

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

**Management's Discussion and Analysis  
and  
Financial Statements**

**Year Ended June 30, 2015**

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

**DIRECTORY OF OFFICIALS  
JUNE 30, 2015**

**Board Members**

Lloyd A. Lenhart, Chairman  
Matoaca District

Carlton E. Miller, Vice-Chairman  
Dale District

Harri Whitehurst, Treasurer  
Midlothian District

John Ruckart, Secretary  
Dale District

Terri Cofer Beirne  
Midlothian District

Arthur Heinz  
Bermuda District

John W. Hughes  
Clover Hill District

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

**ANNUAL FINANCIAL REPORT  
JUNE 30, 2015**

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## **Report of Independent Auditor**

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

### **Report on the Financial Statements**

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, 2015, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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 opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Economic Development Authority of the County of Chesterfield as of June 30, 2015, and the changes in its financial position, and its cash flows for the year 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 pages 3 through 7 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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Directory of Officials is presented for purposes of additional information and is not a required part of the basic financial statements. The Directory of Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls 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.



Richmond, Virginia  
September 29, 2015

**ECONOMIC DEVELOPMENT AUTHORITY OF  
THE COUNTY OF CHESTERFIELD, VIRGINIA  
(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, Virginia (the "Authority") presents our discussion and analysis of the Authority's financial performance during the fiscal year that ended June 30, 2015. 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 \$518,663 (15.2%) to \$3,939,577.
- Capital assets net of accumulated depreciation increased by \$733,265 (5.0%) to \$15,349,039.
- Long-term debt outstanding increased \$4,453,530 (18.7%) to \$28,325,036.
- Revenues increased by \$3,206,766 (53.0%).
- Expenses increased by \$6,369,931 (268.5%).

**Overview of the Financial Statements**

The Authority's annual 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, which is used to account for governmental operations intended to recover all or a significant portion of its costs through user fees. 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 two categories:

- 1) *Net investment in capital assets* – Represents the balance of capital assets, net of related debt.
- 2) *Unrestricted net position* – Represents those funds used at the discretion of the Authority to provide for the Authority's operations.

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

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

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

**Analysis of the Authority**

**Net position.** The Authority's assets exceeded liabilities by \$3,939,577 at the close of the most recent fiscal year. The Authority's net position increased by \$518,663 (15.2%) from the prior year (see Table 1).

**Table 1  
Condensed Summary of Net Position  
As of June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Assets:		
Current and other assets	\$17,564,080	\$13,204,614
Capital assets	<u>15,349,039</u>	<u>14,615,774</u>
Total assets	<u>32,913,119</u>	<u>27,820,388</u>
Liabilities:		
Long-term debt outstanding	28,325,036	23,871,506
Other liabilities	<u>648,506</u>	<u>527,968</u>
Total liabilities	<u>28,973,542</u>	<u>24,399,474</u>
Net position:		
Net investment in capital assets	5,706,915	4,079,268
Unrestricted	<u>( 1,767,338)</u>	<u>( 658,354)</u>
Total net position	<u>\$ 3,939,577</u>	<u>\$ 3,420,914</u>

The largest portion of the Authority's net position reflects its investment in capital assets (e.g. land, land improvement, improvements other than buildings, infrastructure and construction in progress), less any related debt used for acquisitions. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Authority has entered into a Development Agreement for Meadowville Technology Park Series 2005 Revenue Bonds with the County of Chesterfield, Virginia (the "County") where the County has agreed to make debt payments on behalf of the Authority.

The remaining balance of net position is unrestricted and may be used to meet the Authority's ongoing obligations. Since the Authority does not report capital assets acquired with the Series 2010B Revenue Bonds, the outstanding debt without an offsetting asset presents a negative balance for net position. The Authority has entered into a Support Agreement for the Meadowville Interchange Project Series 2010B Revenue Bonds with the County where the County has agreed to make debt payments on behalf of the Authority.

