MARQUIS COMMUNITY DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA

(A Component Unit of the County of York, Virginia)

Financial Statements

Years Ended June 30, 2022 and 2021

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OF YORK COUNTY, VIRGINIA
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MARQUIS COMMUNITY DEVELOPMENT AUTHORITY OF YORK COUNTY, VIRGINIA

(A Component Unit of the County of York, Virginia)

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Directors
Marquis Community Development Authority
York County, Virginia

Opinion

We have audited the accompanying financial statements of the Marquis Community Development Authority of York County, Virginia (the "Authority"), a component unit of the County of York, Virginia, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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.

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Substantial Doubt about the Authority's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 9 to the financial statements, the Authority anticipates that it will be in default of its bond payment during fiscal year 2023. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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, 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 November 1, 2022, 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 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.

Cherry Bekaert LLP

Virginia Beach, Virginia
November 1, 2022

This section of the Marquis Community Development Authority of York County, Virginia’s (the “Authority”) annual financial report presents a discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2022 and 2021. Please read it in conjunction with the Authority's financial statements following this section.

FINANCIAL HIGHLIGHTS

- As of June 30, 2022, capital assets, net of depreciation, included $19,688,095 in completed public improvements related to the roads, stormwater basins, storm drain, and the portion of the improvements financed with the 2015 bonds. In FY2021, $3,982,305 of donated assets were recorded relating to the conveyance of the sanitary sewer extension, waterlines, and sanitary sewer. There was an exploratory cost of a government building for $67,500 that was expensed in FY2021.
- The Authority’s total net position in FY2022 is a deficit of $20,129,609, primarily due to a large amount of outstanding debt service including principal and interest.
- Please see below for the draws on the reserve funds to fund the debt service payments in FY2022:

08/31/2021	$	168,695

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Authority's financial activities and financial position. The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position provide 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 liabilities are included in the Statement of Net Position, which represents the financial position of the Authority. 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’s finances meet its cash flow needs. Finally, the Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided on the Financial Statements.

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows

These financial statements look at all financial transactions and ask the question, “How did we do financially?”. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position answer this question. These statements include all assets, liabilities, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the Authority's net position (deficits) and related changes. This change in net position is important because it tells the reader that, for the Authority as a whole, the financial position of the Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its operations and can be found on page 11 of this report.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS

Summary of Statement of Net Position

	6/30/2022	6/30/2021	6/30/2020
Current assets	$ 563,176	$ 791,054	$ 1,033,494
Noncurrent assets	19,688,095	20,366,995	24,416,800
Total assets	20,251,271	21,158,049	25,450,294
Current liabilities	954,755	440,403	415,829
Noncurrent liabilities	39,426,125	38,978,885	38,138,247
Total liabilities	40,380,880	39,419,288	38,554,076
Net investment in capital assets	(18,509,230)	(17,383,090)	(12,492,647)
Unrestricted	(1,620,379)	(878,149)	(611,135)
Total net position (deficit)	(20,129,609)	(18,261,239)	(13,103,782)
Total liabilities and net position	$ 20,251,271	$ 21,158,049	$ 25,450,294

At June 30, 2022, current assets include the unspent bond proceeds that are invested until they are needed to pay for expenses and debt service, amounts collected by the County to be transferred to the Authority, and interest receivable. Capital and other noncurrent assets include the completed improvements financed with the 2007 bonds related to the roads, stormwater basins and the storm drain, and the portion of the improvements financed with the 2015 bonds. Also, at June 30, 2022, 2021 and 2020, liabilities exceeded assets by $20,129,609, $18,261,239, and $13,103,782, respectively. The Authority's total net position decreased by $5,157,457 in fiscal year 2021 primarily due to the donation of capital assets and an increase in accrued interest expense. The Authority's total net position decreased by $1,868,370 in fiscal year 2022, due primarily to the depreciation recorded on the capital assets and an increase in accrued interest expense as a result of assessment collections being less than interest due.

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

	6/30/2022	6/30/2021	6/30/2020
Operating Revenues			
Incremental tax revenues	$ 1,070,194	$ 1,113,893	$ 990,528
Special assessment	130,895	104,716	104,716
Total operating revenues	1,201,089	1,218,609	1,095,244
Operating Expenses			
Administrative and audit fees	244,730	225,316	215,975
Legal fees	46,777	31,634	3,214
Depreciation	678,900	-	-
Total operating expenses	970,407	256,950	219,189
Total Nonoperating Expenses, Net	(2,099,052)	(2,069,311)	(2,024,229)
Donated Capital Assets	-	(3,982,305)	-
Public Research & Development	-	(67,500)	-
Change in Net Position	(1,868,370)	(5,157,457)	(1,148,174)
Net position, beginning of year	(18,261,239)	(13,103,782)	(11,955,608)
Net position, end of the year	$ (20,129,609)	$ (18,261,239)	$(13,103,782)

For the years ended June 30, 2022, and 2021, the Authority reported $1,070,194 and $1,113,893 respectively, in incremental tax revenues, which was used toward debt service in 2022 and 2021.

Special assessments of $130,895 and $104,716 were recognized in 2022 and 2021 from the property owner in accordance with the terms of the bond restructuring.

Operating expenses consisted of payments to the County for their administrative and collection services, MuniCap, Inc. for their accounting, bookkeeping and other administrative services, Board members for their service and attendance at meetings, depreciation, and payments to the trustee, auditors, and attorneys for their professional services.

