PENINSULA TOWN CENTER
COMMUNITY DEVELOPMENT AUTHORITY

AUDITED FINANCIAL STATEMENTS
AS OF JUNE 30, 2021, AND 2020

CUSIP NUMBERS:
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THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

PENINSULA TOWN CENTER
COMMUNITY DEVELOPMENT AUTHORITY

ANNUAL FINANCIAL STATEMENTS
JUNE 30, 2021, AND 2020

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I. *BOARD OF DIRECTORS*

Mr. Nick Hobbs, Chairman

Mr. James A. “Pete” Peterson, Vice Chairman

Mr. Brian DeProfio, Secretary/Treasurer

Ms. Judy Miller

Mr. James Eason

Vacancy

Patricia Melochick, Assistant Secretary/Treasurer

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Peninsula Town Center Community Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Peninsula Town Center Community Development Authority (Authority), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2021 and 2020, and the respective changes in financial position, and cash flows, thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 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.

The Nichols Group

The Nichols Group, PA
Certified Public Accountants
Fleming Island, Florida
March 15, 2022

III. *MANAGEMENT'S DISCUSSION AND ANALYSIS*

The Management's Discussion and Analysis of the Peninsula Town Center Community Development Authority's (the "Authority") financial performance provides an overall review of the Authority's financial activities for the fiscal periods ended June 30, 2021, and 2020. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. Readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. The Authority incurred long term debt of $92,850,000 in Special Obligation Bonds on September 6, 2007, (the "Series 2007 Bonds") bearing interest at 5.8% to 6.45% per annum. The Authority's debt was paid through the collection of special assessments, special *ad valorem* taxes and incremental tax revenues imposed on the chargeable properties benefiting from the capital improvements.

2. On August 15, 2018, the Authority issued $77,880,000 in Special Obligation Refunding Bonds, Series 2018 (the "Series 2018 Bonds) to refund the Series 2007 Bonds and to pay costs related to the issuance of the Series 2018 Bonds. For more information, please see Note 6 of the Notes to the Financial Statements.

3. Net Deficit at June 30, 2021 and 2020 totaled ($20,661,155) and ($21,483,594), respectively.

4. Capital assets, net of depreciation, at June 30, 2021 and 2020 totaled $47,402,259 and $47,613,087, respectively. On January 18, 2011, the City of Hampton issued a Certificate of Completion for the public improvements. Costs associated with the site preparation of $22,802,439 were expensed. The land and parking structure will be owned by the Authority. The cost of the parking structure is being depreciated using the straight-line method over its estimated useful life.

5. The Retail Portion of the Annual Installment totaling $612,493 and $608,374 was remitted to the Authority in fiscal years 2021 and 2020, respectively.

6. Special *Ad Valorem* taxes of $609,066 and $540,146 were remitted in fiscal years 2021 and 2020, respectively. Delinquencies totaled $5,787 as of June 30, 2021.

7. Incremental tax revenues totaling $2,808,173 and $2,478,740 were remitted in fiscal years 2021 and 2020, respectively. Delinquencies totaled $6,503 as of June 30, 2021.

8. Special assessments totaling $785,450 and $185,564 were remitted in fiscal years 2021 and 2020, respectively. As of June 30, 2021, $20,599 was delinquent

9. At the time of the issuance of the 2018 Series Bonds, $1.7 million was deposited with the trustee to be released to the developer if certain conditions were met by September 15, 2020. If the conditions were not met, the funds would be used to call bonds. On September 11, 2020, the developer filed an injunction to defer the release of the funds to call bonds until questions regarding the conditions had been resolved. As of January 13, 2022, the parties to the proceedings were waiting on the court to either grant a hearing on Plaintiff's Motion for Partial Summary Judgment or rule on the Motion without a hearing. As of March 15, 2022, the Authority cannot accurately predict when or how the Court will rule. For more information, please see Notes 6 and 8 of the Notes to the Financial Statements.