**Changes in net position.** The Authority's total revenues increased from the prior fiscal year by \$3,206,766 (53.0%). In fiscal year 2015, approximately 59.4% of the Authority's revenues were grants and approximately 37.0% were received from the County. The remaining revenues are bond interest subsidy, interest income and other revenues. The Authority's total expenses increased from the prior year by \$6,369,931 (268.5%). In fiscal year 2015, approximately 81.8% of the Authority's expenses were

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

incentives, 11.8% relate to Meadowville, and 3.4% relate to bond amortization and interest. The remaining expenses are other debt related expenses, professional services, director's fees, depreciation expense and miscellaneous expenses (see Table 2).

**Table 2  
Condensed Summary of Changes in Net Position  
Years ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Revenues:		
Chesterfield County appropriations	\$3,429,810	\$1,982,192
Grants	5,500,000	50,000
Gain on sale of capital asset	-	3,866,638
Bond interest subsidy	114,098	117,847
Interest income	2,831	3,222
Other revenues	<u>214,426</u>	<u>34,500</u>
Total revenues	<u>9,261,165</u>	<u>6,054,399</u>
Expenses:		
Meadowville expenses	1,028,197	1,007,565
Bond amortization and interest expense	298,420	309,851
Other debt related expenses	72,528	75,143
Incentives	7,150,528	822,325
Professional fees	49,636	95,881
Directors' fees	10,050	9,150
Other expenses	650	2,303
Depreciation expense	<u>132,493</u>	<u>50,353</u>
Total expenses	<u>8,742,502</u>	<u>2,372,571</u>
Change in net position	<u>\$ 518,663</u>	<u>\$3,681,828</u>

The Authority's revenues increased by \$3,206,766 (53.0%) and total expenses increased by \$6,369,931 (268.5%) compared to prior fiscal year financial activity. Key elements contributing to these results are as follows:

- Grant funds received increased by \$5,450,000. In the current year, the Authority received a Governor Opportunity Fund (GOF) grants directly from the Commonwealth of Virginia in the amount of \$5,500,000 for new business expansions and in the prior year the Authority received a \$50,000 grant from the Brownfield Restoration and Economic Redevelopment Assistance Fund Program.
- Funds received from the County increased by \$1,447,618 (73.0%) mainly due to the Authority receiving \$1,403,203 more in incentives for new business expansions in the current fiscal year.
- In the prior year, the Authority reported a gain on the sale of capital assets of \$3,866,638. No assets were sold in the current year.
- Other revenues increased by \$179,926 (521.5%). The Authority charges closing fees to entities that finance bonds and notes through the Authority. During the current year, the Authority collected \$151,258 for one project and in the prior year no bonds were financed.
- Incentives increased by \$6,328,203 (769.6%) due to the following: (1) in the current year, the Authority reported incentives in the amount of \$1,351,000 from County's Opportunity Fund for



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

new business expansions and \$575,000 was reported in the prior year, (2) the Authority reported incentives in the amount of \$5,500,000 from the Governor's Opportunity Fund for new business expansions in the current year and none were reported in the prior year, and (3) the Authority reported \$50,000 more than the previous fiscal year from the County's Business Expansion Incentive Fund.

- Meadowville expenses increased by \$20,632 (2.0%). The increase is mainly due to the following: (1) the land related to roads transferred to another entity in the amount of \$205,899 was reported as an expense in the current year, (2) the ground maintenance costs for Meadowville increased by \$141,088 due to the completion of landscaping and the irrigation system, and (3) expenses decreased by \$311,413 due to the majority of the work for design services for sanitary sewer, waterline and roadway infrastructure being performed in the prior fiscal year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2015, the Authority had invested \$15,349,039 for land and land improvements, improvements other than buildings, infrastructure and construction in progress. This amount represents a net increase of \$733,265 (5.0%) from fiscal year 2014 (see Table 3)

**Table 3  
Summary of Capital Assets  
(net of depreciation)  
Years ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Land and land improvements	\$11,707,207	\$11,913,106
Construction in progress	957,990	1,735,598
Improvements other than buildings	1,824,947	61,326
Infrastructure	<u>858,895</u>	<u>905,744</u>
Total capital assets	<u>\$15,349,039</u>	<u>\$14,615,774</u>