Nonoperating revenues represent interest earned on cash investments. Nonoperating expenses consist of interest on the bonds.

Capital Assets

	6/30/2022	6/30/2021	6/30/2020
Capital assets not being depreciated:			
Construction in progress	$ -	$ -	$ 18,561,448
Capitalized interest, net	-	-	2,325,352
2015 public improvements	-	3,464,370	3,530,000
Roads	-	7,524,128	-
Stormwater basins	-	4,442,390	-
Storm drain	-	4,936,106	-
Capital assets being amortized/ depreciated:			
Software	9,000	9,000	9,000
2015 public improvements	3,464,370	-	-
Roads	7,524,128	-	-
Stormwater basins	4,442,390	-	-
Storm drain	4,936,107	-	-
Accumulated amortization/ depreciation	(687,900)	(9,000)	(9,000)
Total capital assets	$ 19,688,095	$ 20,366,995	$ 24,416,800

During FY2022, depreciation was recorded on the capital assets representing the 2015 public improvements and the roads, stormwater basins, and storm drains financed from the 2007 bond proceeds. The depreciation was computed using the straight-line basis over a useful life of thirty years. Capital assets also include an intangible asset of computer software, which is fully amortized. During FY2021 capital assets were donated to Newport News Waterworks and York County for a portion of the 2015 public improvements, waterlines, and sanitary sewer lines from the 2007 bonds for a total of $3,982,305. The Authority expensed $67,500 for public research and development costs incurred for a building that did not materialize. There were no construction costs for 2022 or 2021.

Additional information on capital assets can be found in Note 3 to the basic financial statements.

Long-term Obligations

	6/30/2022	6/30/2021	6/30/2020
Series 2007 Refunding Bonds	$ 28,875,000	$ 28,875,000	$ 28,875,000
Series 2007 Accretion of interest payable	3,778,125	3,412,500	3,046,875
Series 2015 Capital Appreciation Bonds	6,773,000	4,404,482	4,404,482
Series 2015 Accretion of interest payable	-	2,286,903	1,811,890
	$ 39,426,125	$ 38,978,885	$ 38,138,247

The Authority issued Revenue Bonds, Series 2007, dated November 28, 2007, totaling $32,860,000. The bond proceeds are being used to fund public infrastructure improvements including the Marquis Parkway and Route 199 improvements, storm drainage systems, sanitary sewers and other public improvements needed to support the planned retail development. The debt service is paid semi-annually using incremental tax revenues received by the Authority.

The original Series 2007 Bonds were restructured and reissued on March 1, 2012. Original Bonds in the amount of $2,805,000 were redeemed and the remainder was reissued in three series with a final maturity of September 1, 2041. All outstanding delinquent assessments as of the restructure date were forgiven. The annual installment of the special assessments and the County collection fees were fixed. In addition, the County agreed to extend remittance of the incremental tax revenues through the life of the reissued bonds.

The Authority issued convertible capital appreciation revenue bonds, dated October 27, 2015, totaling $4,404,482. The bond proceeds were used to purchase completed improvements related to the Marquis Parkway Extension. Debt service is accreted and compounded semi-annually at a rate of 7.5% until conversion on September 1, 2021. Debt service will then be paid semi-annually from incremental tax revenues.

The Bond Indenture also established, and the Board of Supervisors levied, a Special Assessment Tax that will be collected from the owner(s) within the Marquis Community Development Authority District (the "District") in the event the incremental tax revenue and revenue stabilization fund are not sufficient to pay the debt service. In addition, through the indenture, the County placed a tax lien on the property owned by the Authority to provide further recourse against non-payment of debt service.

Due to a shortfall in pledged revenues as a result of the limitation on special assessments that may be levied in order to pay debt service, only a partial interest payment was made on March 1, 2022. The total amount of the shortfall was $348,388.

Additional information can be found in Note 4 to the basic financial statements.

Economic Factors

- A local church is still attempting to purchase the J.C. Penney building, but they do not have a current contract. If the purchase is successful, the property will have to be rezoned and the primary tenant would like to lease a portion of the building to a daycare facility. The church contract would require approval from all property owners.
- The single family detached homes constructed by Ryan Homes are almost complete. The last residential development approved by the county are apartments. Work on the apartments has not started.
- Dick's Sporting Goods closed at the beginning of the calendar year.
- The developer has executed and recorded the easements to the CDA for Marquis Parkway, Whitaker's Trace and the storm water ponds serving the roads. The easements are the critical element with respect to ensuring the tax-exempt status of the bonds.
- During fiscal year 2022, there was one board meeting held on April 22, 2022.

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., 8965 Guilford Road, Suite 210, Columbia, Maryland 21046.

