

**CHIPPENHAM PLACE
COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)**

**Annual Financial Report
For the Year Ended June 30, 2015**

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

DIRECTORY OF OFFICIALS
JUNE 30, 2015

Board Members

Jay Lafler, Chairman

Samuel Kaufman, Vice Chairman

Quenton Lee

John Pettengill

Chris Zitzow

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(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
Chippenham Place Community Development Authority
Chesterfield, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Chippenham Place Community Development Authority (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 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, 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority, as of June 30, 2015, and the respective changes in financial position 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 on pages 3 through 8 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 opinions 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

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Management's Discussion and Analysis
(Unaudited)

This section of the Chippenham Place Community Development Authority's (the "Authority") Annual Financial Report presents our discussion and analysis of the Authority's financial performance as of and during the fiscal year ended June 30, 2015. Please read it in conjunction with the Authority's financial statements and accompanying notes that follow.

The Authority

The Authority, a political subdivision of the Commonwealth of Virginia, was created on June 25, 2008 pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2, Code of Virginia. The Authority was created to fund public infrastructure improvements at the Cloverleaf Mall site, also referred to as Stonebridge.

Financial Highlights

- Total net position decreased by \$5,227,754 (83.6%) to a deficit amount of \$11,482,339.
- Tax-Exempt Revenue Note, Series 2014B, in the amount of \$12,577,548 was issued on December 19, 2014.
- Outstanding principal on the Special Assessment Revenue Note, Series 2011, in the amount of \$6,670,000, was refunded and note principal on the Tax-Exempt Revenue Note, Series 2014B, in the amount of \$139,636, was paid.
- Revenues increased \$403,369 (92.6%) to \$838,913.
- Expenses increased by \$5,920,990 to \$6,066,667.
- Note interest in the amount of \$176,066 was paid.

Overview of Financial Statements

The Authority's annual report consists of two parts - management's discussion and analysis (this section, which is unaudited) and the audited financial statements. The governmental activities are reported through government-wide and governmental fund financial statements.

Government-wide Financial Statements. The government-wide financial statements provide readers with a broad view of the Authority's finances using the accrual basis of accounting in a manner similar to that of a private-sector business. The *Statement of Net Position (Deficit)* presents information on all assets and liabilities with the difference reported as net position (deficit). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The *Statement of Activities* presents information that shows how the Authority's net position (deficit) changed during the fiscal year. All changes in net position (deficit) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will have actual cash flows in a future fiscal period.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
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Management's Discussion and Analysis
(Unaudited)

Governmental Fund Financial Statements. The governmental fund financial statements reinforce the information provided in the government-wide financial statements by providing a narrower focus. The governmental fund financial statements, using the modified accrual basis of accounting, look at near-term inflows and outflows of spendable resources and the available balances of those resources at the end of the fiscal year. The *Balance Sheet* reports the Authority's fund balance as of the fiscal year end. Fund balance information is useful when evaluating the Authority's near-term financing requirements. The *Statement of Revenues, Expenditures and Changes in Fund Balance* is the statement of activities for the governmental fund. Consistent with the current financial resources measurement focus, this financial statement reports expenditures rather than expenses. To facilitate comparison, reconciliations are presented for the governmental fund *Balance Sheet* and *Statement of Revenues, Expenditures, and Changes in Fund Balance* to the government-wide financial statements.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and governmental fund financial statements.

Financial Analysis of the Authority

Government-wide financial analysis. The Authority's liabilities exceeded assets by \$11,482,339 at the close of the most recent fiscal year. In the current year, the Authority issued Tax-Exempt Revenue Note, Series 2014B, in the amount of \$12,577,548 which increased the amount of the Authority's outstanding debt. Proceeds were used to repay the Authority's Special Assessment Revenue Note, Series 2011; reimburse Chesterfield County (the "County") for infrastructure improvements; and pay for issuance costs. The Authority's net position decrease of \$5,227,754 (83.6%) is mainly due to the reimbursement to the County (see Table 1).

