

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

Annual Financial Report

Year Ended June 30, 2024

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

**DIRECTORY OF OFFICIALS
JUNE 30, 2024**

Board Members

Terri Cofer Beirne, Chairman

Danielle Fitz-Hugh, Vice-Chairman

Faizan Habib, Treasurer

John V. Cogbill, III, Secretary

John W. Hughes, Assistant Secretary

Jesse Calloway

Robert Vaughn

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

**ANNUAL FINANCIAL REPORT
JUNE 30, 2024**

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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, 2024, 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, 2024, and the changes in financial position and its 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 (the "Specifications"). 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 opinions. 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 generally accepted auditing standards, *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 generally accepted auditing standards, *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.

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 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 do 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 27, 2024, 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.

Cherry Bekaert LLP

Richmond Virginia
September 27, 2024

**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, 2024. 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 \$11,143,240 (13.9%) to \$91,247,081.
- Capital assets net of accumulated depreciation increased by \$13,401,321 (24.8%) to \$67,349,933.
- Long-term debt outstanding increased \$298,089,069 (162.8%) to \$481,216,205.
- Revenues decreased by \$4,319,396 (7.7%).
- Expenses increased by \$3,318,189 (8.9%).

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

Analysis of the Authority

Net Position. The Authority's assets exceeded liabilities by \$91,247,081 at the end of the current fiscal year. The Authority's net position increased by \$11,143,240 (13.9%) from the prior year (see Table 1).

**Table 1
Condensed Summary of Net Position
As of June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Assets:		
Current and other assets	\$516,875,486	\$219,182,485
Capital assets	<u>67,349,933</u>	<u>53,948,612</u>
Total assets	<u>584,225,419</u>	<u>273,131,097</u>
Liabilities:		
Long-term debt outstanding	481,216,205	183,127,136
Other liabilities	<u>11,762,133</u>	<u>9,818,351</u>
Total liabilities	<u>492,978,338</u>	<u>192,945,487</u>
Deferred inflow of resources:		
Deferred inflows related to leases	<u>-</u>	<u>81,769</u>
Net position:		
Net investment in capital assets	67,349,933	53,948,612
Restricted, bond covenants	10,360,094	18,550,133
Restricted, contractual agreement	344,535	25,000
Unrestricted	<u>13,192,519</u>	<u>7,580,096</u>
Total net position	<u>\$ 91,247,081</u>	<u>\$ 80,103,841</u>

The largest portion of the Authority's net position reflects its investment in capital assets which includes land and land improvements, intangible assets, construction in progress, improvements other than buildings, and infrastructure (73.8% at June 30, 2024).

An additional portion of the Authority's net position (11.7% at June 30, 2024) represents resources that are subject to external restrictions on how they may be used. The remaining balance (14.5% at June 30, 2024) is unrestricted net position.

Changes in Net Position. The Authority's total revenues decreased from the prior fiscal year by \$4,319,396 (7.7%). In fiscal year 2024, approximately 67.1% of the Authority's revenues was received from the County, approximately 22.2% was received from the Commonwealth and approximately 8.2% was gain on the sale of assets. The remaining revenues 2.5% were interest income, lease revenue and other revenues. The Authority's total expenses increased from the prior year by \$3,318,189 (8.9%). In fiscal year 2024, approximately 80.4% were project related expenses, 14.7% were bond interest expense, 1.8% were professional fees, and the remaining 3.1% were depreciation, incentives, Meadowville operating expenses, director's fees and miscellaneous expenses (see Table 2).

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

**Table 2
Condensed Summary of Changes in Net Position
Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Revenues:		
Chesterfield County appropriations	\$34,792,861	\$40,843,386
Commonwealth incentive revenue	11,504,275	14,314,125
Gain on sale of assets	4,231,265	-
Closing fees	-	271,846
Lease revenue	81,769	140,175
Interest income	981,451	417,198
Other revenues	280,507	204,794
Total revenues	<u>51,872,128</u>	<u>56,191,524</u>
Expenses:		
Project expenses	32,744,826	24,148,592
Meadowville operating expenses	441,469	545,544
Bond interest expense	5,976,517	5,824,379
Bond issuance costs	-	110,000
Incentives	396,802	4,030,398
Professional fees	725,809	968,792
Directors' fees	10,950	11,100
Net loss on sale of assets	-	374,554
Other expenses	6,058	918,146
Depreciation expense	426,457	479,194
Total expenses	<u>40,728,888</u>	<u>37,410,699</u>
Change in net position	<u>\$11,143,240</u>	<u>\$18,780,825</u>