THE MARQUIS COMMUNITY DEVELOPMENT AUTHORITY
OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Statements of Net Position

	6/30/2022	6/30/2021
Assets		
Current assets:		
Restricted cash and cash equivalents	$ 224,108	$ 334,826
Due from Primary Government - incremental taxes	204,150	351,506
Due from Primary Government - special assessment	130,895	104,716
Due from Trustee	3,865	-
Interest receivable	158	6
Total current assets	563,176	791,054
Noncurrent assets:		
Capital assets:		
Nondepreciable	-	20,366,995
Depreciable	20,375,995	9,000
Less accumulated amortization/depreciation	(687,900)	(9,000)
Total noncurrent assets	19,688,095	20,366,995
Total assets	$ 20,251,271	$ 21,158,049
Liabilities		
Current liabilities:		
Accounts payable	$ 9,406	$ 13,686
Interest payable	927,313	409,600
Unearned revenues	18,036	17,117
Total current liabilities	954,755	440,403
Noncurrent liabilities:		
Revenue bonds payable, net of discount	35,648,000	33,279,482
Interest payable accretion	3,778,125	5,699,403
Total noncurrent liabilities	39,426,125	38,978,885
Total liabilities	40,380,880	39,419,288
Net Position		
Net investment in capital assets	(18,509,230)	(17,383,090)
Unrestricted deficit	(1,620,379)	(878,149)
Total net deficit	(20,129,609)	(18,261,239)
Total liabilities and net deficit	$ 20,251,271	$ 21,158,049

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

THE MARQUIS COMMUNITY DEVELOPMENT AUTHORITY
OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Statements of Revenues, Expenses and Changes in Net Position

	Year Ended 6/30/2022	Year Ended 6/30/2021
Operating Revenues		
Incremental tax revenues	$ 1,070,194	$ 1,113,893
Special assessment	130,895	104,716
Total operating revenues	1,201,089	1,218,609
Operating Expenses		
Administrative and audit fees	244,730	225,316
Legal fees	46,777	31,634
Depreciation	678,900	-
Total operating expenses	970,407	256,950
Operating Income	230,682	961,659
Nonoperating Revenues (Expenses)		
Investment income	300	127
Interest expense	(2,099,352)	(2,069,438)
Total nonoperating expenses, net	(2,099,052)	(2,069,311)
Donated Capital Assets	-	(3,982,305)
Public Research & Development	-	(67,500)
Change in Net Deficit	(1,868,370)	(5,157,457)
Total net deficit, beginning of year	(18,261,239)	(13,103,782)
Total net deficit, end of year	$ (20,129,609)	$ (18,261,239)

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

THE MARQUIS COMMUNITY DEVELOPMENT AUTHORITY
OF YORK COUNTY, VIRGINIA
A COMPONENT UNIT OF THE COUNTY OF YORK, VIRGINIA
Statements of Cash Flows

	Year Ended 6/30/2022	Year Ended 6/30/2021
Cash Flows From Operating Activities		
Receipts from Primary Government	$ 1,323,185	$ 1,075,916
Payments to suppliers for goods and services	(299,652)	(244,536)
Net cash provided by operating activities	1,023,533	831,380
Cash Flows From Investing Activities		
Interest received on investments	149	127
Net cash provided by investing activities	149	127
Cash Flows From Capital and Related Financing Activities		
Interest paid on bonds	(1,134,400)	(1,228,800)
Net cash used in capital and related financing activities	(1,134,400)	(1,228,800)
Net decrease in cash and cash equivalents	(110,718)	(397,293)
Cash and cash equivalents, beginning of year	334,826	732,119
Cash and cash equivalents, end of year	$ 224,108	$ 334,826
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 230,682	$ 961,659
Depreciation	678,900	-
(Increase) Decrease in due from Primary Government	121,177	(154,853)
(Increase) Decrease in due from Trustee	(3,865)	-
Increase (Decrease) in unearned revenues	919	12,159
Increase (Decrease) in accounts payable	(4,280)	12,415
Net cash provided by operating activities	$ 1,023,533	$ 831,380
Noncash investing, capital and financing activities:		
Contributions of capital assets	$ -	$ 3,982,305
Prior year construction in progress expensed	$ -	$ 67,500

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Marquis Community Development Authority of York County, Virginia (the Authority) is a "community development authority" as permitted under Code of Virginia Sections 15.2-5152, et seq., and other applicable provisions of Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended (the Act). On October 30, 2006, The Marquis at Williamsburg LLC (the Landowner) filed a petition (the Petition) for creation of the Authority with the Board of Supervisors of the County of York, Virginia (the County). The Petition, which may be subject to amendment or change, allows the Authority to finance, acquire and construct public improvements in connection with the proposed development of a regional shopping and entertainment center. In accordance with the Act, the Petition was accepted by the County Board of Supervisors' Ordinance No. 06-34 and approved December 19, 2006. By its Resolution, the County Board of Supervisors determined that the creation of the Authority to assist in financing certain improvements in connection with the proposed development within the Marquis Community Development Authority District (the District) would benefit the County's citizens, by promoting increased employment opportunities, a strengthened economic base, increased tax revenues and additional commercial, entertainment and business opportunities, and will meet the increased demands placed upon the County as a result of development within the Community Development District. The Authority was thereby created as a political subdivision in accordance with the applicable provision of the Act as referenced above.

On November 8, 2007, a "Declaration of Notice of Special Assessment" (the Declaration) was filed by the Landowner and the Authority with the Clerk's Office for the County Circuit Court, placing a "Special Assessment Lien" on the property within the boundaries of the District to pay the costs of public improvements to benefit property within the District.

The Authority Revenue Bonds Series 2007 were issued pursuant to an Indenture of Trust agreement (the Indenture) by and between the Authority and the Wells Fargo Bank, N.A. (the Trustee), dated as of November 1, 2007 and a limited offering memorandum for the bonds dated November 28, 2007. The 2007 bonds in the amount of $32,860,000 were sold to provide funds to finance certain infrastructure improvements within the District established by the Authority. On September 24, 2015, Wells Fargo Bank, N.A. was replaced by Wilmington Trust, National Association as trustee.

