

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
(A Component Unit of the County of
Chesterfield, Virginia)**

Annual Financial Report

Year Ended June 30, 2022

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
(A Component Unit of the County of Chesterfield, Virginia)**

**DIRECTORY OF OFFICIALS
JUNE 30, 2022**

Board Members

John V. Cogbill, III, Chairman

Terri Cofer Beirne, Vice-Chairman

Faizan Habib, Treasurer

Steven Micas, Secretary

John W. Hughes, Assistant Secretary

Jesse Calloway

Danielle Fitz-Hugh

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
(A Component Unit of the County of Chesterfield, Virginia)**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2022**

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Report of Independent Auditor

To the Board of Directors
Economic Development Authority of the County of Chesterfield
Chesterfield, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Economic Development Authority of the County of Chesterfield (the "Authority"), a component unit of the County of Chesterfield, Virginia, as of and for the year ended June 30, 2022, 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 the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Directory of Officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 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 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.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Richmond, Virginia
September 29, 2022

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
(A Component Unit of the County of Chesterfield, Virginia)**

**Management's Discussion and Analysis
(unaudited)**

This section of the annual financial report of the Economic Development Authority of the County of Chesterfield (the "Authority"), a component unit of the County of Chesterfield, Virginia, presents our discussion and analysis of the Authority's financial performance during the fiscal year that ended June 30, 2022. Please read it in conjunction with the Authority's financial statements and accompanying notes, which follow this section.

Financial Highlights

- Total net position increased by \$21,393,800 (63.7%) to \$54,987,016.
- Capital assets net of accumulated depreciation increased by \$21,259,288 (64.0%) to \$54,477,278.
- Long-term debt outstanding decreased \$2,170,528 (12.9%) to \$14,709,693.
- Revenues increased by \$4,684,857 (18.8%).
- Expenses increased by \$850,567 (11.5%).

Overview of the Financial Statements

The Authority's annual financial report consists of two parts – management's discussion and analysis (this section) and the financial statements. The financial statements offer financial information about the Authority's activities and additional information about its cash flows. The activities of the Authority are accounted for as an enterprise fund. Accordingly, the Authority's financial statements are presented in accordance with the economic resources measurement focus and the accrual basis of accounting.

The basic financial statements include three required statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. The Statement of Net Position is designed to display the financial position of the Authority. The net position of the Authority is reported in three categories:

- 1) *Net Investment in Capital Assets* – Represents the balance of capital assets, net of related debt.
- 2) *Restricted by Contractual Agreements* - Represents those funds restricted by revenue bond covenants or contractual agreements.
- 3) *Unrestricted Net Position* – Represents those funds used at the discretion of the Authority to provide for the Authority's operations.

The Statement of Revenues, Expenses and Changes in Net Position is designed to display the operating results of the Authority. The Statement of Cash Flows is designed to display the cash inflows and outflows for the operating and financing activities of the Authority. The direct method of cash flows is utilized. The notes, a component of the financial statements, provide additional details for understanding the information presented in the statements.

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
(A Component Unit of the County of Chesterfield, Virginia)**

**Management's Discussion and Analysis, Continued
(unaudited)**

Analysis of the Authority

Net Position. The Authority's assets exceeded liabilities by \$54,987,016 at the end of the current fiscal year. The Authority's net position increased by \$21,393,800 (63.7%) from the prior year (see Table 1).

**Table 1
Condensed Summary of Net Position
As of June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Assets:		
Current and other assets	\$25,760,678	\$32,327,912
Capital assets	<u>54,477,278</u>	<u>33,217,990</u>
Total assets	<u>80,237,956</u>	<u>65,545,902</u>
Liabilities:		
Long-term debt outstanding	14,709,693	16,880,221
Other liabilities	<u>10,319,303</u>	<u>15,072,465</u>
Total liabilities	<u>25,028,996</u>	<u>31,952,686</u>
Deferred inflow of resources:		
Deferred inflows related to leases	<u>221,944</u>	<u>-</u>
Net position:		
Net investment in capital assets	51,483,278	29,215,990
Restricted, contractual agreement	25,000	2,567,058
Unrestricted	<u>3,478,738</u>	<u>1,810,168</u>
Total net position	<u>\$54,987,016</u>	<u>\$33,593,216</u>