Capital assets increased \$733,265 due to (1) on-going construction and capitalization of an irrigation system of \$113,667; (2) in the current year, a streetlight project was started costing \$957,990; (4) land and land improvements decreased by \$205,899 for land transferred with the roads to another entity; and (3) annual depreciation expense of \$132,493. 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 \$15,887,124 in net bonds outstanding and \$12,437,912 in notes outstanding, an increase in their long-term debt of \$4,453,530 (18.7%) compared to the previous fiscal year. During the year, the Authority issued \$12,577,548 in Tax-Exempt Revenue Note, Series 2014B, and used some of the proceeds to refund the \$6,670,000 outstanding balance on the Special Assessment Revenue Note, Series 2011.

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

In addition, the Authority made bond principal payments in the amount of \$1,315,000, amortized bond discount of \$618 and made a note principal payment in the amount of \$139,636. More detailed information about the Authority's revenue bonds and tax-exempt revenue note is presented in Notes 5 and 6 to the basic financial statements, respectively.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

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

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

**Statement of Net Position  
June 30, 2015**

Assets:

Current assets:

Cash and cash equivalents (Note 3)	\$ 4,264,823
Due from Chesterfield County	370,799

Restricted:

Cash equivalents with trustee (Note 3)	325,013
Due from Chippenham Place CDA (Note 6)	409,071
Due from Chesterfield County (Note 8)	<u>78,325</u>

Total current assets	<u>5,448,031</u>
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Noncurrent assets:

Due from Chippenham Place CDA (Note 6)	12,116,049
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Capital assets (Note 4):

Land and land improvements	11,707,207
Construction in progress	957,990
Improvements other than buildings	1,936,873
Infrastructure	1,171,221
Accumulated depreciation	<u>(424,252)</u>

Net capital assets	<u>15,349,039</u>
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Total noncurrent assets	<u>27,465,088</u>
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Total assets	<u>32,913,119</u>
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Liabilities:

Current liabilities:

Accounts payable	44,792
Accrued expenses	113,168

Liabilities payable from restricted assets:

Accrued expenses	434,239
Retainage payable	56,307
Note payable (Note 6)	321,863
Bonds payable, net of discounts (Note 5)	<u>1,329,440</u>

Total current liabilities	<u>2,299,809</u>
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Noncurrent liabilities:

Note payable (Note 6)	12,116,049
Bonds payable, net of discounts (Note 5)	<u>14,557,684</u>

Total noncurrent liabilities	<u>26,673,733</u>
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Total liabilities	<u>28,973,542</u>
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Net Position:

Net investment in capital assets	5,706,915
Unrestricted	<u>(1,767,338)</u>

Total net position	\$ <u>3,939,577</u>
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See accompanying notes to financial statements.

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

**Statement of Revenues, Expenses and Changes in Net Position  
June 30, 2015**

Operating revenues:	
County of Chesterfield appropriations	\$ 308,050
Closing fees	151,258
Other revenues	<u>63,168</u>
Total operating revenues	<u>522,476</u>
Operating expenses:	
Meadowville expenses	261,660
Incentives	100,000
Professional service fees	49,636
Directors' fees	10,050
Other general and administrative expenses	650
Depreciation expense (Note 4)	<u>132,493</u>
Total operating expenses	<u>554,489</u>
Operating loss	<u>(32,013)</u>
Non-operating revenues (expenses):	
County of Chesterfield appropriations	3,121,760
Grant funds	5,500,000
Bond interest credit payment	114,098
Interest income	2,831
Meadowville expenses	(766,537)
Incentives	(7,050,528)
Bond amortization and interest expense (Note 5)	(298,420)
Other debt-related expenses	<u>(72,528)</u>
Net non-operating revenues	<u>550,676</u>
Change in net position	518,663
Net position, July 1, 2014	<u>3,420,914</u>
Net position, June 30, 2015	<u>\$3,939,577</u>

See accompanying notes to financial statements.