On October 27, 2015, the Authority issued convertible capital appreciation revenue bonds in the amount of $4,404,482 to finance additional public infrastructure improvements located within the District, and other costs of issuing the bonds pursuant to previous indentures and further supplemented by a Third Supplemental Indenture dated September 1, 2015 between the Authority and Wilmington Trust National Association, as successor trustee.

As of June 14, 2011, the ownership of the property within the District has been transferred from CIT Marquis at Williamsburg RE Holdings, LLC to Marquis Williamsburg RE Holdings, LLC c/o Cavalier Marquis Investors, LLC.

The District consists of a land area of approximately 222.85 acres in the County, just outside the City of Williamsburg, Virginia. The District is located south of Water Country USA near exit 242 off Interstate 64 at the intersection of Interstate 64 and State Route 199. The District is expected to include an approximately 1.1 million square foot mixed-use, open-air entertainment and retail center, consisting of

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

approximately 909,502 square feet of commercial/retail space, approximately 123,414 square feet of office space, approximately 71,080 square feet of hotel space and approximately 16,000 square feet of restaurant space. Target, Best Buy and Kohl's are open for business. Dick's Sporting Goods closed at the beginning of the calendar year.

The Authority is governed by a Board of five directors appointed by the County Board of Supervisors, who also appoints successor directors of the Authority. Directors serve for four-year terms and may be reappointed.

The current directors appointed are as follows:

Director	Occupation	Term Expires
James W. Noel, Jr.	Director, Economic Dev. Authority of York County	February 2023
Vernard Lockwood	Retired Banker	February 2023
Robert L. Bailey	CEO, Colonial Virginia Bank	February 2023
John C. Kueser	Finance Director, Colonial Williamsburg	February 2023
Leigh Houghland	Senior Vice President, Chesapeake Bank	February 2023

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

B. Basis of Accounting and Presentation

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 requirements issued by the Governmental Accounting Standards Board (GASB).

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, changes in net position, financial position, and cash flows. The Authority is a discretely presented component unit in the County's financial statements.

The Authority's financial activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the Authority are included on the Statement of Net Position. Net Position is segregated into Net Investment in Capital Assets, Restricted, and Unrestricted components, as applicable. 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.

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 for reporting purposes, wherein revenues are recognized when they are earned and expenses are recognized when they are incurred. The Authority

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

distinguishes operating revenues and expenses from non-operating items, wherein operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. All other revenues and expenses are considered non-operating.

C. Cash, Cash Equivalents and Investments

The Authority considers all highly liquid investments with an original maturity of less than three months when purchased to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair market value. 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 deletions during the year. Donated capital assets are recorded at acquisition value on the date donated. The Authority does not maintain a capitalization threshold as all infrastructure assets are capitalized. Capital assets consist of completed improvements related to the 2015 bonds, roads, stormwater basins and the storm drain financed with the 2007 Bonds, and an intangible asset of computer software. Prior to GASB 89, interest expense during the period of construction was capitalized, net of investment earnings. Upon completion, assets will be transferred to the appropriate public entity. Assets that are not part of the public improvements with a cost of $5,000 or more are capitalized and depreciated on a straight-line method over their estimated useful life. The estimated useful life of computer software is three years. The estimated useful life of the assets related to the 2015 bonds and the 2007 bonds is thirty years.

E. Net Position

Net position may consist of the following components based on the extent of constraints upon the use of the resources:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt incurred to finance the capital assets.

Restricted – Reported when constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or law or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted net position is available.

Unrestricted – Consists of funds that are available for any purpose.

F. Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Income Taxes

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

H. 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 2 – CASH AND CASH EQUIVALENTS

A. Investment Policy

Virginia statutes authorize the Authority to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit or time deposits insured by the Federal Deposit Insurance Corporation (FDIC), and the Commonwealth of Virginia's Local Government Investment Pool. The Authority's cash equivalents are separately invested and reinvested by the Trustee, at the direction of the Authority, in accordance with the statues of the Commonwealth of Virginia and the Indenture. Cash equivalents are valued at fair value.

B. Restricted Cash

At June 30, 2022 and 2021, restricted cash consisted of $224,108 and $334,826, respectively, for debt reserves and administrative expenses.

C. Credit Risk

As required by Virginia statutes, the Indenture requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's, S&P, or Fitch Investor's Service (Fitch). Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by S&P and "P-1" by Moody's. Notes having a maturity of greater than one year must be rated "AA" by S&P and "Aa" by Moody's.

Although Virginia statutes do not impose credit standards on repurchase agreement counterparties, bankers' acceptances, or money market mutual funds, the Indenture established 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 Virginia Security for Public Deposits Act (the Act).

NOTE 2 – CASH AND CASH EQUIVALENTS, Continued

D. Concentration of Credit Risk

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. The Indenture establishes limitations on the holdings of non-U.S. Government obligations as well.

E. Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Indenture requires the investment of monies 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.

F. Custodial Risk

Custodial risk is the risk that in the event of a bank failure, deposits made might not be returned. There is no custodial credit risk to these accounts as the entire bank balance was covered by the FDIC or collateralized in accordance with the Act. Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of Federal Savings and Loan Insurance Corporation limits. The State Treasury Board is responsible for monitoring compliance by banks and savings and loans.