The largest portion of the Authority's net position reflects its investment in capital assets (e.g. land and land improvements, construction in progress, improvements other than buildings, and infrastructure), less any related debt used for acquisitions. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Changes in Net Position. The Authority's total revenues increased from the prior fiscal year by \$4,684,857 (18.8%). In fiscal year 2022, approximately 97.1% of the Authority's revenues were received from the County. The remaining revenues are Commonwealth incentive revenue, closing fees, interest income, capital contribution, lease revenue and other revenues. The Authority's total expenses increased from the prior year by \$850,567 (11.5%). In fiscal year 2022, approximately 73.2% were project related expenses, 7.3% were incentives, 7.2% related to professional fees, 5.7% were depreciation, and 5.4% related to Meadowville operating expenses. The remaining 1.2% were bond interest expense, director's fees and miscellaneous expenses (see Table 2).

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
(A Component Unit of the County of Chesterfield, Virginia)**

**Management's Discussion and Analysis, Continued
(unaudited)**

**Table 2
Condensed Summary of Changes in Net Position
Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Revenues:		
Chesterfield County appropriations	\$28,789,712	\$20,955,825
Commonwealth incentive revenue	164,892	-
Gain on sale of capital asset	-	3,974,923
Closing fees	311,743	-
Capital contribution	36,100	-
Lease revenue	105,132	-
Interest income	12,404	9,142
Other revenues	<u>242,943</u>	<u>38,179</u>
Total revenues	<u>29,662,926</u>	<u>24,978,069</u>
Expenses:		
Project expenses	6,055,128	849,096
Meadowville operating expenses	443,119	330,302
Bond amortization and interest expense	64,968	109,557
Other debt related expenses	-	60,883
Incentives	605,000	5,298,556
Professional fees	599,024	366,575
Directors' fees	10,350	9,900
Other expenses	21,745	10,894
Depreciation expense	<u>469,792</u>	<u>382,796</u>
Total expenses	<u>8,269,126</u>	<u>7,418,559</u>
Change in net position	<u>\$21,393,800</u>	<u>\$17,559,510</u>

The Authority's revenues increased by \$4,684,857 (18.8%) and total expenses increased by \$850,567 (11.5%) compared to prior fiscal year financial activity. Key elements contributing to these results are as follows:

- County funding to the Authority increased by \$7,833,887 (37.4%) mainly due to an increase in funding for land acquisitions. The County appropriated \$25.0 million in the current year compared to \$13.0 million in the previous year for the purpose of purchasing commercial and industrial land parcels to further promote economic development within the County.
- In the prior year, the Authority reported a \$3,974,923 gain on the sale of land in Meadowville for economic development. No assets were sold in the current year.
- The Authority charges closing fees to entities that finance bonds and notes through the Authority. In the current year, the Authority collected \$311,743 for two projects and in the prior year no bonds were financed for other entities.
- The Authority entered into an Infrastructure Improvement Agreement where the Commonwealth will reimburse the Authority up to \$19 million in approved infrastructure costs. During the year the Authority reported \$164,892 in eligible costs and Commonwealth incentive revenue.
- Incentive expenses decreased by \$4,693,556 (88.6%) mainly due to approximately \$5.2 million in grants were provided to small businesses most impacted by the pandemic in the previous year. No grant funds were received in the current year.

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
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**Management's Discussion and Analysis, Continued
(unaudited)**

- Project expenses increased by \$5,206,032 (613.1%) mainly due to land planning, waterline and related infrastructure in support of economic prospects for the County.
- Professional fees increased by \$232,449 (63.4%) mainly due to activity related to pursuing potential economic development prospects for the County and rezoning Authority property.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2022, the Authority had invested \$54,477,278 for land and land improvements, construction in progress, improvements other than buildings and infrastructure. This amount represents a net increase of \$21,259,288 (64.0%) from fiscal year 2021 (see Table 3).

**Table 3
Summary of Capital Assets
(Net of Depreciation)
Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Land and land improvements	\$45,518,502	\$24,666,603
Construction in progress	25,000	2,876,212
Improvements other than buildings	937,425	1,064,214
Infrastructure	<u>7,996,351</u>	<u>4,610,961</u>
Total capital assets	<u>\$54,477,278</u>	<u>\$33,217,990</u>

Capital assets increased \$21,259,288 due to the purchase of land in the amount of \$20,840,962, receipt of capital contribution in the amount of \$36,100, construction of road infrastructure in the amount of \$1,002,181, option fee for future land sale in the amount of \$25,000, less transfer of land to another entity in the amount of \$175,163 and annual depreciation expense of \$469,792. More detailed information about the Authority's capital assets is presented in Note 4 to the financial statements.