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

**Statement of Cash Flows  
June 30, 2015**

Cash flows from operating activities:	
Receipt of funds from Chesterfield County	\$ 309,156
Receipt of closing fees	151,258
Receipt of miscellaneous revenue	95,168
Payments for operating expenses	<u>(400,970)</u>
Net cash provided by operating activities	<u>154,612</u>
Cash flows from capital and related financing activities:	
Receipt of funds from Chesterfield County	2,773,466
Receipt of bond subsidy	114,098
Receipt of grant funds	5,500,000
Payment of Meadowville expenses	(641,032)
Payments for capital assets	(1,232,784)
Payments of principal on bonds	(1,315,000)
Payment of incentives	(6,765,528)
Payment of interest on bonds	(302,177)
Payment of debt related expenses	<u>(72,528)</u>
Net cash used in capital and related financing activities	<u>(1,941,485)</u>
Cash flows from investing activities:	
Interest received	<u>2,831</u>
Net cash provided by investing activities	<u>2,831</u>
Net decrease in cash and cash equivalents	(1,784,042)
Cash and cash equivalents, July 1, 2014	<u>6,373,878</u>
Cash and cash equivalents, June 30, 2015	<u>\$4,589,836</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>	
Operating loss	\$ ( 32,013)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	132,493
Change in assets and liabilities:	
Decrease in due from Chesterfield County	1,106
Decrease in accounts receivable	32,000
Increase in accounts payable	<u>21,026</u>
Net cash provided by operating activities	<u>\$ 154,612</u>
<b>Noncash transactions related to capital and related financing activities are as follows:</b>	
Issuance of Tax-Exempt Revenue Note	\$12,577,548
Payment of Special Assessment Revenue Note	(6,670,000)
Transfer of capital assets	(205,899)
Amortization of bond discount	(618)

See accompanying notes to financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2015**

**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. This Act empowers the Authority, among other activities, to issue tax-exempt bonds to bond issuers so that they may acquire, improve, maintain, equip, own lease or dispose of properties by inducing manufacturing and industrial enterprises to locate or remain in the Commonwealth of Virginia. Seven directors appointed by the Board of Supervisors of the County govern the Authority. The Authority is presented as a component unit in the Chesterfield County’s Comprehensive Annual Financial Report (CAFR) and is accounted for as a proprietary fund.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Fund Accounting**

The activities of the Authority are accounted for as an enterprise fund. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that costs (expenses, including depreciation) be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**B. Basis of Accounting, and Financial Statement Presentation**

The financial statements presented for the Authority are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standard Board (GASB). The financial statements are presented on the economic resources measurement focus and the accrual basis of accounting, wherein 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 operating expenses related to Meadowville. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**C. Cash and Cash Equivalents**

All highly liquid investments, including restricted assets, with a maturity of three months or less when purchased are considered to be cash equivalents.

**D. Restricted Assets**

Certain assets are classified as restricted assets on the Statement of Net Position because their use is limited by revenue bond covenants or contractual agreements.

**E. Bond Discount**

Authority bond discount is amortized over the life of the bonds based on the balance of bonds outstanding.

**ECONOMIC DEVELOPMENT AUTHORITY OF  
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**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2015**

**F. Capital Assets**

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

Improvements other than buildings	8-25 years
Infrastructure: Drainage systems	25 years

**G. Risk Management**

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

**H. Income Taxes**

The Authority qualifies under the Internal Revenue Code for exemption from Federal income taxes. Accordingly, no provisions for income taxes have been made in the accompanying financial statements.

**I. Administrative Functions**

The County provides certain administrative services to the Authority at a minimum charge.