10. As noted in the Amended and Restated Indenture of Trust for the Series 2018 Bonds, not less frequently than semiannually, the Trustee was to transfer any investment earnings on the $1.7 million Additional Reserve Fund to the developer at the written direction of the developer. On March 17, 2021, a payment of $59,864 was made to the developer for interest accumulated to date. Because no payments had been made prior to this date, the interest owed each year was not recorded. Therefore, the fiscal year 2020 Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position were restated to reflect these amounts.

11. At the October 29, 2021, board meeting, a resolution was passed approving and consenting to a supplement updating the Amended and Restated Declaration of Protective Covenants for the Peninsula Town Center and to Similar Future Proposed Updates, which allows the Property Owners' Association ("the POA") to reallocate the POA Fee Allocations provided such reallocation does not increase the percentage of allocation attributable to a given owner without the owner's consent.

Overview of the Financial Statements

This annual report consists of two parts – Management's Discussion and Analysis and the basic financial statements consisting of a *Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows,* and related footnotes. The Statement of Net Position represents the financial position of the Authority and provides information about the activities of the Authority, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in financial position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

Summary Statement of Net Position:

	2021	2020 Restated
Assets:		
Current and Other Assets	$ 12,217,687	$ 11,680,372
Capital Assets	47,402,259	47,613,087
Total Assets	59,619,946	59,293,459
Deferred outflow of resources	790,955	839,880
Total Assets and Deferred Outflow of Resources	60,410,901	60,133,339
Liabilities:		
Current Liabilities	2,075,963	1,774,837
Long Term Liabilities	78,996,093	79,842,096
Total Liabilities	81,072,056	81,616,933
Net Position:		
Net investment in capital assets	(32,283,834)	(32,564,009)
Restricted assets	2,586,708	564,529
Unrestricted assets	9,035,971	10,515,886
Total Net Position	$ (20,661,155)	$ (21,483,594)

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

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

	2021	2020 Restated
Operating Revenue	$ 5,004,468	$ 4,158,136
Operating Expenses	(302,237)	(160,201)
Operating Income	4,702,231	3,997,935
Non-Operating Revenues	7,692	109,955
Non-Operating Expenses	(3,887,484)	(3,930,643)
Total Non-operating Revenues/(Expenses)	(3,879,792)	(3,820,688)
Change in Net Position	$ 822,439	$ 177,247

The increase in net position in 2021 was the result of increased taxes and assessments partially offset by increased legal and administrative fees due to the injunction filed by the developer.

Capital Assets

The Authority's capital assets at June 30, 2021 consisted of land and a parking structure financed with the Series 2007 Bonds to be owned by the Authority. The parking structure is being depreciated using the straight-line method over the estimated useful life.

Long-Term Debt

The Authority issued $92,850,000 of Special Obligation Bonds, Series 2007, dated September 6, 2007, paying interest at 5.80% to 6.45% per annum, and due in annual installments with maturities ranging from 2011 to 2037. The proceeds from the Series 2007 Bonds were used to finance construction of certain public infrastructure improvements within the District including land, road and traffic improvements, parking facilities, storm water management improvements, water and sewer extensions and improvements, streetscaping and parks.

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

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

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

The debt service on the Series 2018 Bonds is paid annually by the revenue received from the special assessments, *ad valorem* taxes levied on the property owners within the District, and incremental tax revenues generated by the business operations within the District. Interest is payable on March 1 and September 1 and began on March 1, 2019. Sinking fund payments began on September 1, 2020.

Revenues

Revenues are being paid from three sources:

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

These revenue collections totaled $4,815,182 and $3,812,824 for fiscal years 2021 and 2020, respectively.

Revisions to the Development Plans

At a meeting of the board of directors on September 19, 2017, the board approved alterations to the Authority's property and easements in connection with a proposal by the developer to make changes to Executive Drive to accommodate the "Power Center" improvements. The "Power Center" will consist of two commercial buildings totaling 98,000 square feet on the westernmost parcel of the District. As of June 30, 2021, approximately 56,908 square feet of formerly vacant ground floor retail space is in the process of being demolished in anticipation of developing fifty-two new Class A apartment units in that space. A building permit for these units has been issued.

