
SOUTH PEAK COMMUNITY DEVELOPMENT AUTHORITY

Financial Statements and
Independent Auditor's Report

For the Years Ended
June 30, 2018 and 2017

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Table of Contents

BOARD OF DIRECTORS.....	3
INDEPENDENT AUDITOR’S REPORT	4
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	6
PRINCIPAL FINANCIAL STATEMENTS.....	9
NOTES TO THE PRINCIPAL FINANCIAL STATEMENTS	13
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	19

THE SOUTH PEAK COMMUNITY DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS

Board of Directors

Richard L. Caywood, Chairman
Susan K. Still, Vice Chairman
Rebecca E. Owens, Secretary/Treasurer
Thomas C. Gates
Vacant

INDEPENDENT AUDITOR'S REPORT

**TO THE BOARD OF DIRECTORS
SOUTH PEAK COMMUNITY DEVELOPMENT AUTHORITY**

Report on the Financial Statements

We have audited the accompanying financial statements of the South Peak Community Development Authority ("the Authority"), as of and for the years ended June 30, 2018 and 2017, 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 *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 South Peak Community Development Authority as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in conformity 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 6-8 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2018, on our consideration of the South Peak Community Development 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

Davis & Associates, PLLC

Columbia, Maryland
October 4, 2018

**SOUTH PEAK COMMUNITY DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017**

The Management's Discussion and Analysis of the financial performance of South Peak Community Development Authority (the "Authority") provides an overall review of the Authority's financial activities for the fiscal years ended June 30, 2018 and 2017. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. The Authority was created by Ordinance #082410-4 adopted on August 24, 2010 by the Roanoke County Board of Supervisors and given approval to issue up to \$16,000,000 in debt to fund public improvements related to the construction of public improvements to benefit the South Peak Community Development Authority District.
2. The Authority approved issuance of up to \$7,000,000 in a Special Assessment Revenue Note on December 1, 2012 (the "Note") for the initial phase of construction, bearing interest at 6.5% per annum, according to a Note Purchase Agreement with Carter Bank. The Note will be repaid beginning September 1, 2016 from incremental tax revenues, surplus revenues and the collection of special assessments, if necessary, imposed on the chargeable properties benefiting from the public improvements. As of June 30, 2015, the Note was fully drawn.
3. Net position at June 30, 2018 and 2017 totaled \$(679,617) and \$(883,051), respectively, due to costs for public improvements and subsequent donation of the Phase I water improvements, note interest accrued and paid, administrative fees, and note issuance costs.
4. As of June 30, 2016, it was determined that all improvements financed by the Bonds were completed and Phase I water improvements were accepted and conveyed to the Western Virginia Water Authority. The conveyed improvements were shown in the financial statements as "Donated Public Improvements". South Peak Boulevard, although complete, has not yet been accepted and conveyed. This remains an asset of the Authority as of June 30, 2018.
5. Incremental tax revenues totaling \$2,299,827 for 2012 through the first half of 2018 have been accrued. Roanoke County has set these funds aside until such time as the Authority has opened trust accounts.
6. Special assessments of \$10,054 and \$24,000 were imposed for tax years 2018 and 2017, respectively. The first half of the assessments, due June 5, 2018, has been collected by the County. All special assessments imposed on property owners for the 2017 tax year have been collected.

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 net position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

Comparative Financial Analysis

Summary Statement of Net Position

	<u>2018</u>	<u>2017</u>
Assets:		
Current and other assets	\$ 812,172	\$ 785,518
Capital assets	<u>5,330,063</u>	<u>5,330,063</u>
Total assets	<u>6,142,235</u>	<u>6,115,581</u>
Liabilities:		
Current liabilities	341,852	322,632
Long-term debt	<u>6,480,000</u>	<u>6,676,000</u>
Total Liabilities	<u>6,821,852</u>	<u>6,998,632</u>
Net Position		
Net investment in capital assets	(1,345,937)	(1,518,937)
Unrestricted	<u>666,320</u>	<u>635,886</u>
Total Net Position	<u><u>\$ (679,617)</u></u>	<u><u>\$ (883,051)</u></u>

The deficit in net position is due primarily to the conveyance of the Phase I water improvements.

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

	<u>2018</u>	<u>2017</u>
Operating Revenues	\$ 666,675	\$ 714,321
Operating Expenses	<u>18,479</u>	<u>26,365</u>
Operating Income	648,196	687,956
Non-operating Expenses	<u>(444,762)</u>	<u>(455,553)</u>
Change in Net Position	<u><u>\$ 203,434</u></u>	<u><u>\$ 232,403</u></u>

Net position decreased in 2018 due to a decrease in revenues larger than the decrease in expenses.

Capital Assets

The Authority's capital assets consisted of public improvements financed with the Series 2012 Note. All improvements financed with the Bonds were deemed to have been complete as of June 30, 2016, and the Phase I water improvements have been accepted and conveyed to the Western Virginia Water Authority. As of June 30, 2018, the South Peak Boulevard remains an asset of the Authority until it has been accepted and conveyed to the County.