**3. DEPOSITS AND INVESTMENTS**

As of June 30, 2015, the carrying value of the Authority's deposits, with their respective credit rating, was as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$4,589,836	\$4,589,836	N/A

**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, 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 requires financial institutions holding public deposits in excess of amounts covered by Federal insurance to pledge collateral to a pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring

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**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2015**

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. Corporate notes, negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. Deposits and investments not exposed to credit quality risk, as defined by GASB 40, are designated as "N/A" in the credit rating column in the above table.

*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, 2015, \$75,013 of the Authority's \$4,589,836 in demand deposits was exposed to custodial credit risk since the funds were invested in money market accounts that were uncollateralized and not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Although the money market accounts seek to preserve the value of the investments, it is possible to lose money.

*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 investment 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 investment policy limits the investment of funds to investments with a stated maturity of no more than five years from the date of purchase. As of June 30, 2015, excluding demand deposits, the Authority had no investments.

*Concentration of Credit Risk:* According to the Authority's investment 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 by the investment officer. As of June 30, 2015, excluding demand deposits, the Authority had no investments.



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**4. CAPITAL ASSETS**

The Authority has purchased land in Meadowville located in the County. The land is being developed for resale to buyers who will eventually build on the land. Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land and land improvements	\$11,913,106	\$ -	\$205,899	\$11,707,207
Construction in progress	<u>1,735,598</u>	<u>1,067,188</u>	<u>1,844,796</u>	<u>957,990</u>
Total capital assets not being depreciated	<u>13,648,704</u>	<u>1,067,188</u>	<u>2,050,695</u>	<u>12,665,197</u>
Capital assets being depreciated:				
Improvements other than buildings	87,608	1,849,265	-	1,936,873
Infrastructure	<u>1,171,221</u>	<u>-</u>	<u>-</u>	<u>1,171,221</u>
Total capital assets being depreciated	<u>1,258,829</u>	<u>1,849,265</u>	<u>-</u>	<u>3,108,094</u>
Less accumulated depreciation for:				
Improvements other than buildings	26,282	85,644	-	111,926
Infrastructure	<u>265,477</u>	<u>46,849</u>	<u>-</u>	<u>312,326</u>
Total accumulated depreciation	<u>291,759</u>	<u>132,493</u>	<u>-</u>	<u>424,252</u>
Net capital assets being depreciated	<u>967,070</u>	<u>1,716,772</u>	<u>-</u>	<u>2,683,842</u>
Total	<u>\$14,615,774</u>	<u>\$2,783,960</u>	<u>\$2,050,695</u>	<u>\$15,349,039</u>

**5. REVENUE BONDS**

On January 27, 2005, the Authority issued \$18,120,000 in Variable Rate Revenue Bonds, Series 2005A and Taxable Series 2005B, to provide funds for the acquisition of real property for Meadowville, including areas to be preserved as wetlands and used to build a system of streets and roads and other infrastructure improvements within Meadowville, and certain infrastructure improvements. The Bonds are limited obligations of the Authority, payable solely from payments to be made by the County, pursuant to an Amended and Restated Development Agreement, dated January 1, 2005. The County is required under the terms of the Agreement to make payments on behalf of the Authority on a periodic basis in an amount equal to the debt service, including fees and expenses, on the bonds.

The Bonds bear interest at a variable rate or a medium term rate. The Bonds of each Series were initially issued at a weekly rate. The method of determining the interest rate may be changed from time to time to a daily, weekly, monthly, commercial paper, medium term, or fixed rate. At June 30, 2015, the interest rates for the Series 2005 A and B Bonds were 0.19% and 0.34%, respectively. The Authority entered into a Standby Bond Purchase Agreement with Wells Fargo Bank, National Association, to purchase from time to time an aggregate principal amount of bonds and related interest.