Table 1
Condensed Summary of Net Position (Deficit)
As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ <u>1,048,052</u>	\$ <u>442,390</u>
Note payable	12,437,912	6,670,000
Other liabilities	<u>92,479</u>	<u>26,975</u>
Total liabilities	<u>12,530,391</u>	<u>6,696,975</u>
Net position (deficit):		
Restricted for debt service	708,744	-
Unrestricted	<u>(12,191,083)</u>	<u>(6,254,585)</u>
Total net position (deficit)	\$ <u>(11,482,339)</u>	\$ <u>(6,254,585)</u>

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Management's Discussion and Analysis
(Unaudited)

The purpose of the Authority is to issue debt as a means to finance a portion of the cost of the infrastructure improvements at the Cloverleaf Mall site, also referred to as Stonebridge. The improvements, which include demolition of the existing mall, road improvements and utilities, benefits the citizens of the County by promoting increased employment opportunities, a strengthened economic base and increased tax revenues, and additional retail and residential opportunities. Upon completion, all improvements financed with proceeds of the Authority's Note will be conveyed to the County, the Authority or other appropriate public entity. Since the Authority does not have any capital assets, the outstanding debt without an offsetting asset presents a negative balance for net position under full accrual accounting in the government-wide financial statements.

A portion of the Authority's net position represents resources that are subject to external restrictions on how they may be used. The Authority was required to establish a debt service reserve fund in the amount of \$708,693, which was funded from the Authority's revenues.

The Authority's total revenues increased from the prior year by \$403,369 (92.6%) to \$838,913. The Authority's revenues are mainly incremental taxes. The County has committed to remitting District related incremental tax and special assessment revenues collected to the Authority. The Authority's total expenses increased from the prior year by \$5,920,990 to \$6,066,667. Approximately 93.3% of the Authority's expenses relate to reimbursement to the County for infrastructure improvements. The remaining 6.7% relate to administrative and debt related expenses (see Table 2).

Table 2
Condensed Summary of Changes in Net Position (Deficit)
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Expenses:		
Administrative	\$ 22,646	\$ 37,132
Debt related expenses	386,474	108,545
Payment to Chesterfield County	<u>5,657,547</u>	<u>-</u>
Total expenses	<u>6,066,667</u>	<u>145,677</u>
General revenues:		
Incremental taxes	838,862	435,544
Interest income	<u>51</u>	<u>-</u>
Total general revenues	<u>838,913</u>	<u>435,544</u>
Increase (decrease) in net position	(5,227,754)	289,867
Net position (deficit), beginning of year	<u>(6,254,585)</u>	<u>(6,544,452)</u>
Net position (deficit), end of year	<u>\$ (11,482,339)</u>	<u>\$(6,254,585)</u>

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Management's Discussion and Analysis
(Unaudited)

Key elements contributing to these results are as follows:

- Debt related expenses increased by \$277,929 due to the issuance of the Series 2014B Note. The Authority reported \$150,000 of issuance costs associated with the note issuance and an increase of \$127,929 in note interest expense due to the increased outstanding balance.
- The Authority reimbursed the County for infrastructure improvements in the amount of \$5,657,547 in the current year. The Authority used proceeds from its Series 2014B note issuance for this reimbursement.
- Incremental taxes increased by \$403,318 (92.6%) due to an increase in receipt of the incremental sales tax of \$430,467 and a decrease in the incremental real estate taxes in the amount of \$27,149. The increase in incremental sales tax is due to the addition of tenants and an increase in total retail sales. In addition, since a limited number of retail establishments were open for business within the District in prior years, the prior year's incremental sales tax was based on sales tax information provided directly by the tenants and may not have included all tenants. The amount reported in the current year includes incremental sales tax for calendar years 2012 through 2014 for all tenants less the amount previously reported. Last year was the first year the Authority reported incremental tax revenues. The decrease in incremental real estate taxes is due to the prior year including \$75,531 for calendar year 2012 and \$193,013 for calendar year 2013 whereas the current year includes \$241,395 for calendar year 2014. Incremental real taxes increased \$48,382 (25.1%) from calendar year 2013 to 2014 due to a rise in real property assessed values.

Governmental fund financial analysis. As previously noted, the focus of the governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. At the end of the current fiscal year, the Authority's governmental fund balance was \$1,042,781, an increase of \$1,036,110 from prior year (see Table 3).