Long-Term Debt

The Authority issued a Special Assessment Revenue Note, Series 2012, not to exceed \$7,000,000 dated December 1, 2012 bearing interest at 6.5% per annum with a final maturity of March 1, 2033. This note represents 100% of the Authority's long-term debt balance. The 2012 Note is subject to optional redemption requirements as specified in the Note Purchase Agreement.

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

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

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

Economic Factors and Future Outlook

Presently, the Authority is not aware of any significant changes in conditions that would have a significant effect on the Authority's 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.

PRINCIPAL FINANCIAL STATEMENTS

South Peak Community Development Authority
STATEMENTS OF NET POSITION
As of June 30,

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Due from primary government	\$ 812,172	\$ 785,518
Total Current Assets	<u>812,172</u>	<u>785,518</u>
Noncurrent Assets		
Capital assets	<u>5,330,063</u>	<u>5,330,063</u>
Total Noncurrent Assets	<u>5,330,063</u>	<u>5,330,063</u>
Total Assets	<u>6,142,235</u>	<u>6,115,581</u>
Liabilities		
Current Liabilities		
Accrued interest payable	145,852	149,632
Current portion of long-term debt	<u>196,000</u>	<u>173,000</u>
Total Current Liabilities	<u>341,852</u>	<u>322,632</u>
Noncurrent Liabilities		
Notes payable, long-term portion	<u>6,480,000</u>	<u>6,676,000</u>
Total Noncurrent Liabilities	<u>6,480,000</u>	<u>6,676,000</u>
Total Liabilities	<u>6,821,852</u>	<u>6,998,632</u>
Net Position		
Net investment in capital assets	(1,345,937)	(1,518,937)
Unrestricted	<u>666,320</u>	<u>635,886</u>
Net Position	<u>\$ (679,617)</u>	<u>\$ (883,051)</u>

South Peak Community Development Authority
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As of June 30,

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Incremental tax revenues	\$ 649,648	\$ 678,820
Special assessment revenues	17,027	35,501
Total Operating Revenues	<u>666,675</u>	<u>714,321</u>
Operating Expense		
Administrative fees	10,829	17,150
Legal fees	4,675	7,740
Insurance expenses	1,475	1,475
Accounting fees	1,500	-
Total Operating Expense	<u>18,479</u>	<u>26,365</u>
Operating Income (Loss)	<u>648,196</u>	<u>687,956</u>
Non-Operating Revenues (Expenses)		
Note interest expense	(444,762)	(455,553)
Total Non-Operating Revenues (Expenses)	<u>(444,762)</u>	<u>(455,553)</u>
Change in Net Position	203,434	232,403
Net Position, Beginning of Year	(883,051)	(1,115,454)
Net Position, End of Year	<u>\$ (679,617)</u>	<u>\$ (883,051)</u>

South Peak Community Development Authority
STATEMENTS OF CASH FLOWS
As of June 30,

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Cash payments for administrative fees	\$ -	\$ -
Cash payments for legal fees	-	-
Net Cash Used in Operating Activities	-	-
Cash Flows from Investing Activities		
Interest and dividends received on investments	-	-
Net Cash Provided by Investing Activities	-	-
Cash Flows from Capital and Related Financing Activities		
Proceeds from note issuance	-	-
Acquisition and construction of capital assets	-	-
Interest paid on note	-	-
Net Cash Provided by Capital and Related Financing Activities	-	-
Change in Cash Balance	-	-
Cash, Beginning of Year	-	-
Cash, End of Year	\$ -	\$ -
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:		
Operating Income	\$ 648,196	\$ 687,956
Adjustments		
Increase in accrued revenues	(26,654)	(78,104)
Accrued revenues used for debt service	(621,542)	(609,852)
Net Cash Used in Operating Activities	\$ -	\$ -

NOTES TO THE PRINCIPAL FINANCIAL STATEMENTS

NOTE 1—REPORTING ENTITY

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

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

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

The District consists of approximately 62 acres of land within the County. The District is part of a mixed-use project that is expected to contain commercial, retail, and residential components.

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

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. The policies conform to generally accepted accounting principles (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 assets. 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 capital assets as all assets will be donated upon completion/acquisition.

E. Net Position

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

F. Operating Revenues and Expenses

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

G. Use of Estimates

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

H. Income Taxes

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

NOTE 3—DEPOSITS AND INVESTMENTS

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

NOTE 4—RECEIVABLES

Receivables at June 30, 2018 and 2017 consisted of Tax Increment Revenues and Special Assessments collected by Roanoke County to be transferred to the Authority, net of payments made on behalf of the Authority. All receivables are considered collectible in full within one year.