On October 14, 2010, the Authority issued \$8,345,000 in Taxable Recovery Zone Economic Development (RZED) Revenue Bonds, Series 2010B, to finance a portion of the costs of the acquisition of real property for an interchange with Interstate I-295 and the construction of such interchange connecting Meadowville with Interstate I-295. The Series 2010B Bonds were issued

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**June 30, 2015**

as Taxable Recovery Zone Economic Development Bonds under Section 1400U-2 of the Internal Revenue Code of 1986, which was added by the provisions of the American Recovery and Reinvestment Act of 2009 (the "ARRA"). Pursuant to the ARRA, the Authority will receive a cash subsidy payment from the United States Treasury equal to 45% of the interest payable on the Series 2010B Bonds on each interest payment date. The cash payment does not constitute a guarantee by the United States Treasury or a pledge of the faith and credit of the United States of America, but is required to be paid by the United States Treasury under the ARRA. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the subsidy was subject to a 7.3% reduction during the current fiscal year.

Revenue bonds outstanding at June 30, 2015 are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
2005 revenue bonds, due 2025	\$18,120,000	variable	\$910,000-\$1,020,000	\$ 9,645,000
2010 RZED revenue bonds, due 2030	8,345,000	2.612%-5.265%	\$415,000-\$420,000	<u>6,245,000</u>
Total revenue bonds				15,890,000
Less: Discounts				<u>2,876</u>
Net revenue bonds				<u>\$15,887,124</u>

Debt service requirements to maturity for the revenue bonds are as follows. As noted above, the Series 2005 revenue bonds bear interest at a variable rate and future interest payments will vary, the interest scheduled below for these bonds was calculated using the interest rate in effect at June 30, 2015.

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Subsidy</u>	<u>Total</u>
2016	\$ 1,330,000	\$ 294,031	\$( 120,946)	\$ 1,503,085
2017	1,340,000	280,429	( 116,008)	1,504,421
2018	1,355,000	265,236	( 110,374)	1,509,862
2019	1,365,000	248,329	( 103,985)	1,509,344
2020	1,370,000	230,545	( 97,213)	1,503,332
2021-2025	7,055,000	862,752	( 374,676)	7,543,076
2026-2030	<u>2,075,000</u>	<u>327,746</u>	<u>( 147,486)</u>	<u>2,255,260</u>
Total	<u>\$15,890,000</u>	<u>\$2,509,068</u>	<u>\$(1,070,688)</u>	<u>\$17,328,380</u>

The following is a summary of long-term debt transactions for the year ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Decrease</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$17,205,000	\$1,315,000	\$15,890,000	\$1,330,000
Less: Discounts	<u>3,494</u>	<u>618</u>	<u>2,876</u>	<u>560</u>
Net bonds payable	<u>\$17,201,506</u>	<u>\$1,314,382</u>	<u>\$15,887,124</u>	<u>\$1,329,440</u>

For the year ended June 30, 2015, the Authority reported total bond amortization and interest expense in the amount of \$298,420. This includes \$23,909 of interest paid on the Series 2005A & B Bonds by the County, \$164,170 of interest paid on the Series 2010B Bonds by the County, \$114,098 of bond interest credits applied to the Series 2010B Bonds, \$618 of bond discount amortization, and \$136,707 of interest accrued at year end less \$141,082 interest accrued in the prior year.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**6. TAX-EXEMPT REVENUE NOTE**

On October 1, 2011, the Authority entered into a Financing Agreement with the Chippenham Place Community Development Authority (the "CDA"). In accordance with the Financing Agreement, the Authority issued a Special Assessment Revenue Note in an amount up to \$8 million and loaned the proceeds of the Note to the CDA to finance the infrastructure improvements at the Cloverleaf Mall (the "Mall") site. The outstanding amount of the Special Assessment Revenue Note, Series 2011, at December 1, 2014 was \$6,670,000. On December 1, 2014, the Authority entered into a new Financing Agreement with the CDA. In accordance with the new Financing Agreement, the Authority issued a Tax-Exempt Revenue Note, Series 2014B, in an amount of \$12,577,548, the proceeds of which were used to pay the outstanding balance of the Special Assessment Revenue Note, Series 2011; reimburse the County for infrastructure improvements; and pay the costs of issuing the Note. In accordance with the Financing Agreement, the CDA promises to pay the outstanding principal balance and interest on the Authority's Note solely from the revenues and other property pledged to the payment of this Note. The Note is a limited obligation of the Authority secured by pledged revenues consisting of incremental tax and special assessment revenues collected by the County. The County intends to make annual appropriations sufficient to cover the required annual debt service. The Note will be repaid with the incremental tax revenues and, to the extent incremental tax revenues are not sufficient, special assessment revenues. As of June 30, 2015, the Authority reported total accrued interest of \$87,208 related to the Note, which will be paid by the CDA. The balance of the Note is included in Due from Chippenham Place CDA on the Statement of Net Position.