The Authority's revenues decreased by \$4,319,396 (7.7%) and total expenses increased by \$3,318,189 (8.9%) compared to prior fiscal year financial activity. Key elements contributing to these results are as follows:

- County appropriations decreased by \$6,050,525 (14.8%) mainly due to the following: debt service support decreased by approximately \$22.8M due to the issuance of the \$23.0M Series 2022 bonds in the prior year; support for projects increased by approximately \$18.0M due to the start-up of several projects in the current year; and support for incentives decreased by approximately \$1.3M.
- Commonwealth incentive revenue decreased by \$2,809,850 (19.6%) mainly due to the completion of the improvements covered in the Infrastructure Improvements Agreement. Detailed information on the Commonwealth incentive revenue is presented in Note 5 to the financial statements.
- Sale of assets resulted in a gain of \$4,231,265 in the current year and in the previous year a net loss of \$374,554 was reported.
- Project expenses noted above increased by \$8,596,234 (35.6%) mainly due to the start-up of new projects in the current year.
- Incentive expenses noted above decreased by \$3,633,596 (90.2%) due to the issuance of a \$1.5M economic development grant and \$2.2M noncash incentive in the prior year.
- Other expenses decreased \$912,088 (99.3%) mainly due to payment of \$677,991 for final lease termination fees at Spring Rock Green Shopping Center in the prior year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2024, the Authority had invested \$67,349,933 for land and land improvements, intangible assets, construction in progress, improvements other than buildings and infrastructure. This amount represents a net increase of \$13,401,321 (24.8%) from fiscal year 2023 (see Table 3).

**Table 3
Summary of Capital Assets
(Net of Depreciation)
Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Land and land improvements	\$43,477,564	\$44,685,211
Intangible assets	2,830,412	2,830,412
Construction in progress	15,035,425	-
Improvements other than buildings	683,848	810,637
Infrastructure	<u>5,322,684</u>	<u>5,622,352</u>
Total capital assets	<u>\$67,349,933</u>	<u>\$53,948,612</u>

Capital assets decreased \$13,401,321 due to increase in construction in progress of \$15,035,425 less land sale transactions in the amount of \$1,207,647 and annual depreciation expense of \$426,457. 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 \$481,216,205 in bonds outstanding, an increase of \$298,089,069 (162.8%) compared to the previous fiscal year. During the year, the Authority issued \$284,735,000 in Revenue Bonds at a premium of \$26,296,764 less bond principal payments in the amount of \$11,404,353 and amortized bond premium in the amount of \$1,538,342. More detailed information about the Authority's revenue bonds and tax-exempt revenue note is presented in Note 6 to the financial statements.

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
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**Statement of Net Position
June 30, 2024**

Assets:

Current assets:

Cash and cash equivalents (Note 3)	\$ 7,004,844
Due from Chesterfield County (Note 10)	6,861,919
Due from other governments (Note 5)	5,233,452
Prepaid expense	2,012,281
Receivables	81,748

Restricted:

Cash and cash equivalents (Notes 2 & 3)	12,676,798
Due from Chesterfield County (Note 2 & 10)	<u>16,773,931</u>
Total current assets	<u>50,644,973</u>

Noncurrent assets:

Restricted:

Due from Chesterfield County (Note 2 & 10)	466,230,513
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Capital assets (Note 4):

Land and land improvements	43,477,564
Intangible asset	2,830,412
Construction in progress	15,035,425
Improvements other than buildings	1,936,873
Infrastructure	7,250,802
Accumulated depreciation	<u>(3,181,143)</u>
Net capital assets	<u>67,349,933</u>
Total noncurrent assets	<u>533,580,446</u>
Total assets	<u>584,225,419</u>

Liabilities:

Current liabilities:

Accounts payable	127,994
Accrued expenses	5,780,694
Retainage payable	2,093,037
Liabilities payable from restricted assets:	
Accrued expenses	3,206,695
Retainage payable	553,713
Bonds payable (Note 6)	<u>14,985,692</u>
Total current liabilities	<u>26,747,825</u>

Noncurrent liabilities:

Bonds payable (Note 6)	<u>466,230,513</u>
Total liabilities	<u>492,978,338</u>

Net Position:

Net investment in capital assets	67,349,933
Restricted by bond covenants	10,360,094
Restricted by contractual agreements	344,535
Unrestricted	<u>13,192,519</u>
Total net position	<u>\$ 91,247,081</u>

See accompanying notes to financial statements.