Table 3
Condensed Summary of Fund Balance
As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ <u>1,048,052</u>	\$ <u>442,390</u>
Current liabilities	\$ 5,271	\$ 175
Deferred inflows of resources	-	435,544
Fund balance:		
Restricted	708,744	-
Assigned	<u>334,037</u>	<u>6,671</u>
Total fund balance	<u>1,042,781</u>	<u>6,671</u>
Total liabilities and fund balance	\$ <u>1,048,052</u>	\$ <u>442,390</u>

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Management's Discussion and Analysis
(Unaudited)

The Authority's restricted fund balance of \$708,744 at June 30, 2015, represents resources that are subject to external restriction for future debt service.

The Authority's governmental fund total revenues increased from the prior year by \$1,274,457; revenue was not reported in the prior year. The Authority's revenues are mainly incremental taxes. The Authority's governmental fund total expenditures increased from the prior year by \$12,670,198 to \$12,815,895. Approximately 55.7% of the Authority's expenditures relate to debt related expenditures, 44.1% relate to reimbursement to the County, and the remaining 0.2% relate to administrative expenditures. The Authority had other financing sources of \$12,577,548, which relate to the issuance of tax-exempt note during the year (see Table 4).

Table 4
Condensed Summary of Changes in Fund Balance (Deficit)
For the Year Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues:		
Incremental taxes	\$ 1,274,406	\$ -
Interest income	<u>51</u>	<u>-</u>
Total revenues	<u>1,274,457</u>	<u>-</u>
Expenditures:		
Administrative	22,646	37,132
Payment to Chesterfield County	5,657,547	-
Debt related expenditures	<u>7,135,702</u>	<u>108,565</u>
Total expenditures	<u>12,815,895</u>	<u>145,697</u>
Net change in fund balance	(11,541,438)	(145,697)
Other financing sources	<u>12,577,548</u>	<u>160,000</u>
Increase in fund balance	1,036,110	14,303
Fund balance (deficit), beginning of year	<u>6,671</u>	(7,632)
Fund balance, end of year	\$ <u>1,042,781</u>	\$ <u>6,671</u>

Key elements contributing to these results are as follows:

- The Authority used proceeds from the Series 2014B Note to reimburse the County for infrastructure improvements in the amount of \$5,657,547 in the current year.
- Debt related expenses increased by \$7,027,137 mainly due to the refunding of the Authority's Series 2011 Note outstanding balance of \$6,670,000 and the payment of \$150,000 in issuance costs.
- Financing sources increased by \$12,417,548 due to the receipt of tax-exempt note proceeds in the amount of \$12,577,548 in the current year.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Management's Discussion and Analysis
(Unaudited)

Debt Administration and Capital Assets

During the year, the Authority issued \$12,577,548 in Tax-Exempt Revenue Note, Series 2014B, to refund the Authority's Series 2011 Note and a portion of the EDA's Series 2004 Note. A principal payment in the amount of \$139,636 was made during the current fiscal year, bringing the outstanding note balance to \$12,437,912. More detailed information on the note and debt service requirements is presented in Note 4 to the Financial Statements.

The Authority has no capital assets. The Authority has entered into an agreement with the Developer to develop plans for the facilities and to construct the infrastructure improvements. Upon completion, all improvements financed with note proceeds will be conveyed to the County, the Authority or other appropriate public entity.

Requests for Information

The purpose of this financial report is to provide interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. For additional information or answers to questions, please contact the Chesterfield County Accounting Department, 9901 Lori Road, Chesterfield, Virginia 23832.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Statement of Net Position (Deficit)
June 30, 2015

Assets:

Cash and cash equivalents (Note 3)	\$ 339,308
Restricted:	
Cash and cash equivalents (Notes 2.D. and 3)	<u>708,744</u>
Total assets	<u>1,048,052</u>

Liabilities:

Accrued expenses	5,271
Accrued interest on note payable (Note 4)	87,208
Note payable (Note 4)	321,863
Non-current liabilities:	
Note payable (Note 4)	<u>12,116,049</u>
Total liabilities	<u>12,530,391</u>

Net position (deficit):

Restricted for debt service (Note 2.D.)	708,744
Unrestricted	<u>(12,191,083)</u>
Total net position	\$(<u>11,482,339</u>)