Developer Injunction

When the Series 2018 Bonds were issued, $1.7 million was deposited with the trustee to be released to the developer if certain conditions were met by September 15, 2020. If the conditions were not met, the funds would be used to call bonds. The developer met one condition on August 31, 2020, which required completion of an additional development. The second condition was based on projected revenues, with several assumptions in question. On September 11, 2020, the developer filed an injunction to defer the release of the funds to call bonds until the assumptions have been resolved. As of January 13, 2022, the parties to the proceedings are waiting on the court to either grant a hearing on Plaintiff's Motion for Partial Summary Judgment or rule on the Motion without a hearing. See Notes 6 and 8 in the Notes to the Financial Statements for additional discussion.

Restatement of 2020 Financial Statements

As noted in the Amended and Restated Indenture of Trust for the Series 2018 Bonds, not less frequently than semiannually, the Trustee was to transfer any investment earnings on the $1.7 million deposited into the Additional Reserve Fund to the developer at the written direction of the developer. On March 17, 2021, a payment of $59,864, including $59,171 accumulated through fiscal year 2020, was made to the developer for interest accumulated to date. Because no payments had been made prior to this date the interest owed each year was not recorded. Therefore, the fiscal year 2020 Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position were restated to reflect these amounts.

In addition, it was noted in fiscal year 2021 that interest receivable and interest income had been overstated in fiscal year 2020 by $32,551. This adjustment has also been made to the 2020 Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

The result of the restatements was an increase in the negative Net Position of $91,722.

Economic Factors and Future Outlook

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

Presently, the Authority is not aware of any other significant changes in conditions that would have a significant effect on the administrative expenses in the near future.

Contacting Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Authority's administrator, MuniCap, Inc., at 8965 Guilford Road, Suite 210, Columbia, Maryland 21046.

PENINSULA TOWN CENTER COMMUNITY DEVELOPMENT AUTHORITY
STATEMENTS OF NET POSITION
As of June 30,

	2021	2020 Restated
Assets:		
Current Assets		
Accrued interest receivable	$ 21	$ 4
Accrued facilities charges receivable	55,619	47,056
Due from primary government	2,579,829	2,270,444
Prepaid expenses	-	1,046
Short term investments	6,995,510	8,797,293
Total Current Assets	9,630,979	11,115,843
Noncurrent Assets		
Restricted cash and cash equivalents	2,586,708	564,529
Capital assets, net of depreciation	47,402,259	47,613,087
Total Noncurrent Assets	49,988,967	48,177,616
Total Assets	59,619,946	59,293,459
Deferred outflows of resources		
Deferred loss from restructure of debt	790,955	839,880
Total Deferred Outflows of Resources	790,955	839,880
Total Assets and Deferred Outflows of Resources	60,410,901	60,133,339
Liabilities:		
Current Liabilities		
Accounts payable	125,730	115,749
Accrued interest payable	1,260,233	1,264,917
Developer interest payable	-	59,171
Short-term portion of long-term debt	690,000	335,000
Total Current Liabilities	2,075,963	1,774,837
Noncurrent Liabilities		
Bonds payable, long-term portion	76,855,000	77,545,000
Premium on long-term debt, net	2,141,093	2,297,096
Total Noncurrent Liabilities	78,996,093	79,842,096
Total Liabilities	81,072,056	81,616,933
Net Position:		
Net investment in capital assets	(32,283,834)	(32,564,009)
Restricted	2,586,708	564,529
Unrestricted	9,035,971	10,515,886
Total Net Position	$ (20,661,155)	$ (21,483,594)

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

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

	2021	2020 Restated
Operating Revenues		
Special assessments	$ 1,040,700	$ 372,564
Incremental tax revenues	3,364,045	3,158,745
Facilities charge revenues	599,723	626,827
Total Operating Revenues	5,004,468	4,158,136
Operating Expenses		
Administrative fees	145,635	101,944
Legal fees	148,366	50,051
Lockbox fees	2,690	2,708
Accounting and audit fees	4,500	4,500
Insurance expense	1,046	998
Total Operating Expenses	302,237	160,201
Operating Income	4,702,231	3,997,935
Non-Operating Revenues (Expenses)		
Interest income	4,922	107,702
Penalties and interest on delinquent payments	2,770	2,253
Bond interest expense	(3,675,963)	(3,687,067)
Developer interest income reimbursement	(693)	(32,748)
Depreciation expense	(210,828)	(210,828)
Total Non-Operating Revenues (Expenses)	(3,879,792)	(3,820,688)
Change in net position	822,439	177,247
Net position, beginning of year	(21,483,594)	(21,660,841)
Net position, end of year	$ (20,661,155)	$ (21,483,594)