**ECONOMIC DEVELOPMENT AUTHORITY OF
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**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2024**

Operating revenues:	
County of Chesterfield appropriations (Note 10)	\$ 923,754
Other revenues	<u>42,272</u>
Total operating revenues	<u>966,026</u>
Operating expenses:	
Meadowville expenses	441,469
Incentives	50,000
Professional service fees	725,809
Directors' fees	10,950
Other general and administrative expenses	6,058
Depreciation expense (Note 4)	<u>426,457</u>
Total operating expenses	<u>1,660,743</u>
Operating loss	<u>(694,717)</u>
Non-operating revenues (expenses):	
County of Chesterfield appropriations (Note 10)	33,869,107
Commonwealth incentive revenue (Note 5)	11,504,275
Gain on sale of assets	4,231,265
Other revenues	238,235
Lease revenue	81,769
Interest income	981,451
Project expenses	(32,744,826)
Incentives	(346,802)
Bond interest expense (Note 6)	<u>(5,976,517)</u>
Net non-operating revenues	<u>11,837,957</u>
Change in net position	11,143,240
Net position, July 1, 2023	<u>80,103,841</u>
Net position, June 30, 2024	<u>\$91,247,081</u>

See accompanying notes to financial statements.

**ECONOMIC DEVELOPMENT AUTHORITY OF
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**Statement of Cash Flows
Year Ended June 30, 2024**

Cash flows from operating activities:	
Receipt of funds from Chesterfield County	\$ 869,582
Receipt of other revenues	42,272
Payments for operating expenses	<u>(1,232,729)</u>
Net cash used for operating activities	<u>(320,875)</u>
Cash flows from capital and related financing activities:	
Receipt of funds from Chesterfield County	40,188,290
Receipt of funds from the Commonwealth	10,616,987
Receipt of funds from sale of capital assets	5,438,912
Receipt of other revenues	261,888
Payment for project expenses	(30,554,803)
Payments for capital assets	(12,603,795)
Payments for County sewer projects	(3,143,625)
Payment for incentives	(1,846,802)
Payments for principal on bonds	(11,404,353)
Payment for interest on bonds	<u>(6,024,601)</u>
Net cash used for capital and related financing activities	<u>(9,071,902)</u>
Cash flows from investing activities:	
Receipt of interest income	<u>981,346</u>
Net cash provided by investing activities	<u>981,346</u>
Net decrease in cash and cash equivalents	(8,411,431)
Cash, July 1, 2023	<u>28,093,073</u>
Cash, June 30, 2024	\$ <u>19,681,642</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (694,717)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	426,457
Change in assets and liabilities:	
Increase in due from Chesterfield County	(54,172)
Increase in accounts payable	<u>1,557</u>
Net cash used in operating activities	\$ <u>(320,875)</u>
Noncash transactions related to capital and related financing activities are as follows:	
Amortized bond premium	\$ (1,538,342)
Amortized lease revenue	81,769

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, 2024**

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 four categories: (1) net investment in capital assets, (2) restricted by bond covenants, (3) restricted by contractual agreements, and (4) 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.

C. 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. Restricted assets include: (1) \$346,179 held by the Trustee in accordance with a contractual agreement; (2)

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**Notes to the Financial Statements
June 30, 2024**

\$12,330,619 bond proceeds reserved for improvements of Spring Rock Green Shopping Center (the “Center”) for redevelopment purposes; (3) \$1,788,239 due from the County for bond interest; and (4) \$481,216,205 receivables related to outstanding long-term debt. 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.

D. Cash Equivalents

For the purpose of the Statement of Cash Flows, all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased are considered to be cash equivalents.

E. Receivables

Unrestricted receivables consist of amounts related to a reforestation project and interest income accrued at year-end.