See accompanying notes to the financial statements.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Statement of Activities
For the Year Ended June 30, 2015

Expenses:	
General government: administrative	\$ 22,646
Note interest expense (Note 4)	236,474
Note issuance costs (Note 4)	150,000
Payment to Chesterfield County (Note 4)	<u>5,657,547</u>
Total expenses	<u>6,066,667</u>
General revenues:	
Incremental taxes (Note 5)	838,862
Interest income	<u>51</u>
Total general revenues	<u>838,913</u>
Change in net position (deficit)	(5,227,754)
Net position (deficit), July 1, 2014	(<u>6,254,585</u>)
Net position (deficit), June 30, 2015	\$(<u>11,482,339</u>)

See accompanying notes to the financial statements.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Balance Sheet - Governmental Fund
June 30, 2015

Assets:	
Cash and cash equivalents (Note 3)	\$ 339,308
Restricted:	
Cash and cash equivalents (Note 3)	<u>708,744</u>
Total assets	\$ <u>1,048,052</u>
Liabilities:	
Accounts payable	\$ <u>5,271</u>
Fund balance:	
Restricted (Note 2.E.)	708,744
Assigned	<u>334,037</u>
Total fund balance	<u>1,042,781</u>
Total liabilities and fund balance	\$ <u>1,048,052</u>

Reconciliation of the Balance Sheet to the Statement of Net Position

Total fund balance	\$ 1,042,781
Amounts reported for governmental activities in the Statement of Net Position (Deficit) are different because:	
Note payable is not due and payable in the current period and is not reported in the funds.	(12,437,912)
Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due.	(<u>87,208</u>)
Net position (deficit) of governmental activities	\$(<u>11,482,339</u>)

See accompanying notes to the financial statements.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2015

Revenues:	
Incremental taxes (Note 5)	\$ 1,274,406
Interest income	<u>51</u>
Total revenues	<u>1,274,457</u>
Expenditures:	
General government – administrative	22,646
Debt service – principal (Note 4)	6,809,636
Debt service – interest (Note 4)	176,066
Note issuance costs (Note 4)	150,000
Payment to Chesterfield County (Note 4)	<u>5,657,547</u>
Total expenditures	<u>12,815,895</u>
Deficiency of revenues under expenditures	(11,541,438)
Other financing sources:	
Proceeds from debt issuance (Note 4)	<u>12,577,548</u>
Net change in fund balance	1,036,110
Fund balance, July 1, 2014	<u>6,671</u>
Fund balance, June 30, 2015	<u>\$ 1,042,781</u>

(continued)

See accompanying notes to the financial statements.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2015**

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of the Governmental Fund to the Statement of Activities:

Net change in fund balance –governmental fund	\$ 1,036,110
Amounts reported for governmental activities in the Statement of Activities are different because:	
In the prior year, incremental tax revenue was accrued and reported on the Statement of Activities and deferred on the Balance Sheet. The amount deferred in the prior year was reported as revenue on the Statement of Revenues, Expenditures and Changes in Fund Balance in the current year.	(435,544)
Debt proceeds provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Position (Deficit) and has no effect on the change in net position.	(12,577,548)
Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Position (Deficit) and has no effect on the change in net position	6,809,636
The governmental fund reports interest on long-term debt when it becomes due, whereas the interest is accrued and reported as a liability in the Statement of Net Position(Deficit). This adjustment is the net change in accrued interest payable on long-term debt from prior year.	<u>(60,408)</u>
Change in net position (deficit) of governmental activities	\$ <u>(5,227,754)</u>

See accompanying notes to the financial statements.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(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 Chippenham Place Community Development Authority (the “Authority”), a political subdivision of the Commonwealth of Virginia, was created on June 25, 2008 pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2, *Code of Virginia* by the Board of Supervisors (the “Board”) of the County of Chesterfield, Virginia (the “County”). The Authority is governed by a board of five directors appointed by the County Board. The Authority is presented as a component unit in the County’s Comprehensive Annual Financial Report (“CAFR”).

The Authority was created for the purpose of funding public infrastructure improvements at the Cloverleaf Mall site (the “District”), also referred to as Stonebridge. The Authority’s improvements are part of a mixed-use development project that will provide residential, retail, commercial and office components.