Long Term Debt

At year-end, the Authority had \$6,336,000 in net bonds outstanding and \$8,373,693 in notes outstanding, a decrease in long-term debt of \$2,170,528 (12.9%) compared to the previous fiscal year. During the year, the Authority made bond principal payments in the amount of \$1,457,000 and made note principal payments in the amount of \$713,528. More detailed information about the Authority's revenue bonds and tax-exempt revenue note is presented in Notes 6 and 7 to the basic financial statements, respectively.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chesterfield County Economic Development Department, 9401 Courthouse Road, Centre Court – Suite B, Chesterfield, Virginia 23832.

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
(A Component Unit of the County of Chesterfield, Virginia)**

**Statement of Net Position
June 30, 2022**

Assets:

Current assets:

Cash (Note 3)	\$ 6,692,791
Due from Chesterfield County (Note 12)	626,427
Due from other governments (Note 6)	164,892
Receivables	293,060
Lease receivable (Note 5)	140,175

Restricted:

Cash (Notes 3 & 12)	9,298,180
Due from Chippenham Place CDA (Note 8 & 12)	794,319
Due from Chesterfield County (Note 12)	<u>29,231</u>

Total current assets 18,039,075

Noncurrent assets:

Due from Chippenham Place CDA (Note 8 & 12)	7,639,543
Lease receivable (Note 5)	82,060

Capital assets (Note 4):

Land and land improvements	45,518,502
Construction in progress	25,000
Improvements other than buildings	1,936,873
Infrastructure	9,887,662
Accumulated depreciation	<u>(2,890,759)</u>

Net capital assets 54,477,278

Total noncurrent assets 62,198,881

Total assets 80,237,956

Liabilities:

Current liabilities:

Accounts payable	174,085
Accrued expenses	522,638
Retainage payable	5,000
Unearned revenues	255,000

Liabilities payable from restricted assets:

Accrued expenses (Note 7, 8 & 12)	863,856
Retainage payable (Note 12)	275,199
Due to Chesterfield County (Note 12)	8,223,525
Note payable (Note 8)	734,150
Bonds payable (Note 7)	<u>1,450,000</u>

Total current liabilities 12,503,453

Noncurrent liabilities:

Note payable (Note 8)	7,639,543
Bonds payable (Note 7)	<u>4,886,000</u>

Total noncurrent liabilities 12,525,543

Total liabilities 25,028,996

Deferred Inflow of Resources:

Deferred inflows related to leases (Note 5)	<u>221,944</u>
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Net Position:

Net investment in capital assets	51,483,278
Restricted by contractual agreements	25,000
Unrestricted	<u>3,478,738</u>

Total net position \$54,987,016

See accompanying notes to financial statements.

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
(A Component Unit of the County of Chesterfield, Virginia)**

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022**

Operating revenues:	
County of Chesterfield appropriations (Note 12)	\$ 840,167
Closing fees	311,743
Application fees	5,000
Other revenues	<u>50,573</u>
Total operating revenues	<u>1,207,483</u>
Operating expenses:	
Meadowville expenses	443,119
Incentives	100,000
Professional service fees	599,024
Directors' fees	10,350
Other general and administrative expenses	21,745
Depreciation expense (Note 4)	<u>469,792</u>
Total operating expenses	<u>1,644,030</u>
Operating loss	<u>(436,547)</u>
Non-operating revenues (expenses):	
County of Chesterfield appropriations (Note 12)	27,949,545
Commonwealth incentive revenue (Note 6)	164,892
Other revenues (Note 9)	187,370
Lease revenue (Note 5)	105,132
Interest income	12,404
Project expenses	(6,055,128)
Incentives	(505,000)
Bond interest expense (Note 7)	<u>(64,968)</u>
Net non-operating revenues	<u>21,794,247</u>
Income before contributions	21,357,700
Capital contributions	<u>36,100</u>
Change in net position	21,393,800
Net position, July 1, 2021	<u>33,593,216</u>
Net position, June 30, 2022	<u>\$54,987,016</u>

See accompanying notes to financial statements.