Cash received by the Authority is deposited with a financial institution or invested. Cash and cash equivalents consisted entirely of U.S. Treasury money market funds at June 30, 2022 and 2021.

On September 24, 2015, when Wells Fargo Bank, N.A. was replaced by Wilmington Trust as trustee, the Authority invested bond proceeds in a Blackrock Liquidity Fund money market fund registered under the Investment Company Act of 1940, as amended.

Cash equivalents include money market accounts and consisted of the following at June 30, 2022 and 2021:

	6/30/2022	Rating	6/30/2021
US Treasury money market funds	$ 224,108	AAAm	$ 334,826

NOTE 3 – CAPITAL ASSETS

The four anchor stores have each received permanent certificates of occupancy, however, in fiscal year 2022, Dick's Sporting Goods closed for business. In fiscal year 2021, the Authority accepted and conveyed a small portion of the improvements from the 2015 bonds, and the waterlines and sanitary sewer lines from the 2007 bonds. The total assets conveyed of $3,982,305 are reported as "donated assets" in the financial statements in FY 2021. There were also exploratory costs of a government

NOTE 3 – CAPITAL ASSETS, Continued

building for $67,500 that were expensed in FY 2021. The remaining completed improvements from the 2007 bonds and the 2015 bonds have been recorded as Roads, Stormwater basins, Storm drain, and 2015 public improvements, and are being depreciated on a straight-lie basis over their useful lives of thirty years.

The Authority's capital asset activity for the years ended June 30, 2022 and 2021 was as follows:

	Balance July 1, 2021	Additions	Transfers	Reductions	Balance June 30, 2022
Capital assets not being depreciated:					
Public improvements 2015	3,464,370	-	(3,464,370)	-	-
Roads	7,524,128	-	(7,524,128)	-	-
BMP Basins	4,442,390	-	(4,442,390)	-	-
Storm Drain	4,936,107	-	(4,936,107)	-	-
Total capital assets not being depreciated	20,366,995	-	(20,366,995)	-	-
Capital assets being amortized/depreciated:					
Computer software	9,000	-	-	-	9,000
Public improvements 2015	-	-	3,464,370	-	3,464,370
Roads	-	-	7,524,128	-	7,524,128
BMP Basins	-	-	4,442,390	-	4,442,390
Storm Drain	-	-	4,936,107	-	4,936,107
Total capital assets being amortized/depreciated	9,000	-	20,366,995	-	20,375,995
Less accumulated amortization/depreciation for:					
Computer software	(9,000)	-	-	-	(9,000)
Public improvements 2015	-	(115,479)	-	-	(115,479)
Roads	-	(250,804)	-	-	(250,804)
BMP Basins	-	(148,080)	-	-	(148,080)
Storm Drain	-	(164,537)	-	-	(164,537)
Total accumulated amortization/depreciation	(9,000)	(678,900)	-	-	(687,900)
Total capital assets being amortized/depreciated, net	-	(678,900)	20,366,995	-	19,688,095
Total	$ 20,366,995	$ (678,900)	$ -	$ -	$ 19,688,095

NOTE 3 – CAPITAL ASSETS, Continued

	Balance July 1, 2020	Additions	Transfers	Reductions	Balance June 30, 2021
Capital assets not being depreciated:					
Construction in progress	$ 18,561,448	$ -	$ (15,014,735)	$ (3,546,713)	$ -
Capitalized interest expense	2,821,491	-	(2,290,692)	(530,799)	-
Interest revenue on investments	(496,139)	-	402,802	93,337	-
Public improvements 2015 to be transferred	3,530,000	-	-	(65,630)	3,464,370
Roads	-	-	7,524,128	-	7,524,128
BMP Basins	-	-	4,442,390	-	4,442,390
Storm Drain	-	-	4,936,107	-	4,936,107
Total capital assets not being depreciated	24,416,800	-	-	(4,049,805)	20,366,995
Capital assets being amortized:					
Computer software	9,000	-	-	-	9,000
Total capital assets being amortized	9,000	-	-	-	9,000
Less accumulated amortization for:					
Computer software	(9,000)	-	-	-	(9,000)
Total accumulated amortization	(9,000)	-	-	-	(9,000)
Total capital assets being amortized, net	-	-	-	-	-
Total	$ 24,416,800	$ -	$ -	$ (4,049,805)	$ 20,366,995

NOTE 4 – LONG-TERM OBLIGATIONS

The Authority’s long-term debt activity for the years ended June 30, 2022 and 2021 was as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
Series A 2007 Refunding Bonds	$ 5,675,000	$ -	$ -	$ 5,675,000
Series B 2007 Refunding Bonds	16,700,000	-	-	16,700,000
Series C 2007 Capital Appreciation Bonds	6,500,000	-	-	6,500,000
Accretion of interest payable	3,412,500	365,625	-	3,778,125
Total 2007 Refunding Bonds	32,287,500	365,625	-	32,653,125
Series 2015 Capital Appreciation Bonds	4,404,482	2,368,518	-	6,773,000
Accretion of interest payable	2,286,903	-	(2,286,903)	-
Total 2015 Capital Appreciation Bonds	6,691,385	2,368,518	(2,286,903)	6,773,000
Total Long-term Debt	$ 38,978,885	$ 2,734,143	$ (2,286,903)	$ 39,426,125