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

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

	2021	2020
Cash Flows from Operating Activities		
Cash received from property owners	$ 4,202,689	$ 3,204,450
Cash received from retailers	612,493	608,374
Cash payments for administrative fees	(161,430)	(70,029)
Cash payments for accounting and audit fees	-	(8,500)
Cash payments for legal fees	(127,047)	(35,844)
Cash payments for lockbox fees	(2,712)	(2,708)
Cash (payments) receipts for lockbox county remittance	(128,168)	101,231
Cash payments for insurance	-	(2,044)
Net Cash Provided by Operating Activities	4,395,825	3,794,930
Cash Flows from Investing Activities		
Interest received on investments	50,745	194,159
Investments sold (purchased)	1,755,944	(30,685)
Net Cash Provided by Investing Activities	1,806,689	163,474
Cash Flows from Capital and Related Financing Activities		
Interest paid on bonds	(3,787,725)	(3,794,750)
Principal paid on bonds	(335,000)	-
Interest paid to developer	(59,864)	-
Penalties and interest received	2,254	35
Net Cash Used in Capital and Related Financing Activities	(4,180,335)	(3,794,715)
Net Change in Cash and Investments	2,022,179	163,689
Cash and Cash Equivalents, Beginning of Year	564,529	400,840
Cash and Cash Equivalents, End of Year	$ 2,586,708	$ 564,529

	2021	2020
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 4,702,231	$ 3,997,935
Adjustments		
Increase in due from primary government	(309,385)	(241,124)
Decrease (increase) in prepaid expenses	1,046	(1,046)
Increase in facilities charges receivable	(8,563)	(5,173)
(Decrease) increase in accounts payable	9,981	42,121
Increase in penalties & interest revenues	515	2,217
Net Cash Provided by Operating Activities	$ 4,395,825	$ 3,794,930

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

V. *NOTES TO THE FINANCIAL STATEMENTS*

NOTE 1—FINANCIAL REPORTING ENTITY

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

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

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

The District consists of approximately seventy-seven acres of land within the City near the southern end of the Virginia Peninsula. The development contains shopping, dining, office, entertainment and residential components, all within a short walk of each other. The development's goal is to be the premiere destination shopping center in the southeastern Virginia peninsula. At a meeting of the Board of Directors on March 29, 2017, the Board approved a revision to the original development plan to include the construction of a hotel and apartments, along with revisions to the roadways. At a meeting of the Board of Directors on September 19, 2017, the Board authorized certain alterations to the District property and easements in connection with a proposal by the developer to make certain changes to Executive Drive to accommodate the "Power Center" improvements. As of June 30, 2021, 56,908 square feet of formerly vacant ground floor retail space is in the process of being demolished in anticipation of developing fifty-two new Class A apartment units. A building permit for these units has been issued.

The powers of the Authority are exercised by six members appointed by the City Council in accordance with the Act. The City Council also appoints successor members of the Authority for a term of four years. There is presently one vacancy on the board.

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

A. Basis of Presentation

The Authority's basic financial statements consist of a Statement of Net Position a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Authority uses enterprise fund accounting to maintain its financial records during the fiscal year. Enterprise fund accounting focuses on the determination of operating income, financial position and changes in financial position, and cash flows.

B. Measurement Focus and Basis of Accounting

The Authority's financial activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs.

Net Position is segregated into Net Investment in Capital Assets, Restricted, and Unrestricted components, if applicable.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, and measurement focus relates to the timing of the measurements made. The Authority uses the accrual basis of accounting and the flow of economic resources measurement focus for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Cash and Investments

Cash received by the Authority is deposited with a financial institution or invested. Deposits and investments having an original maturity of three months or less at the time they are purchased are presented in the financial statements as Cash and Cash Equivalents. Investments with an initial maturity of more than three months are reported as Investments.

D. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets will be recorded at their fair market value on the date that they will be donated. The Authority does not maintain a capitalization threshold as all infrastructure assets are capitalized. The Authority does not depreciate infrastructure improvements that will be donated upon completion/acquisition. Assets owned by the Authority are depreciated on a straight-line basis over the estimated useful life. Interest expense during the period of construction was capitalized, net of investment earnings.

E. Net Position

Net Position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net Position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

F. Operating Revenues and Expenses

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

G. Use of Estimates

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

H. Income Taxes

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

I. New Accounting Standards

The Authority has adopted all current Statements of the GASB that are applicable.

J. Future Accounting Standards

GASB has issued new standards that will become effective in future fiscal years. The Authority will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE 3—CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of June 30, 2021, and 2020:

	2021	2020
US Treasury money market funds	$ 2,535,924	$ 459,513
Cash	50,784	105,016
Total cash and cash equivalents	$ 2,586,708	$ 564,529

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

A. Custodial Credit Risk

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

B. Interest Rate Risk

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

C. Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Indenture specifies the minimum rating of different types of cash equivalents and investments in order to address this risk. Investments in the money market funds at June 30, 2021 and 2020 have met the specified ratings criteria.

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

D. Concentration of Credit Risk

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

E. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The Authority's investments in money market funds totaling $2,535,924 are valued using quoted market prices (Level 1 inputs).

NOTE 4—INVESTMENTS

Investments are reported at amortized cost and are segregated into short-term and long-term components based on the maturity date of the investment. Investments maturing within one year are considered short-term. Amortization of investment premiums or discounts is calculated using the straight-line method. All investments are expected to be held until maturity. Investments consisted of the following at June 30, 2021:

	Par Value	Interest Rate	Maturity
US Treasury Bill	$ 6,996,000	0.045%	8/26/2021

NOTE 5—CAPITAL ASSETS

The Authority's capital asset activity for the years ended June 30, 2021, and 2020 was as follows:

	Beginning Balance	Additions	Transfers	Expense	Ending Balance
2021					
Land	$ 41,165,179	$ -	$ -	$ -	$ 41,165,179
Vertical core construction	8,433,205	-	-	-	8,433,205
Total Capital Assets	49,598,384	-	-	-	49,598,384
Accumulated depreciation	(1,985,297)	(210,828)	-	-	(2,196,125)
Net Capital Assets	$ 47,613,087	$ (210,828)	$ -	$ -	$ 47,402,259

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

Public improvements acquired and constructed with the Series 2007 Bonds proceeds consisted of land, road and traffic improvements, parking facilities, storm water management improvements, water and sewer extensions and improvements, streetscaping and parks. Pursuant to the Memorandum of Understanding, the infrastructure improvements are to be transferred by the Authority to the appropriate public entity for their operation and maintenance upon final inspection and acceptance. The public improvements were completed as of June 30, 2009, and the City issued a Certificate of Completion for the public improvements on January 18, 2011.

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

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

NOTE 6—LONG-TERM OBLIGATIONS

Long term debt consisted of the following at June 30, 2021 and 2020:

2021	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series 2018 Bonds					
Term 2023	$ 2,325,000	$ -	$ (205,000)	$ 2,120,000	$ 600,000
Term 2028	6,000,000	-	-	6,000,000	-
Term 2037	21,970,000	-	-	21,970,000	-
Term 2045	38,385,000	-	-	38,385,000	-
Turbo Term 2045	9,200,000	-	(130,000)	9,070,000	90,000
Series 2018 Bond Premium	2,297,096	-	(156,003)	2,141,093	-
Net Bonds Payable	$80,177,096	$ -	$ (491,003)	$ 79,686,093	$ 690,000