F. Capital Assets

Capital assets include land and land improvements, intangible assets, construction in progress, improvements other than buildings, and infrastructure assets. 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, intangible assets, 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

G. Risk Management

The Authority maintains commercial property insurance on certain improvements at Meadowville and the Center at replacement cost. In addition, the Authority obtains general liability insurance to cover the premises liability. The amount of settlements in each of the past three years did not exceed the amount of insurance coverage.

3. DEPOSITS AND INVESTMENTS

As of June 30, 2024, the carrying value of the Authority’s deposits and investments, with their respective credit rating, was as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 5,590,942	N/A
VIP – Stable NAV Liquidity Pool	<u>14,090,700</u>	AAAm
Total deposits and investments	<u>\$19,681,642</u>	

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. According to the Authority’s investment policy (the “Policy”), credit risk will be minimized by limiting investments to the types of securities allowed by State statute and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

The Virginia Security for Public Deposits Act (the “Act”) requires financial institutions holding public deposits in excess of amounts covered by federal insurance to pledge collateral to a pool in

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Notes to the Financial Statements
June 30, 2024

the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the requirements of the Act and for notifying local governments of compliance by banks and savings and loans. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Accordingly, all deposits in banks and savings and loans are considered to be insured.

As required by State statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, Fitch Investor's Service and Duff and Phelps, Inc. Negotiable certificates of deposit and bank deposit notes must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service for maturities of one year or less, and a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's Investor Service for maturities over one year and not exceeding five years. High quality corporate notes must be rated at least "AA" by Standard & Poor's and "Aa" by Moody's Investors Service with maturities of no more than five years. All credit ratings in the above table are ratings by Standard and Poor's. Deposits and investments not exposed to credit quality risk, as defined by GAAP, are designated as "N/A" in the credit rating column in the above table.

The VIP is a Section 115 governmental trust fund created under the Joint Exercise of Powers statute of the Commonwealth of Virginia to provide political subdivisions with an investment vehicle to pool surplus funds and to invest such funds into one or more investment portfolios under the direction and daily supervision of a professional fund manager. The VIP is governed by a Board of Trustees. The VIP is committed to managing certain risk limiting provisions of the VIP Stable NAV Liquidity Pool to maintain a stable net asset value (NAV) at \$1 per share, daily liquidity and a competitive yield. The VIP reports the fair value of investments, which approximates amortized costs, to its participants. The Authority reports the VIP at amortized cost.

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, 2024, all of the Authority's investments and demand deposits were insured and collateralized and not subject to custodial credit risk.

Concentration of Credit Risk: According to the Authority's Policy, to eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets shall be diversified. In establishing specific diversification strategies, portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity. Diversification strategies shall be determined and revised periodically. As of June 30, 2024, excluding demand deposits, 100% of the Authority's investments were invested in VIP – Stable NAV Liquidity Pool.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. According to the Authority's Policy, the Authority will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity. In addition, as a means of limiting exposure to fair value losses arising from interest rates, the Policy limits the investment of funds to investments with a stated maturity of no more than five

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years from the date of purchase. As of June 30, 2024, excluding demand deposits, the Authority invested \$14,090,700 in VIP – Stable NAV Liquidity Pool with a maturity date of July 1, 2024.

Fair Value Measurements: GAAP has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is based on the valuation inputs used to measure the fair value of investments. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable. As of June 30, 2024, excluding demand deposits and VIP – Stable NAV Liquidity Pool investments, the Authority had no investments subject to fair value measurement.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	<u>Balance July 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2024</u>
Capital assets not being depreciated:				
Land and land improvements	\$44,685,211	\$ -	\$1,207,647	\$43,477,564
Intangible assets	2,830,412	-	-	2,830,412
Construction in progress	<u>-</u>	<u>15,035,425</u>	<u>-</u>	<u>15,035,425</u>
Total capital assets not being depreciated	<u>47,515,623</u>	<u>15,035,425</u>	<u>1,207,647</u>	<u>61,343,401</u>
Capital assets being depreciated:				
Improvements other than buildings	1,936,873	-	-	1,936,873
Infrastructure	<u>7,250,802</u>	<u>-</u>	<u>-</u>	<u>7,250,802</u>
Total capital assets being depreciated	<u>9,187,675</u>	<u>-</u>	<u>-</u>	<u>9,187,675</u>
Less accumulated depreciation for:				
Improvements other than buildings	1,126,236	126,789	-	1,253,025
Infrastructure	<u>1,628,450</u>	<u>299,668</u>	<u>-</u>	<u>1,928,118</u>
Total accumulated depreciation	<u>2,754,686</u>	<u>426,457</u>	<u>-</u>	<u>3,181,143</u>
Net capital assets being depreciated	<u>6,432,989</u>	<u>(426,457)</u>	<u>-</u>	<u>6,006,532</u>
Total	<u>\$53,948,612</u>	<u>\$14,608,968</u>	<u>\$1,207,647</u>	<u>\$67,349,933</u>

5. DUE FROM OTHER GOVERNMENTS

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.