NOTE 4 – LONG-TERM OBLIGATIONS, Continued

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Series A 2007 Refunding Bonds	$ 5,675,000	$ -	$ -	$ 5,675,000
Series B 2007 Refunding Bonds	16,700,000	-	-	16,700,000
Series C 2007 Capital Appreciation Bonds	6,500,000	-	-	6,500,000
Accretion of interest payable	3,046,875	365,625	-	3,412,500
Total 2007 Refunding Bonds	31,921,875	365,625	-	32,287,500
Series 2015 Capital Appreciation Bonds	4,404,482	-	-	4,404,482
Accretion of interest payable	1,811,890	475,013	-	2,286,903
Total 2015 Capital Appreciation Bonds	6,216,372	475,013	-	6,691,385
Total Long-term Debt	$ 38,138,247	$ 840,638	$ -	$ 38,978,885

A. 2007 Special Obligation Bonds and Refunding Bonds

On November 27, 2007, the Authority issued special obligation bonds (the 2007 Bonds) in the amount of $32,860,000 to finance the construction of public infrastructure improvements located within the District. The 2007 Bonds are limited obligations payable primarily from:

(1) Incremental tax revenues collected by the County pursuant to the terms of the Memorandum of Understanding dated as of November 1, 2007, between the County, the Authority and The Marquis at Williamsburg, LLC, as the initial landowner and the developer, and

(2) Special assessments imposed and collected, at the request of the Authority, by the County against the taxable real property in the District pursuant to the terms of a Rate and Method of Apportionment of Assessment approved by the County Board of Supervisors on October 16, 2007 as part of Ordinance 07-20.

It is anticipated that debt service on the 2007 Bonds and other expenses of the Authority will be paid first from incremental tax revenues and then such portion of the Annual Installment of the Special Assessments as it may be necessary to collect in any year. The 2007 Bonds do not constitute a pledge of the faith and credit of the Authority or the County and the principal of, premium, if any, and interest on the bonds are payable solely from the Pledged Revenues and other sources pledged to such payment pursuant to the Indenture.

Interest on the 2007 Bonds is payable each March 1 and September 1, and commenced on March 1, 2008. Interest on the 2007 Bonds is computed on the basis of a year of 360 days and twelve 30-day months, subject to the terms of the restructuring and reissuance.

A Supplemental Indenture of Trust was signed by the Authority and Trustee as of August 30, 2010. Under the terms of the Supplemental Indenture, the debt service payment due on September 1, 2010 was paid from the following funds and accounts (in order of priority): the Revenue Fund, the Project Fund, the County Project Fund and the Reserve Fund. In addition, a portion of the Project Fund

NOTE 4 – LONG-TERM OBLIGATIONS, Continued

balance was allocated to be used to pay certain costs of the public improvements and administrative expenses. The Supplemental Indenture also addressed the use of the South Pod Account and deferred the payment of principal on the Bonds beginning with the principal payment due September 1, 2011 until the earlier of (i) such time as Pledged Revenues are available to make principal payments or (ii) 100 percent of the Beneficial Owners determine a principal payment schedule for the Series 2007 Bonds.

On March 1, 2012, the 2007 Bonds were restructured and reissued pursuant to a Restructuring Memorandum of Understanding, as amended by the First Amendment to Memorandum of Understanding, a Revised Rate and Method of Apportionment, an Amended and Restated Continuing Disclosure Agreement, and a Second Supplemental Indenture of Trust among the bondholders, Marquis Williamsburg RE Holding LLC (as Property Owner), Authority, Trustee, and County. Under the restructuring and reissuance terms, the original 2007 Bonds have been restructured, $2,805,000 of the original Bonds have been redeemed using certain funds held under the Indenture, and 2007 Refunding Bonds have been reissued in three series as listed below:

	Principal Amount	Interest Rate	Final Maturity
Series A	$ 5,675,000	5.100%	September 1, 2036
Series B	16,700,000	5.625%	September 1, 2041
Series C (Capital Appreciation Bonds)	6,500,000	5.625%	September 1, 2041
Total	$ 28,875,000		

Under the modification, the terms of the 2007 Bonds have been extended to a final maturity of September 1, 2041. Interest on the Series A and B 2007 Refunding Bonds is payable on March 1 and September 1 beginning September 1, 2012. Interest on the Series C (Capital Appreciation) 2007 Refunding Bonds will accrete from the reissuance date of March 1, 2012 and compound semiannually on March 1 and September 1 of each year beginning September 1, 2012 until maturity or earlier redemption. Accretion of interest is recorded as an addition to long-term debt and the interest payable classified with noncurrent debt. For the fiscal year ended June 30, 2022 and 2021, interest payments on the Series A and Series B 2007 Refunding Bonds totaled $1,134,400 and $1,228,800, respectively.

Special Mandatory Redemption

The Series A and B 2007 Refunding Bonds are subject to special mandatory redemption in whole or in part in minimum amounts of $1,000, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the redemption date, at any time as specified in the documents. The Series C 2007 Refunding Bonds are subject to special mandatory redemption in whole or in part in minimum amounts of $1,000, at a redemption price plus accrued interest after all Series A and B 2007 Refunding Bonds have been redeemed.

Debt Service Reserve Requirement

As of the March 12, 2012 reissuance date, the Debt Service Reserve Fund was funded at $650,000. The Debt Service Reserve requirement is $1,228,800 and, as of June 30, 2022, there are no funds in the Debt Service Reserve fund. A draw on the Debt Service Reserve Fund was made in August 2021 of $168,695 in order to pay debt service due to deficiencies in tax increment revenues.