NOTE 5—CAPITAL ASSETS

The Authority's capital asset activity for the years ended June 30, 2018 and 2017 was as follows:

<u>2018</u>	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Donations</u>	<u>Ending Balance</u>
South Peak Blvd	\$ 5,240,031	\$ -	\$ -	\$ 5,240,031
Phase II Water	90,032	-	-	90,032
Total Capital Assets	<u>\$ 5,330,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,330,063</u>
<hr/>				
<u>2017</u>	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Donations</u>	<u>Ending Balance</u>
South Peak Blvd	\$ 5,240,031	\$ -	\$ -	\$ 5,240,031
Phase II Water	90,032	-	-	90,032
Total Capital Assets	<u>\$ 5,330,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,330,063</u>

As of June 30, 2016, it was determined that all public improvements have been completed and that the Phase I Water improvements have been accepted and conveyed to the Western Virginia Water Authority, as evidenced by a Utility Acceptance Certificate.

NOTE 6—LONG-TERM OBLIGATIONS

The Authority's long-term obligations activity for the years ended June 30, 2018 and 2017 was as follows:

<u>2018</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Total Note Payable	<u>\$ 6,849,000</u>	<u>\$ -</u>	<u>\$ (173,000)</u>	<u>\$ 6,676,000</u>	<u>\$ 196,000</u>
<u>2017</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Total Note Payable	<u>\$ 7,000,000</u>	<u>\$ -</u>	<u>\$ (151,000)</u>	<u>\$ 6,849,000</u>	<u>\$ 173,000</u>

A. Special Assessment Revenue Note, Series 2012

On December 1, 2012, the Authority approved a Note in the maximum authorized principal amount of \$7,000,000 to finance a portion of certain public infrastructure improvements described in a Development, Acquisition and Financing Agreement. The Note is repayable from incremental tax revenues, surplus revenues and special assessments, when necessary. The County, on behalf of the Authority, will impose and collect the special assessment annual installments and has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special assessment annual installments. The Note is a limited obligation of the issuer.

Interest on the Note is payable according to the terms specified by the Note Purchase Agreement on March 1 and September 1 of each year. The Note bears interest at 6.50% per annum. Interest is calculated daily on the basis of the actual number of days elapsed over a 360-day year. Interest payments totaled \$448,541 and \$458,852 for the years ended June 30, 2018 and 2017, respectively.

The Note is subject to optional prepayment redemption. Principal repayments on the Note are due each September 1 and March 1 beginning September 1, 2016 according to the loan amortization schedule. Principal repayments of \$173,000 and \$151,000 were made for the years ended June 30, 2018 and 2017, respectively.

B. Optional Prepayment Redemption

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

C. Loan Amortization Schedule

The Note is required to be repaid by the Authority in the years and in the amounts set forth below:

For the period ending June 30:	Principal	Interest
2019	\$ 196,000	\$ 436,764
2020	222,000	424,572
2021	249,000	408,351
2022	278,000	391,467
2023	310,000	372,623
2024-2028	2,107,000	1,502,368
2029-2033	3,314,000	638,692
	<u>\$ 6,676,000</u>	<u>\$ 4,174,837</u>

NOTE 7—TAX INCREMENT REVENUES

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

TIF Revenues have been accrued and are being held by the County until such time as the required trust accounts are opened as follows:

	Through FY' 2017	FY' 2018	Total
Real Estate Tax	\$ 842,435.12	\$ 231,786.26	\$ 1,074,221.38
Personal Property Tax	82,279.51	30,122.16	112,401.67
Business License Tax	48,994.41	22,302.38	71,296.79
Hotel/Motel Tax	420,312.05	174,302.33	594,614.38
Sales Tax	105,340.68	61,839.40	167,180.08
Meals Tax	150,816.13	129,296.95	280,113.08
Total TIF Revenues	<u>\$ 1,650,177.90</u>	<u>\$ 649,649.48</u>	<u>\$ 2,299,827.38</u>

NOTE 8—SPECIAL ASSESSMENTS

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

Special Assessments totaling \$10,054 have been imposed on property owners for the 2018 tax year. These payments are due in two equal installments on June 5 and December 5, 2018. The first half of the assessments has been collected by the County.

Special Assessments totaling \$24,000 have been imposed on property owners for the 2017 tax year. These payments are due in two equal installments on June 5 and December 5, 2017. All of the 2017 tax year assessments have been collected by the County.

NOTE 9—EVALUATION OF SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through October 4, 2018, the date which the financial statements are available to be issued.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

**TO THE BOARD OF DIRECTORS
SOUTH PEAK COMMUNITY DEVELOPMENT AUTHORITY**

We have audited the accompanying financial statements of the South Peak Community Development Authority, as of and for the year ended June 30, 2018, and have issued our report thereon dated October 4, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Peak Community Development 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 South Peak Community Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of South Peak Community Development 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 South Peak Community Development 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.

Davis & Associates, PLLC

Columbia, Maryland
October 4, 2018