The Authority entered into a Virginia Business Ready Site Program Grant Performance Agreement with the Commonwealth and the VEDP where the Commonwealth intends to reimburse the Authority up to \$25 million in approved site development costs.

The following is a summary of grant activity and the remaining grant balance at year-end:

	<u>Grant Award</u>	<u>Balance July 1, 2023</u>	<u>Decrease</u>	<u>Balance June 30, 2024</u>
Infrastructure	\$19,000,000	\$ 5,239,120	\$ 4,581,744	\$ 657,376
Business Ready	<u>25,000,000</u>	<u>24,531,863</u>	<u>6,922,531</u>	<u>17,609,332</u>
Total	<u>\$44,000,000</u>	<u>\$29,770,983</u>	<u>\$11,504,275</u>	<u>\$18,266,708</u>

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During the year, the Authority reported total Commonwealth incentive revenue in the amount of \$11,504,275. This includes \$10,616,987 cash received from the Commonwealth, \$5,233,452 due from the Commonwealth at the end of the current fiscal year less \$4,346,164 due from the Commonwealth at the end of the previous fiscal year.

6. LONG-TERM OBLIGATIONS

A. Revenue Bonds

In August 2019, the County issued Public Facility Revenue Bonds through the Authority to finance the costs of certain capital improvements for general government purposes. The County is responsible for making payments on a periodic basis in an amount equal to the debt service on the bonds. In the event of default, the entire unpaid principal and interest balance cannot be declared immediately due and payable.

In October 2020, the County issued Public Facility Revenue Bonds through the Authority to (a) finance the costs of certain capital improvements for governmental purposes, included by not limited to (i) major maintenance for school buildings and other school system facilities, (ii) major maintenance for County facilities and (iii) road and drainage improvements and (b) to pay the related costs of issuing the Series 2020F Bonds. The County is responsible for making payments on a periodic basis in an amount equal to the debt service on the bonds. In the event of default, the entire unpaid principal and interest balance cannot be declared immediately due and payable.

In June 2024, the County issued Revenue Bonds through the Authority to finance the costs of various local mobility improvements and to pay the related costs of issuing the Series 2024 Bonds. The County is responsible for making payments on a periodic basis in an amount equal to the debt service on the bonds. In the event of default, the entire unpaid principal and interest balance cannot be declared immediately due and payable.

Revenue bonds outstanding at June 30, 2024 are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Future Annual Principal Requirements</u>	<u>Amount Outstanding</u>
2019B public facility revenue bonds, due 2039	\$45,705,000	3.00-5.00%	\$2,285,000	\$ 34,275,000
2020F public facility revenue bonds, due 2041	\$85,000,000	2.00-5.00%	\$4,250,000	72,250,000
2024 revenue bonds, due 2050	\$284,735,000	5.00%	\$5,970,000-\$15,085,000	<u>284,735,000</u>
Total revenue bonds				391,260,000
Add: Premium				<u>38,541,132</u>
Net revenue bonds outstanding				<u>\$429,801,132</u>

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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>
2025	\$ 6,535,000	\$ 14,446,005	\$ 20,981,005
2026	12,505,000	17,430,900	29,935,900
2027	12,805,000	16,805,650	29,610,650
2028	13,115,000	16,165,400	29,280,400
2029	13,445,000	15,509,650	28,954,650
2030-2034	72,770,000	67,487,550	140,257,550
2035-2039	83,845,000	51,185,250	135,030,250
2040-2044	73,815,000	34,107,000	107,922,000
2045-2049	83,355,000	15,806,750	99,161,750
2050	<u>19,070,000</u>	<u>762,800</u>	<u>19,832,800</u>
Total	<u>\$391,260,000</u>	<u>\$249,706,955</u>	<u>\$640,966,955</u>

B. Direct Borrowings

In December 2015, the Authority, together with the County, entered into an agreement to issue tax exempt special revenue fund bonds to finance the building of the Chester Arts Center. The Bonds are limited obligations of the Authority, payable solely from payments to be made by the County, subject to appropriations. In the event of default, the lender may, without further demand or notice, declare the entire unpaid balance as due and payable. If an event of taxability occurs that impacts the tax-exempt status of the loan, the interest rate will be adjusted to a taxable rate retroactive to the date of taxability.

