additional bonds.

NOTE 7—SPECIAL ASSESSMENTS

The Bonds are special obligations of the Authority payable solely from and secured by a pledge of District Taxes and Assessments. District Taxes and Assessments are defined as follows:

(i) special assessments levied on the taxable parcels in the District,
(ii) special *ad valorem* taxes levied on the taxable parcels in the District, and
(iii) certain incremental tax revenues pledged to the payment of the Bonds.

The Rate and Method of Apportionment of Special Assessments and the Amended and Restated Rate and Method of Apportionment Assessments for the Authority adopted by the City Council sets forth the methodology applied in the calculation and collection of the District Taxes and Assessments.

A. Special Assessments

The annual special assessment is to be collected from each parcel of taxable property within the District (excepting those for which the assessment lien has been prepaid) each year in an amount equal to the "Annual Installment". The annual installment will be equal to the assessment amount due in any calendar year.

1. Retail Portion of the Annual Installment ("Annual Payment B")

A portion of the Special Assessment will be collected in an amount equal to one-half of one percent of each $1.00 of retail sales generated and reported each year by all retail establishments located within the District (the "Retail Portion").

An Amended and Restated Collection Agreement dated July 1, 2018 states the Landowners of the retail property within the District agree to pay or cause to be paid to the City the portion of Annual Payment B that has not been remitted by retailers on a monthly basis. These delinquent amounts will be billed and collected in the same manner and at the same time as the City's Special *Ad Valorem* real estate taxes. Delinquent Annual Payment B amounts for 2019 totaling $778 were billed to property owners for collection in tax year 2021. Delinquent Annual Payment B amounts for 2018 totaling $32,662 were billed to property owners for collection in tax year 2020. As of June 30, 2020, $16,331 had been received.

The Retail Portion of the Annual Installment or "Facilities Charge" was collected starting January 1, 2010. The Retail Portion of the Annual Installment totaling $608,374 and $578,332 was remitted to the CDA in fiscal years 2020 and 2019, respectively.

2. Back-up Portion of Annual Installment ("Annual Payment A")

The "Back-up Portion" of the Annual Installment is calculated annually by the administrator according to the Rate and Method of Apportionment of Special Assessments and confirmed by the Authority. The Annual Payment A is equal to the difference between the Annual Installment and the sum of all revenues collected and appropriated to the Authority for the Retail Portion from the preceding calendar year, the Incremental Tax Revenues from the preceding year, and the revenues collected from the Special *Ad Valorem* Tax.

Per the Annual Assessment Report, the Back-up Portion of the Annual Installment totaled $374,000 for fiscal year 2020, payable in two equal installments on December 5, 2019 and June 5, 2020. As of June 30, 2020, $1,436 was delinquent.

Per the Annual Assessment Report, no Back-up Portion of the Annual Installment was required to be collected for fiscal year 2019 due to the issuance of the Series 2018 Bonds.

B. Special *Ad Valorem* Taxes

The Special *Ad Valorem* Tax equals $0.25 per $100 of the assessed fair market value of any taxable real estate, or the assessable value of taxable leasehold property within the District. Special *Ad Valorem* taxes equal to $540,146 and $507,570 were remitted to the City and subsequently transferred to the Authority in fiscal years 2020 and 2019, respectively. Delinquencies totaled $353 as of June 30, 2020.

C. Incremental Tax Revenues

The Incremental Tax Revenues include the real property tax incremental revenues, and the sales tax incremental revenues, as specified in the Memorandum of Understanding dated April 25, 2006 and the Amended Memorandum of Understanding dated April 11, 2018, among the Authority, the City Council, and the developer. Incremental tax revenues totaling $2,478,740 and $2,299,644 were collected and remitted to the Authority in fiscal years 2020 and 2019, respectively. Delinquencies totaled $1,751 as of June 30, 2020.