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
(A Component Unit of the County of Chesterfield, Virginia)**

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022**

Cash flows from operating activities:	
Receipt of funds from Chesterfield County	\$ 798,290
Receipt of closing fees	311,743
Receipt of application fees	5,000
Receipt of other revenues	50,573
Payments for operating expenses	<u>(1,246,771)</u>
Net cash used in operating activities	<u>(81,165)</u>
Cash flows from capital and related financing activities:	
Receipt of funds from Chesterfield County	27,712,536
Receipt of unearned revenue	5,000
Payment of project expenses	(5,625,899)
Payments for capital assets	(22,044,103)
Payments for Tomahawk Creek Trunk Sewer Line	(4,741,209)
Payment of incentives	(515,906)
Payments of principal on bonds	(1,457,000)
Payment of interest on bonds	<u>(71,460)</u>
Net cash used for capital and related financing activities	<u>(6,738,041)</u>
Cash flows from investing activities:	
Interest received	<u>11,555</u>
Net cash provided by investing activities	<u>11,555</u>
Net decrease in cash and cash equivalents	(6,807,651)
Cash, July 1, 2021	<u>22,798,622</u>
Cash, June 30, 2022	\$ <u>15,990,971</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (436,547)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	469,792
Change in assets and liabilities:	
Increase in due from Chesterfield County	(41,877)
Decrease in accounts payable	<u>(72,533)</u>
Net cash used in operating activities	\$ <u>(81,165)</u>
Noncash transactions related to capital and related financing activities are as follows:	
Debt service on Special Assessment Revenue Note	\$ (976,149)
Transfer of capital assets	(175,163)
Capital contribution	36,100
Amortized lease revenue	105,132

See accompanying notes to financial statements.

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
(A Component Unit of the County of Chesterfield, Virginia)**

**Notes to the Financial Statements
June 30, 2022**

1. DESCRIPTION OF THE AUTHORITY AND ITS ACTIVITIES

The Economic Development Authority of the County of Chesterfield (the “Authority”), a political subdivision of the Commonwealth of Virginia, was created in December 1968 by the County of Chesterfield, Virginia (the “County”) pursuant to the Industrial Development and Revenue Bond Act, Chapter 49 of Title 15.2, Code of Virginia. Among other things, the Authority has the power to buy, sell and develop land for business parks or other economic development purposes; build facilities for sale or lease to private companies; issue taxable and tax-exempt Industrial Revenue Bonds to provide financing for facilities and machinery; and provide incentives to attract new companies to the County or to induce existing companies to expand.

The County Board appoints the seven members of the Authority’s Board and, subject to appropriation, provides funds sufficient to pay the Authority’s debt service obligations. The Authority is presented as a component unit in the County’s Annual Comprehensive Financial Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Model

The financial statements presented for the Authority are prepared in accordance with accounting principles generally accepted in the United States of America (the “GAAP”) applicable to governmental units, as prescribed by the Governmental Accounting Standard Board (the “GASB”). GAAP sets the reporting model requirements for the annual financial reports of state and local governments. For entities like the Authority that are engaged solely in business-type activities, the annual financial report includes:

- Statement of Net Position – The Statement of Net Position is designed to display the financial position of the Authority. The net position of the Authority is broken down into three categories: (1) net investment in capital assets, (2) restricted by contractual agreements, and (3) unrestricted.
- Statement of Revenues, Expenses and Changes in Net Position – The Statement of Revenues, Expenses and Changes in Net Position is designed to display the financial activities of the Authority for the period under audit.
- Statement of Cash Flows – The Statement of Cash Flows is designed to display the cash inflows and outflows for the operating, capital and related financing, and investing activities of the Authority.

B. Basis of Accounting and Financial Statement Presentation

The Authority uses the accrual basis of accounting and the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred. Operating expenses include the net cost of services incurred for administrative expenses, contractual services and Meadowville operating expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
(A Component Unit of the County of Chesterfield, Virginia)**

**Notes to the Financial Statements
June 30, 2022**

C. Unearned Revenues

Unearned revenues are a liability that represents amounts received where the exchange transaction has not been completed. The Authority recognizes revenue for State funding from the Commonwealth's Development Opportunity Fund when the recipient of the grant meets the performance targets identified in the Performance Agreement and for option deposits received for future land sales when the sale closes.