2020	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series 2018 Bonds					
Term 2023	$ 2,325,000	$ -	$ -	$ 2,325,000	$ 205,000
Term 2028	6,000,000	-	-	6,000,000	-
Term 2037	21,970,000	-	-	21,970,000	-
Term 2045	38,385,000	-	-	38,385,000	-
Turbo Term 2045	9,200,000	-	-	9,200,000	130,000
Series 2018 Bond Premium	2,453,705	-	(156,609)	2,297,096	-
Net Bonds Payable	$80,333,705	$ -	$ (156,609)	$ 80,177,096	$ 335,000

A. Special Obligation Bonds, Series 2007

On September 6, 2007, the Authority issued $92,850,000 in Special Obligation Bonds Series 2007 to finance the construction of public infrastructure improvements located within the District, to fund a reserve fund, to fund capitalized interest on the Series 2007 Bonds, to fund certain administrative expenses, and to pay costs relating to the issuance of the Series 2007 Bonds.

The Series 2007 Bonds were limited obligations of the Authority, payable solely from and secured by revenues collected from special assessment taxes, *ad valorem* taxes and incremental tax revenues after payment of administrative expenses.

The Series 2007 Bonds were redeemed by the Series 2018 Bonds – see Note B.

B. Special Obligation Bonds, Series 2018

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

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

The Series 2018 Bonds were issued to refund all of the outstanding Series 2007 Bonds, fund a repair and replacement account, fund a debt service reserve fund for the Series 2018 Bonds, fund the administrative expenses through July 1, 2020, and pay the costs of issuing the Series 2018 Bonds.

At the time of the issuance of the Series 2018 Bonds, $1.7 million was deposited with the trustee to be released to the developer if certain conditions were met by September 15, 2020. If the conditions were not met, the funds would be used to call bonds. The developer met one condition on August 31, 2020, which required completion of an additional development. The developer is contesting the calculation of projected revenues for the next three years, which was prepared by MuniCap as administrator, and is the second condition for the release of funds. The most significant question regarding the calculation is the impact of COVID-19 and how it will affect pledged revenues due as of September 1, 2021, and 2022. On January 14, 2021, the Court entered an Order granting the plaintiff leave to file an Amended Complaint and directing the defendants to respond to that Amended Complaint by January 22, 2021. The parties agreed Wells Fargo will not act on the Additional Reserve Fund until a new agreement between the parties, or court order. The Trustee and the Authority filed their respective Answers to the Amended Complaint on January 22, 2021. The City and MuniCap were dismissed as defendants in the Amended Complaint. See Note 8 – Subsequent Events for additional discussion.

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

The Series 2018 Bonds are limited obligations of the Authority payable solely from and secured by a pledge of special taxes and certain funds held by the Trustee. The Authority, on behalf of the District, will impose and collect the special taxes and has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special taxes, including assessing penalties and interest and foreclosure proceedings. In addition, when special taxes are imposed, a lien is made on the applicable parcels.

Interest on the Series 2018 Bonds is payable according to the terms specified by the Indenture semiannually on March 1 and September 1 of each year beginning on March 1, 2019. Interest on the Series 2018 Bonds is calculated on the basis of a 360-day year comprised of twelve 30-day months. For the Series 2018 Bonds, interest paid in fiscal years 2021 and 2020 was $3,787,725 and $3,794,750, respectively.

1. Optional Redemption

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

2. Extraordinary Mandatory Redemption

The Series 2018 Bonds are subject to extraordinary mandatory redemption in whole or in part on any date from any prepayments of special assessments or at any time from any funds remaining in the project fund after completion of the improvements. As of June 30, 2021, no special mandatory redemptions have been made.

C. Mandatory Sinking Fund Redemption

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

	Term 2023 4% $2,325,000		Term 2028 4.5% $6,000,000	
Year Ending June 30:	Principal	Interest	Principal	Interest
2022	$ 600,000	$ 84,800	$ -	$ 270,000
2023	705,000	60,800	-	270,000
2024	815,000	32,600	-	270,000
2025	-	-	930,000	270,000
2026	-	-	1,055,000	228,150
2027-2031	-	-	4,015,000	374,850
2032-2036	-	-	-	-
2037-2041	-	-	-	-
2042-2046	-	-	-	-
Total	$ 2,120,000	$ 178,200	$ 6,000,000	$ 1,683,000