D. COVID-19 Effects on Tax Revenues

The COVID-19 outbreak in the United States in the last quarter of fiscal year 2020 resulted in reduced customer traffic and the temporary reduction of operating hours for the stores in the Peninsula Town Center, as well as temporary store closures when government mandated. These developments resulted in lower sales and gross margin for the stores and will impact the Retail Portion of the Annual Installment for at least fiscal years 2020 and 2021.

NOTE 8—CHANGES OF OWNERSHIP

A. Foreclosure on the property

On March 28, 2013, the Construction Lender sold the property within the District owned by the Developer to Hampton Owners, LLC as a result of failure to reach an agreement in the restructuring of the Consolidated, Amended and Restated Building Loan.

B. Sale of Parcels

On September 29, 2014, twelve parcels in the District owned by Hampton Owners, LLC were sold to Peninsula Main VA, LLC, three parcels were sold to Peninsula Parking Lot VA, LLC, and two parcels were sold to Peninsula Retail/Apt VA, LLC. These seventeen parcels represent approximately 70% of the total Back-up Portion of the Annual Installment.

In 2019-2020, four parcels were sold from the primary developer or an affiliate to Prayosha Hampton Retail LLC, NADG NNN VRIZN (HAM-VA), LP, Bond Street Fund 19, LLC, and Agree Limited Partnership.

NOTE 9—SUBSEQUENT EVENTS

A. Current Delinquencies

Per the Annual Assessment Report, an Annual Payment A of $1,200,000 is due for fiscal year 2021. As of December 31, 2020, $2,496 is outstanding. The incremental tax revenues, special *Ad Valorem* tax, and Retail Portion of the special assessments revenues are estimated to be insufficient to pay all costs of the Authority for the period. In addition, as of December 31, 2020, $1,436 remains outstanding for fiscal year 2020.

As of December 31, 2020, $4,752 and $1,751 in Incremental Tax Revenues and $958 and $353 in Special *Ad Valorem* Taxes are delinquent for fiscal years 2021 and 2020, respectively.

The remaining 2018 delinquent retail assessments of $16,331 were received on July 31, 2020.

B. Developer Injunction

At the time of the issuance of the 2018 Bonds, $1.7 million was deposited with the trustee to be released to the developer if certain conditions were met by September 15, 2020. If the conditions were not met, the funds would be used to call bonds. The developer met one condition on August 31, 2020, which required completion of an additional development. The developer is contesting the calculation of projected revenues for the next three years, which was prepared by MuniCap as administrator, and is the second condition for the release of funds. The most significant question regarding the calculation is the impact of COVID-19 and how it will affect pledged revenues due as of September 1, 2021 and 2022. On January 14, 2021, the Court entered an Order granting the plaintiff leave to file an Amended Complaint and directing the defendants to respond to that Amended Complaint by January 22, 2021. The parties agreed Wells Fargo will not act on the Additional Reserve Fund until a new agreement between the parties, or court order. The Trustee and the Authority filed their respective Answers to the Amended Complaint on January 22, 2021. The City and MuniCap were dismissed as defendants in the Amended Complaint. The parties are waiting for the Court to set a Scheduling Conference, at which a trial date will be selected, and discovery deadlines set. The potential outcomes are redeeming bonds with the $1.7M, releasing it to the developer, or a compromise among parties.

NOTE 10—ARBITRAGE

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, 2020 and 2019.

NOTE 11—CONTINGENT LIABILITIES

As of March 2, 2021, there were no claims or lawsuits pending against the Authority, except as noted above.

NOTE 12—EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 2, 2021, the date which the financial statements were available to be issued.

VI. *COMPLIANCE*

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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
Peninsula Town Center 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 *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 Peninsula Town Center Community Development Authority (Authority), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 2, 2021.

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) to determine the 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 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 determination of financial statement amounts. 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,

The Nichols Group

The Nichols Group, PA
Certified Public Accountants
Fleming Island, Florida

March 2, 2021