D. Restricted Assets

Certain assets are classified as restricted on the Statement of Net Position because their use is limited by revenue bond covenants or contractual agreements. The Trustee maintains funds in the amount of \$25,000 in accordance with a contractual agreement and the Authority maintains funds reserved for the construction of Tomahawk Creek Trunk Sewer Line in the amount of \$9,273,180. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources as they are needed.

E. Receivables

Receivables consist of amounts due from a property management firm that is managing the Spring Rock Green Shopping Center acquired by the Authority on September 30, 2021 for redevelopment purposes. The balance represents net operating activity for the current fiscal year.

F. Lease Receivable

The Authority is a lessor for a tenant lease that was assumed by the Authority when it acquired the Spring Rock Green Shopping Center (the "Center"). The Authority recognizes a lease receivable and a deferred inflow of resources. At the commencement of the lease, the Authority measured the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received.

G. Capital Assets

Capital assets include land and land improvements, improvements other than buildings, infrastructure assets (i.e. drainage, roads and irrigation systems) and construction in progress. All capital assets are stated at cost. The standard for capitalization of tangible property is \$5,000 or more per unit with an expected life of greater than one year. Depreciation has been provided over estimated useful lives using the straight-line method. Land and construction in progress are not depreciated. The estimated useful lives of capital assets are as follows:

Improvements other than buildings	15 - 25 years
Infrastructure	20 - 25 years

H. Deferred Inflows of Resources

The Statement of Net Position reports a separate section for deferred inflows of resources in addition to liabilities. Deferred inflows of resources reflects revenues that relate to future periods. The lease revenue is recognized over the term of the lease on a straight-line basis.

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
(A Component Unit of the County of Chesterfield, Virginia)**

**Notes to the Financial Statements
June 30, 2022**

I. Risk Management

The Authority maintains all-risk property insurance on certain improvements at Meadowville at replacement cost. Meadowville is located in the Bermuda District of the County adjacent to the James River and is being developed as an industrial and office park. In addition, the Authority obtains general liability insurance to cover the operations pertaining to Meadowville. The amount of settlements in each of the past three years did not exceed the amount of insurance coverage.

J. New Accounting Pronouncement

GASB Statement No. 87, *Leases*, has a primary objective of enhancing the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement a lessor is required to recognize a lease receivable and a deferred inflow of resources.

3. DEPOSITS AND INVESTMENTS

As of June 30, 2022, the carrying value of the Authority's deposits, with their respective credit rating, was as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$15,990,971	N/A

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2022, all of the Authority's demand deposits were insured and collateralized and not subject to custodial credit risk.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>
Capital assets not being depreciated:				
Land and land improvements	\$24,666,603	\$21,027,062	\$ 175,163	\$45,518,502
Construction in progress	2,876,212	1,077,181	3,928,393	25,000
Total capital assets not being depreciated	<u>27,542,815</u>	<u>22,104,243</u>	<u>4,103,556</u>	<u>45,543,502</u>
Capital assets being depreciated:				
Improvements other than buildings	1,936,873	-	-	1,936,873
Infrastructure	6,159,269	3,728,393	-	9,887,662
Total capital assets being depreciated	<u>8,096,142</u>	<u>3,728,393</u>	<u>-</u>	<u>11,824,535</u>
Less accumulated depreciation for:				
Improvements other than buildings	872,659	126,789	-	999,448
Infrastructure	1,548,308	343,003	-	1,891,311
Total accumulated depreciation	<u>2,420,967</u>	<u>469,792</u>	<u>-</u>	<u>2,890,759</u>
Net capital assets being depreciated	<u>5,675,175</u>	<u>3,258,601</u>	<u>-</u>	<u>8,933,776</u>
Total	<u>\$33,217,990</u>	<u>\$25,362,844</u>	<u>\$4,103,556</u>	<u>\$54,477,278</u>

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**Notes to the Financial Statements
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5. LEASE RECEIVABLE

On September 30, 2021, the Authority purchased the Center for redevelopment and assumed the tenant leases. Lease termination agreements were negotiated for all but one of the leases which expires on January 31, 2024. Payments due under the lease contract are fixed with a monthly amount due of \$11,741. The Authority recorded an initial lease receivable and deferred inflow of resources in the amount of \$327,076. During the fiscal year, the Authority received lease payments of \$105,665 and reported \$824 in lease interest income, bringing the lease receivable balance to \$222,235 at year-end. The lease has an interest rate of 0.45%. The value of the deferred inflow of resources as of June 30, 2022 was \$221,944 and the Authority reported lease revenue of \$105,132.