	Term 2037 5% $21,970,000		Term 2045 4.5% $38,385,000	
Year Ending June 30:	Principal	Interest	Principal	Interest
2022	$ -	$ 1,098,500	$ -	1,919,250
2023	-	1,098,500	-	1,919,250
2024	-	1,098,500	-	1,919,250
2025	-	1,098,500	-	1,919,250
2026	-	1,098,500	-	1,919,250
2027-2031	3,435,000	5,411,000	-	9,596,250
2032-2036	12,065,000	3,536,000	-	9,596,250
2037-2041	6,470,000	491,750	11,830,000	9,034,750
2042-2046	-	-	26,555,000	4,172,250
Total	$ 21,970,000	$ 14,931,250	$ 38,385,000	$ 41,995,750

	Turbo Term Bonds 5% $9,200,000		Total Series 2018 Bonds	
Year Ending June 30:	Principal	Interest	Principal	Interest
2022	$ 90,000	$ 408,150	$ 690,000	$ 3,780,700
2023	105,000	404,100	810,000	3,752,650
2024	120,000	399,375	935,000	3,719,725
2025	135,000	393,975	1,065,000	3,681,725
2026	150,000	387,900	1,205,000	3,633,800
2027-2031	1,060,000	1,820,475	8,510,000	17,202,575
2032-2036	1,640,000	1,530,675	13,705,000	14,662,925
2037-2041	2,390,000	1,098,675	20,690,000	10,625,175
2040-2046	3,380,000	476,100	29,935,000	4,648,350
Total	$ 9,070,000	$ 6,919,425	$ 77,545,000	$ 65,707,625

D. Additional Bonds

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

NOTE 7—SPECIAL ASSESSMENTS

The Series 2018 Bonds are special obligations of the Authority payable solely from and secured by a pledge of District Taxes and Assessments. District Taxes and Assessments are defined as follows:

(i) special assessments levied on the taxable parcels in the District,
(ii) special *ad valorem* taxes levied on the taxable parcels in the District, and
(iii) certain incremental tax revenues pledged to the payment of the Series 2018 Bonds.

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

A. Special Assessments

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

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

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

An Amended and Restated Collection Agreement dated July 1, 2018, states the Landowners of the retail property within the District agree to pay or cause to be paid to the City the portion of Annual Payment B that has not been remitted by retailers on a monthly basis. These delinquent amounts will be billed and collected in the same manner and at the same time as the City's Special *Ad Valorem* real estate taxes. Delinquent Annual Payment B amounts for 2020 totaling $20,924 were billed to property owners for collection in tax year 2022. Delinquent Annual Payment B amounts for 2019 totaling $778 were billed to property owners for collection in tax year 2021. As of June 30, 2021, all amounts billed for 2019 had been received.

The Retail Portion of the Annual Installment or "Facilities Charge" was collected starting January 1, 2010. The Retail Portion of the Annual Installment totaling $612,493 and $608,374 was remitted to the Authority in fiscal years 2021 and 2020, respectively.

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

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

Pursuant to the Amended Annual Assessment Report and Amendment of the Assessment Roll for the Collection of Assessments in 2020-2021 dated May 12, 2021 (the "2020-2021 Amended Report"), the Annual Payment A to be collected for 2020-2021 was revised from $1,200,000 to $1,088,301. The change in the amount of the Annual Payment A to be collected in 2020-2021 was a result of the actual First Available Pledged Revenues being greater than what was originally estimated. As a result of these changes, the Annual Payment A on some individual parcels increased and the Annual Payment A on other parcels decreased, resulting in a net decrease in the Annual Payment A to be collected for 2020-2021. As of June 30, 2021, $2,496 was delinquent.

Per the Annual Assessment Report, the Back-up Portion of the Annual Installment totaled $374,000 for fiscal year 2020, payable in two equal installments on December 5, 2019, and June 5, 2020. As of June 30, 2021, $18,103 was delinquent.