The County has committed to remitting incremental tax and special assessment revenues collected within the District to the Authority. The Authority has full control over all operations, but must comply with certain agreements. The Authority engaged Municap, Inc., a public finance consulting firm, to prepare the annual special assessment report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Model

The financial statements presented for the Authority are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (“GASB”). The Authority’s Annual Financial Report includes:

- Management’s Discussion and Analysis (MD&A) (unaudited) – MD&A is required supplementary information that introduces the financial statements and provides an analytical overview of the Authority’s activities for the year. It describes the decisions or conditions that are expected to have a significant effect on financial positions or results of operations.
- Financial Statements – The financial statements include both government-wide and governmental fund statements and related notes. The notes are an integral part of the financial statements and communicate information that is essential for fair presentation of the financial statements that is not displayed on the face of the statements.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)
Notes to the Financial Statements, Continued
June 30, 2015

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements consist of a Statement of Net Position (Deficit) and a Statement of Activities and reflect a full economic resources measurement focus and the accrual basis of accounting. The Statement of Net Position (Deficit) reports information about all assets and liabilities of the Authority, both current and long-term. The Statement of Activities measures the Authority's operations over the past year. All changes in revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Interest income, real estate tax increment revenues and special assessments are classified as general revenues and used to offset net expenses.

The governmental fund financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance and are prepared using the current financial resources measurement and the modified accrual basis of accounting. Revenues are recorded when both measurable and available and are considered available if received within 45 days after the end of the accounting period. Expenditures are recognized when the liability is incurred. The Balance Sheet measures only current assets and liabilities. The Statement of Revenues, Expenditures and Changes in Fund Balance reports only on the Authority's near-term inflows and outflows of spendable resources for the year.

Because government-wide and governmental fund financial statements are designed to present information from different perspectives, the governmental fund financial statements include a summary reconciliation between the governmental fund and government-wide statements.

The activities of the Authority and all financial resources are accounted for in the General Fund major governmental fund, which accounts for all financial resources, except those required to be accounted for in another fund.

C. Cash Equivalents

The Authority considers all highly liquid investments with an original maturity of less than three months when purchased to be cash equivalents.

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)
Notes to the Financial Statements, Continued
June 30, 2015

D. Restricted Assets

Certain cash and cash equivalents are classified as restricted assets on the Statement of Net Position (Deficit) and the Balance Sheet. The Amended and Restated Note Purchase and Financing Agreement requires the Authority to maintain a debt service reserve fund which is pledged as security for payment of principal and interest on the Series 2014B Note. When both restricted and unrestricted resources are available for use, the Authority uses restricted resources first and then unrestricted resources as they are needed.

E. Net Position (Deficit) and Fund Balance

Net position (deficit) represents the difference between assets and liabilities and is reported as restricted when there are limitations imposed on the use of resources either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Amounts with no such restrictions are presented as unrestricted.

Restricted fund balance represents the portion of fund balance pledged for debt service. At the direction of the Authority, and at a time when the balance in the debt service reserve account is sufficient to pay or redeem the outstanding note, the Authority may use the restricted funds for the payment of the note. Assigned fund balance represents amounts considered available for new spending at the direction of management.

F. Income Taxes

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

G. Administrative Functions

The County provides certain administrative services to the Authority.

H. Risk Management

The Authority maintains liability insurance for Public Officials/Directors and Officers exposure.

3. **DEPOSITS**

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

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ <u>1,048,052</u>	\$ <u>1,048,052</u>	N/A

CHIPPENHAM PLACE COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the County of Chesterfield, Virginia)
Notes to the Financial Statements, Continued
June 30, 2015

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 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, the Authority's demand deposits are considered to be insured.

During the year, the Authority did not have any investments. Therefore, the Authority was not exposed to credit risk, custodial credit risk, interest rate risk or concentration of credit risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Deposits not exposed to credit risk are designated as "N/A" in the credit rating column in the above table.

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.

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.

Concentration of credit risk is the risk of loss resulting from over-concentration of investments in a specific maturity, a specific issuer or a specific class of securities.