The payments for the lease receivable are expected to be received in subsequent years as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$140,175	\$711	\$140,886
2024	<u>82,060</u>	<u>123</u>	<u>82,183</u>
Total	<u>\$222,235</u>	<u>834</u>	<u>\$223,069</u>

6. DUE FROM OTHER GOVERNMENTS

On June 1, 2022, the County entered into an Infrastructure Improvement Agreement with the Commonwealth of Virginia (the "Commonwealth") and the Virginia Economic Development Partnership Authority (the "VEDP") where the Commonwealth intends to reimburse the County up to \$19 million in approved infrastructure improvements. The County provided notice that it intends to exercise certain rights and responsibilities under the Agreement through the Authority. During the year, the authority reported eligible infrastructure costs, due from other governments and Commonwealth incentive revenue, all in the amount of \$164,892.

7. REVENUE BONDS

The Authority previously issued its (a) Variable Rate Revenue Bonds, Series 2005A (the "2005A Bonds") and Variable Rate Revenue Bonds, Taxable Series 2005B (the "2005B Bonds"), to finance the costs of the acquisition of real property for Meadowville Technology Park, and (b) Taxable Recovery Zone Economic Development Revenue Bonds, Series 2010B (the "2010B Bonds"), to finance the costs of the acquisition and construction of an interchange to connect Meadowville Technology Park with I-295. These bonds were refunded in fiscal year 2021 with the Tax-Exempt Revenue Refunding Bond, Series 2020C, and Taxable Series 2020D (the "2020CD Bonds").

On September 28, 2020, the Authority issued \$8,270,000 in 2020CD Bonds. The proceeds were used to refund the outstanding balance, interest accrued on the 2005A Bonds, 2005B Bonds and 2010B Bonds, and pay the costs of issuance. The 2020CD Bonds are limited obligations of the Authority, payable solely from payments to be made by the County, subject to appropriations. The County is required under the terms of the Agreement to make payments on behalf of the Authority on a periodic basis in an amount equal to the debt service on the bonds. If the Authority is unable to make payment, the lender may take whatever action is necessary to collect the principal and interest then due or enforce compliance with the loan agreement.

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Revenue bonds outstanding on June 30, 2022 are as follows:

	Original <u>Issue Amount</u>	Interest <u>Rates</u>	Future Annual Principal <u>Requirements</u>	Amount <u>Outstanding</u>
2020C revenue refunding bonds, due 2030	\$5,659,000	1.00%	\$389,000-\$800,000	\$4,406,000
2020D revenue refunding bonds, due 2025	\$2,611,000	0.75%	\$638,000-\$650,000	1,930,000
Total revenue bonds				<u>\$6,336,000</u>

Debt service requirements to maturity for the revenue bonds are as follows.

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$1,450,000	\$ 58,535	\$1,508,535
2024	1,432,000	45,660	1,477,660
2025	1,423,000	32,945	1,455,945
2026	423,000	20,310	443,310
2027	415,000	16,080	431,080
2028-2030	<u>1,193,000</u>	<u>23,690</u>	<u>1,216,690</u>
Total	<u>\$6,336,000</u>	<u>\$197,220</u>	<u>\$6,533,220</u>

The following is a summary of long-term debt transactions for the year ended June 30, 2022:

	Balance <u>July 1, 2021</u>	<u>Decrease</u>	Balance <u>June 30, 2022</u>	Amounts Due Within <u>One Year</u>
Bonds payable	<u>\$7,793,000</u>	<u>\$1,457,000</u>	<u>\$6,336,000</u>	<u>\$1,450,000</u>

For the year ended June 30, 2022, the Authority reported total bond interest expense in the amount of \$64,968. This includes \$71,460 paid on the 2020CD Bonds and \$29,231 of interest accrued at year-end less \$35,723 interest accrued in the prior year.