Revenue notes outstanding at June 30, 2015 are as follows:

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Note issued, due 2020	\$12,577,548	2.82%	\$321,863-\$10,975,382	<u>\$12,437,912</u>

The following is a summary of long-term debt transactions for the year ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Note payable	<u>\$6,670,000</u>	<u>\$12,577,548</u>	<u>\$6,809,636</u>	<u>\$12,437,912</u>	<u>\$321,863</u>

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 321,863	\$ 348,780	\$ 670,643
2017	369,625	339,103	708,728
2018	380,123	328,607	708,730
2019	390,919	317,812	708,731
2020	<u>10,975,382</u>	<u>154,753</u>	<u>11,130,135</u>
Total	<u>\$12,437,912</u>	<u>\$1,489,055</u>	<u>\$13,926,967</u>

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THE COUNTY OF CHESTERFIELD, VIRGINIA  
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**NOTES TO THE FINANCIAL STATEMENTS**

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**7. COMMITMENTS**

At June 30, 2015, uncompleted contracts totaled \$3,166,831 for the development of Meadowville. The payment of these contracts will be made from unrestricted assets.

**8. RELATED-PARTY TRANSACTIONS**

During fiscal year 2015, certain debt-related costs were incurred in conjunction with the Series 2005A & B and Series 2010 bonds. These costs were paid by the Authority and are included in restricted assets – Due from Chesterfield County on the Statement of Net Position.

On October 18, 2004, the Authority sold Taxable Redevelopment Facility Note, Series 2004, on behalf of the County, in an amount of \$9,225,000 for the acquisition of the Mall property for redevelopment by the County. On August 21, 2008, the principal amount of the Taxable Redevelopment Facility Note was increased by \$7,371,199 for the purchase of the ground lease interest at the Mall. In October 2011, the Authority sold 28.4 acres of the Mall property to the developer and used the proceeds for infrastructure improvements. In July 2013, the Authority sold an additional 16.81 acres of the Mall property to the developer and applied \$3,453,705 of the proceeds to pay a portion of the outstanding Note. As of December 1, 2014, \$13,142,494 was outstanding on the Series 2004 Note. During the current fiscal year, the County made interest payments on the Series 2004 Note in the amount of \$55,729.

On December 19, 2014, the Authority issued Taxable Revenue Note, Series 2014A, on behalf of Chesterfield County, in an amount of \$7,484,947. The Series 2014A Note proceeds, along with a \$5,657,547 reimbursement of infrastructure improvements from the CDA to the County, were applied against the outstanding balance of the Series 2004 Note. The interest rate on the Series 2014A Note is equal to LIBOR market index rate plus 60 basis points; all principal plus interest is due and payable on December 1, 2015. The Authority has the option to convert the Series 2014A Note to a term note. The County accounts for this lease as a capital lease and has reported an asset and redevelopment note liability. Therefore, the related asset and liability are not reflected in the Authority's financial statements. The County intends to transfer the property for long-term redevelopment to private sector interests and to retire the note with proceeds from the sale.

The Authority has a receivable from the CDA in the amount of \$12,437,912 from proceeds loaned to the CDA from the Series 2014B payable issued by the Authority and accrued interest receivable for the note of \$87,208 as of June 30, 2015.

During 2015, the Authority received appropriations from the County totaling \$3,429,810. A total of \$449,124 is due from the County as of June 30, 2015.

**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**

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, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 29, 2015.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our 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* 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.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive style.

Richmond, Virginia  
September 29, 2015