NOTE 4 – LONG-TERM OBLIGATIONS, Continued

Mandatory Sinking Fund Redemptions

Mandatory debt service requirements for the 2007 Refunding Bonds consist of the following:

Year Ending	Series A Bonds 5.100%		Series B Bonds 5.625%		Series C Bonds 5.625%	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ -	$ 289,425	$ -	$ 939,375	$ -	$ -
2024	-	289,425	-	939,375	-	-
2025	-	289,425	-	939,375	-	-
2026	-	289,425	-	939,375	-	-
2027	395,000	279,353	-	939,375	-	-
2028-2032	2,315,000	1,062,713	1,140,000	4,664,813	-	-
2033-2037	2,965,000	393,084	6,720,000	3,472,594	-	-
2038-2042	-	-	8,840,000	1,297,126	6,500,000	26,890,476
Total	$ 5,675,000	$ 2,892,850	$ 16,700,000	$ 14,131,408	$ 6,500,000	$ 26,890,476

B. 2015 Convertible Capital Appreciation Revenue Bonds

On October 27, 2015, the Authority issued convertible capital appreciation revenue bonds (the “2015 Bonds”) in the amount of $4,404,482 to finance additional public infrastructure improvements located within the District, and other costs of issuing the 2015 Bonds pursuant to the previous Indentures and further supplemented by a Third Supplemental Indenture dated September 1, 2015 between the Authority and Wilmington Trust National Association, as successor trustee (the “Trustee”). The 2015 Bonds are limited obligations of the Authority payable from incremental tax revenues and special assessments imposed on the property owners. The authorization to collect special assessments terminates in 2041, while the final stated maturity of the 2015 Bonds is September 1, 2045. Holders of the 2015 Bonds from and after September 1, 2041 can only look to incremental tax revenues as a source of payment for the 2015 Bonds. The 2015 Bonds are subject to mandatory sinking fund redemptions and special mandatory redemption. Incremental tax revenues consist of payments from appropriations by the Board of Supervisors derived from certain tax collections within the District, plus an additional 16.5 acre parcel outside the District on which a Target retail store has been constructed. The Target parcel is not subject to special assessments, since it lies outside of the District.

The 2015 Bonds were initially issued as capital appreciation bonds and converted to current interest bonds on September 1, 2021, the “conversion date”. Prior to the conversion date, the 2015 Bonds did not pay interest on a current basis, but increased in value by the accumulation of earned interest from their initial principal amounts on the issue date to the conversion date. Interest will be compounded each March 1 and September 1, commencing March 1, 2016 at a rate of 7.5% according to the table of accreted values. The accreted value at the conversion date was $6,773,000. Following the conversion date, interest on the 2015 Bonds will be payable semiannually on each March 1 and September 1, commencing March 1, 2022 at a rate of 7.5%. Interest due on March 1, 2022 was $253,988, however because of insufficient TIF revenues and limitations on special assessments used to pay debt service, only $152,091 was paid.

NOTE 4 – LONG-TERM OBLIGATIONS, Continued

Mandatory debt service requirements for the 2015 Bonds after conversion consist of the following:

Year Ending	**Series 2015 CAB Bonds**	
June 30, 2022	Principal	Interest
2023	-	507,975
2024	-	507,975
2025	-	507,975
2026	-	507,975
2027	-	507,975
2028-2032	-	2,539,875
2033-2037	-	2,539,875
2038-2042	-	2,539,875
2043-2046	6,773,000	1,269,863
Total	$ 6,773,000	$ 11,429,363

Special Mandatory Redemption

The 2015 Bonds are subject to special mandatory redemption, but only after payment in full of the 2007 Refunding Bonds, from amounts on deposit in the redemption account of the bond fund in whole or in part at any time at a redemption price equal to the accreted value of the 2015 Bonds to be redeemed and following the conversion date, at a redemption price equal to the principal amount of the 2015 Bonds to be redeemed plus accrued interest.

Debt Service Reserve Requirement

According to the Third Supplemental Indenture of Trust, the debt service reserve requirement for the 2015 Bonds is equal to $507,975. The balance in the 2015 Debt Service Reserve Fund as of June 30, 2022 is $0. A draw on the 2015 Debt Service Reserve Fund was made in August 2021 of $168,695 in order to pay debt service due to deficiencies in tax increment revenues.

In the event of default, the Bonds may not be accelerated. A delinquent installment of interest or principal will be carried forward until it is paid and will bear interest at the interest rate on the applicable Bond until the payment date.

NOTE 5 – INCREMENTAL TAX REVENUES AND SPECIAL ASSESSMENTS

The County agreed to pay the Authority certain Incremental Tax Revenues for each year in which the bonds are outstanding, which began February 1, 2010. The Incremental Tax Revenues equal the sum of all real property, personal property, business licenses, sales, and food and beverage tax incremental revenues, which exceed those collected by the County within the District during calendar year 2006, the base year.