8. SPECIAL ASSESSMENT REVENUE NOTE

On May 1, 2017, the Authority entered into a Financing Agreement with the Chippenham Place Community Development Authority (the "CDA"). In accordance with the new Financing Agreement, the Authority issued a Special Assessment Revenue Note, Series 2017, in an amount of \$11,774,028, the proceeds of which were used to pay the outstanding balance and interest accrued on the Tax-Exempt Revenue Note, Series 2014B. In accordance with the Financing Agreement, the CDA promises to pay the outstanding principal balance and interest on the Authority's Note solely from the revenues and other property pledged to the payment of this Note. The Note is a limited obligation of the Authority secured by pledged revenues consisting of incremental tax and special assessment revenues collected by the County. The County intends to make annual appropriations sufficient to cover the required annual debt service. The Note will be repaid with the incremental tax revenues and, to the extent incremental tax revenues are not sufficient, special assessment revenues. As of June 30, 2022, the Authority reported total accrued interest of \$60,169 related to the Note, which will be paid by the CDA. The balance of the Note is included in Due from Chippenham Place CDA on the Statement of Net Position.

Revenue notes outstanding on June 30, 2022 are as follows:

	Original <u>Amount</u>	Interest <u>Rate</u>	Annual Principal <u>Requirements</u>	Amount <u>Outstanding</u>
Note issued, due 2032	\$11,774,028	2.89%	\$734,150 - \$948,731	<u>\$8,373,693</u>

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**Notes to the Financial Statements
June 30, 2022**

The following is a summary of long-term debt transactions for the year ended June 30, 2022:

	Balance <u>July 1, 2021</u>	<u>Decrease</u>	Balance <u>June 30, 2022</u>	Amounts Due Within <u>One Year</u>
Note payable	\$ <u>9,087,221</u>	\$ <u>713,528</u>	\$ <u>8,373,693</u>	\$ <u>734,150</u>

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

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 734,150	\$ 241,999	\$ 976,149
2024	755,367	220,782	976,149
2025	777,197	198,952	976,149
2026	799,658	176,491	976,149
2027	822,767	153,382	976,149
2028-2032	<u>4,484,554</u>	<u>396,196</u>	<u>4,880,750</u>
Total	<u>\$8,373,693</u>	<u>\$1,387,802</u>	<u>\$9,761,495</u>

9. **COMMERCIAL MANAGEMENT AGREEMENT**

On October 26, 2021, the Authority entered into a commercial management agreement with Thalhimer (the "Manager") to manage the Center. The agreement grants the Manager the authority to collect rent payments from tenants and pay operating costs necessary for the operation and maintenance of the Center. The agreement requires the Authority to ensure that sufficient funds are available to the Manager to allow for the proper and efficient operation of the Center. For the year ended June 30, 2022, the Manager reported a net operating profit of \$293,035 and funding from the Authority was not necessary. The Manager reported the following financial activity for the year ended June 30, 2022:

Operating revenues	\$ 530,522
Operating expenses	(202,287)
Net operating profit	328,235
Non-operating expenses	(35,200)
Net profit	293,035
Lease revenue offset	(105,665)
Manager revenues, net	\$ <u>187,370</u>

10. **CONDUIT DEBT OBLIGATIONS**

The Authority has issued Retirement Facilities First Mortgage Revenue Bonds that meet the definition of a conduit debt obligation to finance construction of facilities for the residence and care of the aged. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the private-sector facility. No commitments beyond the collateral, the payments from the private-sector facility, and maintenance of the tax-exempt status of the conduit debt obligation were extended by the Authority for the bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. On June 30, 2022, the bonds had an outstanding principal balance of \$31,576,699.

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On May 10, 2022, the Authority issued Multifamily Housing Revenue Bonds in a principal amount not to exceed \$9 million that meet the definition of a conduit debt obligation to finance the acquisition, construction and equipping of a multi-family apartment complex. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the private-sector facility. No commitments beyond the collateral, the payments from the private-sector facility, and maintenance of the tax-exempt status of the conduit debt obligation were extended by the Authority for the bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. The bond amount will be funded over a draw period and bears interest at a variable rate. On June 30, 2022, the estimated outstanding principal balance was \$1,549,437.

The Authority has issued Public Facility Revenue Bonds that meet the definition of a conduit debt obligation to finance several county capital improvement projects. The County has agreed to make payments that will be sufficient to pay the principal and interest on the bonds as they become due, subject to appropriation by the County Board. No commitments beyond the payments from the County and maintenance of the tax-exempt status of the conduit debt obligations were extended by the Authority for the bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. On June 30, 2022, the bonds had an aggregate outstanding principal balance of \$119,595,000.

11. COMMITMENTS

On June 30, 2022, uncompleted contracts totaled \$10,619,061 for the development of Meadowville, sewer line improvements, and other Authority projects. Commitments in the amount of \$5,439,036 will be made from restricted assets and \$5,180,025 will be made from unrestricted assets.