B. Special *Ad Valorem* Taxes

The Special *Ad Valorem* Tax equals $0.25 per $100 of the assessed fair market value of any taxable real estate, or the assessable value of taxable leasehold property within the District. Special *Ad Valorem* taxes equal to $609,066 and $540,146 were remitted to the City and subsequently transferred to the Authority in fiscal years 2021 and 2020, respectively. As of June 30, 2021, delinquencies totaled $958 and $4,829 for fiscal years 2021 and 2020, respectively.

C. Incremental Tax Revenues

The Incremental Tax Revenues include the real property tax incremental revenues, and the sales tax incremental revenues, as specified in the Memorandum of Understanding dated April 25, 2006, and the Amended Memorandum of Understanding dated April 11, 2018, among the Authority, the City Council, and the developer. Incremental tax revenues totaling $2,808,173 and $2,478,740 were collected and remitted to the Authority in fiscal years 2021 and 2020, respectively. As of June 30, 2021, delinquencies totaled $4,752 and $1,751 for fiscal years 2021 and 2020, respectively.

NOTE 8—SUBSEQUENT EVENTS

A. Current Delinquencies

Per the Annual Assessment Report, an Annual Payment A of $1,112,000 is due for fiscal year 2022. As of December 31, 2021, $2,262 is outstanding. The incremental tax revenues, special *Ad Valorem* tax, and Retail Portion of the special assessments revenues are estimated to be insufficient to pay all costs of the Authority for the period. In addition, as of December 31, 2021, $2,130 remains outstanding for fiscal year 2020.

As of December 31, 2021, $4,752 in Incremental Tax Revenues and $958 in Special *Ad Valorem* Taxes are delinquent for both fiscal years 2022 and 2021.

As of December 31, 2021, 2019 delinquent retail assessments totaled $342.

B. Developer Injunction Update

In July 2021, the Court stayed all proceedings in the case, except for the completion of briefing on the developer's Partial Summary Judgment, which asks the Court to rule that the developer has satisfied the requirements for release of the Additional Reserve Funds. Briefing on the motion was completed in August 2021. As of January 13, 2022, there had been no further ruling by the Court. If the Court grants the motion, the case will be resolved, and the Trustee will be directed to release the Additional Reserve funds to the developer. If the Court denies the motion, then it will reset the case for trial and direct the parties to attend a settlement conference with the assigned United States Magistrate Judge. As of March 15, 2022, the Authority cannot accurately predict when or how the Court will rule.

C. Amended Annual Assessment Report

As discussed in Note 7, pursuant to the Amended Annual Assessment Report and Amendment of the Assessment Roll for the Collection of Assessments in 2020-2021 dated May 12, 2021 (the "2020-2021 Amended Report"), the Annual Payment A to be collected for 2020-2021 was revised from $1,200,000 to $1,088,301. The change in the Annual Payment A for the parcels to which Annual Payment A decreased was reflected on the second half installment tax bill for 2020-2021. However, due to the City's billing process, they were unable to increase the Annual Payment A on the second half 2020-2021 tax bill for the parcels to which Annual Payment A increased.

Accordingly, supplemental bills in the aggregate amount of $47,709 were billed to these parcels and were due with the first half installment of tax bills for fiscal year 2021-2022 in December 2021. According to the City, the supplemental bills were paid in full as of December 6, 2021.

NOTE 9—ARBITRAGE

When applicable, arbitrage calculations are performed on the Authority's funds to determine any arbitrage rebate or yield restriction liability. No liabilities for arbitrage rebate or yield restrictions were identified in fiscal years ending June 30, 2021, and 2020.

NOTE 10—CONTINGENT LIABILITIES

As of June 30, 2021, there were no claims or lawsuits pending against the Authority, except as noted above.

NOTE 11—PRIOR PERIOD ADJUSTMENT

During the current year, it was determined that certain prior year interest revenues were recorded incorrectly. To correct these errors, the beginning net position of $21,391,873, as originally reported, has been increased by $91,722 to $21,483,594.

NOTE 12—EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2022, the date which the financial statements were available to be issued.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Peninsula Town Center Community Development Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and 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 business-type activities of the Peninsula Town Center Community Development Authority (Authority), as of and for the years ended June 30, 2021 and June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 15, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Nichols Group

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

March 15, 2022