The Incremental Tax Revenues anticipated to be collected and paid to the Authority each calendar year will be included as part of the annual credit that is applied to the annual installment in that calendar

NOTE 5 – INCREMENTAL TAX REVENUES AND SPECIAL ASSESSMENTS, Continued

year. Per the terms of the First Amendment to Memorandum of Understanding, all Incremental Tax Revenues will be paid by the County to the Trustee on a monthly basis. At June 30, 2022 and 2021, the County reported $1,070,194 and $1,113,893, respectively, in incremental revenues, which were paid to the Authority and used for debt service.

The County has agreed to pay Incremental Tax Revenues to the Authority as long as the bonds are outstanding. Surplus Incremental Tax Revenues will be used to redeem Bonds. Any surplus above the limit stated in the Second Supplemental Indenture will be split between the County and the redemption of bonds. The County will make monthly payments of Incremental Tax Revenues to the Trustee, subject to the County's right to retain an annual amount to compensate the County for services provided to the District. The County's annual compensation has been fixed per the terms of the bond restructuring and reissuance as follows:

Calendar year 2012	$ 300,000	
Calendar year 2013	$ 200,000	
Calendar years 2014 to 2016	$ 150,000	
Calendar years 2017 until redemption	$ 150,000	plus 3% each year

The Indenture established, and the County Board of Supervisors levied, a Special Assessment Tax that will be collected from the property owner(s) within the District in the event the incremental tax revenue and revenue stabilization fund are insufficient to pay the debt service. Special Assessment Revenues are derived from Special Assessments levied and collected on all taxable real property within the District subject to the Special Assessments. The annual installments are collected in the same manner and at the same time as the County's real estate taxes and are subject to the same penalties and interest, procedures, tax sale and lien priorities in case of delinquencies as are provided for regular property taxes of the County. The Special Assessment on any parcel may be fully paid at any time and the obligation to pay the annual installments permanently satisfied.

The amount of the annual revenue installments due from the property owners has been fixed per the restructuring documents. These amounts have been revised due to the prepayment of sixteen parcels in conjunction with the issuance of the 2015 Bonds and other prepayments received (see below).

Prepayment of Assessments

On October 27, 2015, the Landowner provided notice to the Authority exercising its right to prepay the Special Assessments related to five parcels within the District pursuant to the Prepayment Discount Option, as more fully described in the Series 2015 Limited Offering Memorandum. The prepayment proceeds of $612,889 were deposited in the trust accounts and were used for the purposes described in the Series 2015 Limited Offering Memorandum. Due to the prepayments, the annual installment of special assessments has been revised. The revised future assessments to be collected are as follows:

For years:	Annual Installment
2018 - 2021	$ 104,715
2022 - 2026	$ 130,894
2027 - 2041	$ 157,073

NOTE 5 – INCREMENTAL TAX REVENUES AND SPECIAL ASSESSMENTS, Continued

As of June 30, 2022, special assessments of $27 are delinquent, but were subsequently collected in August, 2022.

NOTE 6 — ARBITRAGE REQUIREMENTS

When applicable, arbitrage calculations are performed on the Authority's funds to determine any arbitrage rebate or yield restriction liability. No liabilities for arbitrage rebate or yield restrictions were identified in fiscal years ending June 30, 2022 and 2021.

NOTE 7— CONTINGENT LIABILITIES

As of June 30, 2022, there were no claims or lawsuits pending against the Authority.

NOTE 8 – SUBSEQUENT EVENTS

Fiscal year 2023 incremental tax revenues in the amount of $18,036 were paid to the County prior to June 30, 2022 and remitted to the Authority on July 19, 2022.

NOTE 9 – CASH LIQUIDITY FOR FUTURE DEBT SERVICE PAYMENTS AND GOING CONCERN

The Series 2007 Bonds were restructured in 2015 limiting the availability of future special assessments to cover any shortfall in tax increment financing (TIF) revenues. The terms of the restructuring have materially inhibited the Authority's ability to pay its operating expenses, including debt service, in an economic environment of declining sales. The delay in expanding the retail portion of the development, along with the impact of the closing of Dick's Sporting Goods on sales revenues, have resulted in lower-than-forecasted TIF revenues available for the Authority's expenses.

There have been regular draws on the Series 2007 Debt Service Reserve Fund and Series 2015 Debt Service Reserve Fund to make the regularly scheduled debt service payments on the Bonds each September and March since September 1, 2015. As of August 31, 2022, the Series 2007 Debt Service Reserve Fund was depleted and the balance in the Series 2015 Debt Service Reserve Fund was $3. Due to a shortfall in pledged revenues, only a partial interest payment was made on March 1, 2022. The total amount of the shortage was $348,388.

The next scheduled debt service payment due on September 1, 2022, consists of an interest payment in the amount of $868,388. However, the bondholders directed the trustee to only pay $450,000. This will result in a total interest shortage as of September 1, 2022 of $766,776. TIF revenues are not projected to be sufficient to make up the difference between the debt service requirements and the current balances in the trust accounts. Currently, the Authority does not have any plans to mitigate the shortfall in revenues and the expected default on the Bonds. Therefore, there is substantial doubt regarding the entity's ability to continue as a going concern.

Cherry Bekaert LLP
Your Guide Forward

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

To the Board of Directors
Marquis Community Development Authority
York County, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia; the financial statements of the Marquis Community Development Authority of York County, Virginia (the "Authority"), a component unit of the County of York, Virginia, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 1, 2022. That report also recognizes that the Authority's financial statements have been prepared assuming that the Authority will continue as a going concern.

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

Cherry Bekaert LLP

Virginia Beach, Virginia
November 1, 2022