12. RELATED PARTY TRANSACTIONS

Acquisition of the Mall Property: On September 28, 2020, the Authority issued Revenue Refunding Bond, Taxable Series 2020E, on behalf of Chesterfield County, in an amount of \$6,246,000. The Series 2020E Bond proceeds, along with \$456,292 debt service reserve funds, were applied against the outstanding balance of the Series 2014A Note. The interest rate on the Series 2020E Bond is 2.00%. Principal and interest on the Note shall be payable on January 1 and July 1 in each of the years 2021 through 2035. The County has reported the asset and note liability, therefore, they are not reported in the Authority's financial statements. During the year, the County made payments for principal and interest in the amounts of \$370,000 and \$118,161, respectively, bringing the outstanding bond balance to \$5,539,000.

Chesterfield Arts Center: On December 18, 2015, the Authority issued Revenue Bond (Chesterfield Arts Center), Series 2015, for the County in the amount of \$6,899,800. The Series 2015 Bond proceeds are to be used to finance the costs for the acquisition, development, construction and equipping the Chesterfield Center for the Arts (the "Project"). The interest rate on the Series 2015 Bond is 3.09%. Interest is payable on each January 15 and July 15, beginning July 15, 2016, and principal shall be payable annually on July 15, beginning July 15, 2017 and continuing to and including July 15, 2031. During the year, the County made payments for principal and interest in the amounts of \$459,986 and \$149,243, respectively, bringing the outstanding balance to \$4,599,870.

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June 30, 2022**

Tomahawk Creek Trunk Sewer Line: On May 30, 2019, the Authority issued Tax-Exempt Revenue Bond (Watkins Sewer Project), Series 2019, for the County in the amount of \$15,000,000. The Series 2019 Bond proceeds are to be used to finance sewer line improvements in the County. The interest rate on the Series 2019 Bond is 2.35%. Interest is payable on each February 1 and August 1, beginning February 1, 2020, and principal shall be payable annually on August 1, beginning August 1, 2020 and continuing to and including August 1, 2031. During the year, the County made principal and interest payments in the amounts of \$1,181,000 and \$311,528, respectively, bringing the outstanding bond balance to \$12,666,000.

The Authority maintains the bond proceeds and makes payments for the costs of the project on behalf of the County. On June 30, 2022, the Authority reported a restricted cash balance of \$9,273,180, a liability to the County of \$8,223,525, accrued expenses of \$774,456 and retainage payable of \$275,199. During the year, the Authority received \$20,888 of interest earned on the bond proceeds, paid \$21,008 in bank fees, and made payments of \$4,741,089 for project costs.

Receivable from the CDA: The Authority had a receivable from the CDA in the amount of \$8,433,862 for proceeds loaned to the CDA from the Series 2017 Note issued by the Authority.

County Appropriations: For the year ended June 30, 2022, the Authority reported total appropriations from the County in the amount of \$28,789,712. This includes \$28,510,826 received during the year, \$655,658 receivable accrued at year-end less \$376,772 receivable accrued in the prior year.

County Support: The County provides certain administrative services to the Authority, which includes maintaining the general ledger, preparing financial statements and coordinating the annual financial statement audit. During the year ended June 30, 2022, the Authority made payments of \$6,400 to the County.

Transfer of Capital Asset: During the year, the Authority conveyed 6.827 acres of land with a cost of \$175,163 to the County for a water tank site.

13. CLAIMS AND LAWSUITS

On June 30, 2022, there were no claims or lawsuits pending involving the Authority that are considered material to the financial statements.

14. SUBSEQUENT EVENTS

On July 28, 2022, the Authority issued Multifamily Housing Revenue Note, Series 2022, in a principal amount \$29,406,000 that meets the definition of a conduit debt obligation to finance the acquisition and rehabilitation of a multifamily rental housing development and to pay certain closing costs. The Authority received a closing fee in the amount of \$267,846.

On August 9, 2022, the Authority purchased 140.56 acres in the Upper Magnolia Green area for approximately \$1 million with funding provided by the County.

**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
Economic Development Authority of the County of Chesterfield
Chesterfield, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Economic Development Authority of the County of Chesterfield (the "Authority"), a component unit of the County of Chesterfield, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* 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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Richmond, Virginia
September 29, 2022