4. TAX-EXEMPT REVENUE NOTE

On October 1, 2011, the Authority entered into a Financing Agreement with the Economic Development Authority of the County of Chesterfield (the "EDA"). In accordance with the Financing Agreement, the EDA issued a Tax-Exempt Revenue Note in an amount up to \$8 million and loaned the proceeds of the Note to the Authority to finance the infrastructure improvements at the Cloverleaf Mall site, also referred to as Stonebridge. 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 EDA. In accordance with the Financing Agreement, the EDA 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 Authority promised to pay the outstanding principal

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(A Component Unit of the County of Chesterfield, Virginia)
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balance and interest on the EDA'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.

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, 2015</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 notes 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>

For the year ended June 30, 2015, the Authority reported total note interest expense of \$236,474, which includes \$176,066 interest paid on the notes, \$87,208 of interest accrued less \$26,800 of interest accrued in the prior year.

5. INCREMENTAL TAXES AND SPECIAL ASSESSMENTS

The Tax-Exempt Revenue Note, Series 2014B, is a limited obligation of the Authority secured and payable from the Authority's right, title and interest in pledged revenues collected by the County. The pledged revenue consists of incremental tax revenues and special assessment revenues.

Tax increment revenues are payments received by the Authority from appropriations by the County Board, derived from real property tax increments

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and sales tax increments. Incremental tax revenues shall be paid semi-annually by the County to the Authority in an amount equal to the amount collected in each such six-month period on each April 1 and October 1.

- Real Property Tax Increments – The County will pay all of its ad valorem real property tax revenues (including roll back taxes, but not including special tax revenues) collected each calendar year on taxable property within the District that exceed the base amount collected in calendar year 2011 of \$2,453,200. Real property tax increment revenues are collected by the County by June 5 and December 5 each year. For the year ended June 30, 2015, the Authority reported \$241,395 in real property tax increments. In the current year, the County remitted to the Authority a total of \$509,939 in real property tax revenues of which \$268,544 was accrued in the prior year.
- Sales Tax Increments – The County will pay to the Authority its entire local portion of sales tax revenue collected each calendar year from retail establishments within the District. The County appropriates payments to the Authority in the fiscal year in which they are due. For the year ended June 30, 2015, the Authority reported \$597,467 in retail sales tax revenues. In the current year, the County remitted to the Authority a total of \$764,467 in sales tax revenues of which \$167,000 was accrued in the prior year.

Special assessment revenues are derived from special assessments levied and collected on all taxable real property within the District subject to special assessments. The total amount of special assessments equals the sum of the principal and interest due on the note plus administrative expenses less other amounts available for the payment of debt service and expenses, including incremental tax revenues. The special assessments are collected by the County in the same manner and at the same time as it collects ad valorem real property taxes, which is June 5 and December 5 each year. The special assessments shall be paid semi-annually by the County to the Authority in an amount equal to the amount collected in each such six-month period on each April 1 and October 1. No special assessments were levied during the current fiscal year.

6. CLAIMS AND LAWSUITS

At June 30, 2015, there were no claims and lawsuits pending involving the Authority that are considered material to the financial statements.

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7. RELATED-PARTY TRANSACTIONS

The County provides certain administrative services to the Authority, which includes maintaining the general ledger, preparing financial statements and coordinating the annual financial statement audit. During the year ended June 30, 2015, the Authority incurred \$5,000 of expenses related to these services.

The Authority owes the EDA \$12,437,912 from proceeds loaned to the Authority from a note payable issued by the EDA and accrued interest on the note of \$87,208 as of June 30, 2015.

8. SUBSEQUENT EVENTS

At June 30, 2015, the County had collected incremental taxes on behalf of the Authority. Since the County appropriates payments to the Authority in the fiscal year in which they are due and the payment is not due to the Authority until October 1, 2015, the Authority does not meet the time criteria to recognize the revenues or a receivable related to these collections. The County collected by June 5, 2015 incremental real property taxes in the amount of \$136,226.

**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
Chippenham Place Community Development Authority
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 governmental activities and the major fund of the Chippenham Place Community Development Authority (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 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* 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 CPA". The signature is written in a cursive, flowing style.

Richmond, Virginia
September 29, 2015