In May 2017, the Authority issued a Special Assessment Revenue Note for the Chippenham Place Community Development Authority (the "CDA") to pay the outstanding balance and interest accrued on the Tax-Exempt Revenue Note, Series 2014B. The Note is a limited obligation of the Authority, payable solely from payments to be made by the County, subject to appropriations. In the event of default, the lender may take whatever action is necessary to collect the principal and interest then due. The CDA dissolved in June 2023. As a result of the dissolution, the County assumed the outstanding Series 2017 Revenue Refunding Bond (see Note 8).

In May 2019, the Authority, together with the County, entered into an agreement to issue a tax-exempt revenue bond, a direct bank loan, to fund sewer line improvements. The Bonds are limited obligations of the Authority, payable solely from payments to be made by the County, subject to appropriations. In the event of default, the lender may, without further demand or notice, declare the entire unpaid balance as due and payable. If an event of taxability occurs that impacts the tax-exempt status of the loan, the interest rate will be adjusted to a taxable rate retroactive to the date of taxability.

In September 2020, the Authority issued revenue refunding bonds to refund or defease certain outstanding obligations for the Authority and the County and pay the costs of issuance. The Bonds are limited obligations of the Authority, payable solely from payments to be made by the County, subject to appropriations. In the event of default, the lender may take whatever action is necessary to collect the principal and interest then due.

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In December 2022, the Authority issued tax-exempt revenue bond to finance the design, acquisition, construction and equipping of certain public infrastructure and open space improvements in the County related to the Spring Rock Green Development project, now known as Springline District 60, and pay the costs of issuance. The bond is a limited obligation of the Authority, payable solely from payments to be made by the County, subject to appropriations. In the event of default, the lender may, without further demand or notice, declare the entire unpaid balance as due and payable.

Direct borrowings outstanding on June 30, 2024 are as follows:

	Original <u>Issue Amount</u>	Interest <u>Rates</u>	Future Annual Principal <u>Requirements</u>	Amount <u>Outstanding</u>
2015 revenue bond, due 2032	\$ 6,899,800	3.09%	\$459,987	\$ 3,679,896
2017 tax-exempt revenue refunding bond, due 2032	\$11,774,028	2.89%	\$777,197-\$948,731	6,884,177
2019 tax-exempt revenue bond, due 2032	\$15,000,000	2.35%	\$691,000-\$1,459,000	10,219,000
2020C revenue refunding bond, due 2030	\$ 5,659,000	1.00%	\$389,000-\$785,000	2,816,000
2020D revenue refunding bond, due 2025	\$ 2,611,000	0.75%	\$638,000	638,000
2020E revenue refunding bond, due 2035	\$ 6,246,000	2.00%	\$393,000-\$479,000	4,777,000
2022 tax-exempt revenue bond, due 2043	\$23,000,000	4.34%	\$776,000-\$1,694,000	22,401,000
Total revenue bonds				<u>\$51,415,073</u>

Debt service requirements to maturity for the direct borrowings are as follows.

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 5,096,184	\$ 1,614,550	\$ 6,710,734
2026	4,189,645	1,492,950	5,682,595
2027	4,279,755	1,376,618	5,656,373
2028	4,373,533	1,257,191	5,630,724
2029	4,468,998	1,134,564	5,603,562
2030-2034	15,630,958	3,912,764	19,543,722
2035-2039	7,020,000	2,123,182	9,143,182
2040-2043	<u>6,356,000</u>	<u>566,674</u>	<u>6,922,674</u>
Total	<u>\$51,415,073</u>	<u>\$13,478,493</u>	<u>\$64,893,566</u>

C. Summary of Debt Transactions

The following is a summary of long-term debt transactions for the year ended June 30, 2024:

	Balance <u>July 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2024</u>	Amounts Due Within <u>One Year</u>
Revenue bonds	\$113,060,000	\$284,735,000	\$ 6,535,000	\$391,260,000	\$ 6,535,000
Add: Premium	<u>13,782,710</u>	<u>26,296,764</u>	<u>1,538,342</u>	<u>38,541,132</u>	<u>3,354,508</u>
Net revenue bonds	126,842,710	311,031,764	8,073,342	429,801,132	9,889,508
Direct borrowings	<u>56,284,426</u>	<u>-</u>	<u>4,869,353</u>	<u>51,415,073</u>	<u>5,096,184</u>
Total	<u>\$183,127,136</u>	<u>\$311,031,764</u>	<u>\$12,942,695</u>	<u>\$481,216,205</u>	<u>\$14,985,692</u>

For the year ended June 30, 2024, the Authority reported total bond interest expense in the amount of \$5,976,517. This includes \$6,024,601 of interest paid and \$1,788,239 of interest accrued at year-end less \$1,836,323 interest accrued in the prior year.

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7. COMMERCIAL MANAGEMENT AGREEMENT

In October 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. During the year, all tenant leases expired, final operating costs were paid and the agreement was terminated. The Manager reported the following financial activity for the year ended June 30, 2024:

Operating revenues	\$ 82,183
Operating expenses	<u>(46,105)</u>
Net operating activity	36,078
Payment to the Authority	<u>(58,003)</u>
Expenses over revenues	(21,925)
Beginning cash balance, July 1, 2023	<u>21,925</u>
Ending cash balance, June 30, 2024	\$ <u> </u> -

8. CONDUIT DEBT OBLIGATIONS

To further economic development in the County, the Authority has issued the following industrial development bonds that meet the definition of a conduit debt obligation. 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.

- A. Retirement Facilities First Mortgage Revenue Bonds 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. On June 30, 2024, the bonds had an outstanding principal balance of \$27,930,647.
- B. Multifamily Housing Revenue Bonds to finance the acquisition, construction and equipping of multi-family housing developments. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the private-sector facility. On June 30, 2024, the outstanding principal balance was \$35,863,932 with \$315,134 remaining on a draw down structure issue.

9. COMMITMENTS

On June 30, 2024, uncompleted contracts totaled \$52,321,845 for road projects, sewer line improvements, development of Springline District 60 and Upper Magnolia Green, and other Authority projects. Commitments in the amount of \$8,309,090 will be made from restricted assets and \$44,012,755 will be made from unrestricted assets.

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**Notes to the Financial Statements
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10. RELATED PARTY TRANSACTIONS

County Appropriations: For the year ended June 30, 2024, the Authority reported total appropriations from the County in the amount of \$34,792,861. This includes the following:

	<u>Non-Operating Appropriations</u>			<u>Operating</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Appropriations</u>	<u>Appropriations</u>
Receipt of funds	\$22,759,336	\$ 17,428,954	\$ 40,188,290	\$869,582	\$ 41,057,872
FY23 due from County	(1,500,000)	(184,963,459)	(186,463,459)	(174,493)	(186,637,952)
FY24 due from County	6,633,254	483,004,444	489,637,698	228,665	489,866,363
Less: Revenue Bond issuance	-	(311,031,764)	(311,031,764)	-	(311,031,764)
Amortized bond premium	-	<u>1,538,342</u>	<u>1,538,342</u>	-	<u>1,538,342</u>
County appropriations	<u>\$27,892,590</u>	<u>\$ 5,976,517</u>	<u>\$ 33,869,107</u>	<u>\$923,754</u>	<u>\$ 34,792,861</u>

Due to County: During the year, the bond proceeds maintained by the Authority for County sewer line improvements were exhausted and at June 30, 2024 the Authority did not report a liability to the County. During the year, cash balance was reduced by \$3,143,625 due to the following: \$3,276,296 of project costs, \$1,851 prior year accrued expenses less \$134,522 net interest income.

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, 2024, the Authority made payments of \$6,400 to the County.

11. CLAIMS AND LAWSUITS

On June 30, 2024, there were no claims or lawsuits pending involving the Authority that are considered material to the financial statements.

**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, 2024, 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 27, 2024.

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 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

Richmond, Virginia
September 27, 2024