ECONOMIC DEVELOPMENT AUTHORITY OF THE COUNTY OF CHESTERFIELD

(A Component Unit of the County of Chesterfield, Virginia)

Annual Financial Report

Year Ended June 30, 2023

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

DIRECTORY OF OFFICIALS JUNE 30, 2023

Board Members

John V. Cogbill, III, Chairman

Terri Cofer Beirne, Vice-Chairman

Faizan Habib, Treasurer

Steven Micas, Secretary

John W. Hughes, Assistant Secretary

Jesse Calloway

Danielle Fitz-Hugh

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

ANNUAL FINANCIAL REPORT
JUNE 30, 2023

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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Economic Development Authority of the County of Chesterfield (the "Authority"), a component unit of the County of Chesterfield, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2023, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"). Our responsibilities under those standards and Specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Notes 2(J) and 7(C) to the financial statements, the Authority implemented Governmental Accounting Standards Board Statement No. 91, *Conduit Debt Obligations*. The implementation of that Statement resulted in the restatement of the beginning balances for multiple financial statement accounts. See Notes 2(J) and 7(C) for further information. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
October 17, 2023

Management's Discussion and Analysis
(unaudited)

This section of the annual financial report of the Economic Development Authority of the County of Chesterfield (the "Authority"), a component unit of the County of Chesterfield, Virginia, presents our discussion and analysis of the Authority's financial performance during the fiscal year that ended June 30, 2023. 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 $18,780,825 (30.6%) to $80,103,841.
- Capital assets net of accumulated depreciation decreased by $528,666 (1.0%) to $53,948,612.
- Long-term debt outstanding increased $10,628,998 (6.2%) to $183,127,136.
- Revenues increased by $14,841,446 (35.9%).
- Expenses increased by $23,790,421 (174.7%).

Overview of the Financial Statements

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

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

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

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

Analysis of the Authority

Net Position. The Authority's assets exceeded liabilities by $80,103,841 at the end of the current fiscal year. The Authority's net position increased by $18,780,825 (30.6%) from the prior year (see Table 1).

**Table 1
Condensed Summary of Net Position
As of June 30, 2023 and 2022**

	2023	2022*
Assets:		
Current and other assets	$219,182,485	$191,260,357
Capital assets	53,948,612	54,477,278
Total assets	273,131,097	245,737,635
Liabilities:		
Long-term debt outstanding	183,127,136	172,498,138
Other liabilities	9,818,351	11,694,537
Total liabilities	192,945,487	184,192,675
Deferred inflow of resources:		
Deferred inflows related to leases	81,769	221,944
Net position:		
Net investment in capital assets	53,948,612	54,477,278
Restricted, bond covenants	18,550,133	-
Restricted, contractual agreement	25,000	25,000
Unrestricted	7,580,096	6,820,738
Total net position	$80,103,841	$61,323,016

**FY 2022 was restated for comparability (see Note 2)*

The largest portion of the Authority's net position reflects its investment in capital assets which includes land and land improvements, improvements other than buildings, and infrastructure (67.4% at June 30, 2023).

An additional portion of the Authority's net position (23.2% at June 30, 2023) represents resources that are subject to external restrictions on how they may be used. The remaining balance (9.4% at June 30, 2023) is unrestricted net position.

Changes in Net Position. The Authority's total revenues increased from the prior fiscal year by $14,841,446 (35.9%). In fiscal year 2023, approximately 72.7% of the Authority's revenues were received from the County and approximately 25.5% was received from the Commonwealth. The remaining revenues are closing fees, interest income, lease revenue and other revenues. The Authority's total expenses increased from the prior year by $23,790,421 (174.7%). In fiscal year 2023, approximately 64.6% were project related expenses, 10.8% were incentives, 2.6% related to professional fees, 2.5% were other expenses, 15.6% were bond interest expense, 1.3% were depreciation, and 1.5% related to Meadowville operating expenses. The remaining 1.1% were bond issuance costs, director's fees and net loss on sale of assets (see Table 2).

**Table 2
Condensed Summary of Changes in Net Position
Years Ended June 30, 2023 and 2022**

	2023	2022*
Revenues:		
Chesterfield County appropriations	$40,843,386	$40,476,864
Commonwealth incentive revenue	14,314,125	164,892
Closing fees	271,846	311,743
Capital contribution	-	36,100
Lease revenue	140,175	105,132
Interest income	417,198	12,404
Other revenues	204,794	242,943
Total revenues	56,191,524	41,350,078
Expenses:		
Project expenses	24,148,592	6,055,128
Meadowville operating expenses	545,544	443,119
Bond interest expense	5,824,379	5,416,120
Bond issuance costs	110,000	-
Incentives	4,030,398	605,000
Professional fees	968,792	599,024
Directors' fees	11,100	10,350
Net loss on sale of assets	374,554	-
Other expenses	918,146	21,745
Depreciation expense	479,194	469,792
Total expenses	37,410,699	13,620,278
Change in net position	$18,780,825	$27,729,800

**FY 2022 was restated for comparability (see Note 2)*

The Authority's revenues increased by $14,841,446 (35.9%) and total expenses increased by $23,790,421 (174.7%) compared to prior fiscal year financial activity. Key elements contributing to these results are as follows:

- Commonwealth incentive revenue increased by $14,149,233 (8580.9%) since the incentive agreement was executed in June 2022 and majority of the agreed upon work was performed in the current fiscal year. Detailed information on the Commonwealth incentive revenue is presented in Note 6 to the financial statements.
- Project costs increased by $18,093,464 (298.8%) mainly due to the $14,149,233 increase in costs funded by Commonwealth incentive revenues as noted above and $4,717,233 of new project costs funded with bond proceeds issued during the year.
- Other expenses increased $896,401 (4122.3%) mainly due to $677,991 of lease termination fees at Spring Rock Green Shopping Center as demolition of the Center and site preparation for redevelopment commenced during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2023, the Authority had invested $53,948,612 for land and land improvements, intangible assets, improvements other than buildings and infrastructure. This amount represents a net decrease of $528,666 (1.0%) from fiscal year 2022 (see Table 3).

Table 3
Summary of Capital Assets
(Net of Depreciation)
Years Ended June 30, 2023 and 2022

	2023	2022
Land and land improvements	$44,685,211	$45,518,502
Intangible assets	2,830,412	-
Construction in progress	-	25,000
Improvements other than buildings	810,637	937,425
Infrastructure	5,622,352	7,996,351
Total capital assets	$53,948,612	$54,477,278

Capital assets decreased $528,666 due to the purchase of land in the amount of $5,122,192, purchase of intangible assets in the amount of $2,830,412, less land sale transactions in the amount of $7,995,256, transfer of land to another entity in the amount of $6,820, and annual depreciation expense of $479,194. 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 $183,127,136 in bonds outstanding, an increase of $10,628,998 (6.2%) compared to the restated balances for the previous fiscal year. During the year, the Authority issued $23,000,000 in Tax-Exempt Revenue Bonds, made bond principal payments in the amount of $10,765,137 and amortized bond premium in the amount of $1,605,865. More detailed information about the Authority's revenue bonds and tax-exempt revenue note is presented in Note 7 to the financial statements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

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

Statement of Net Position
June 30, 2023

Assets:	
Current assets:	
Cash and cash equivalents (Note 3)	$ 5,445,864
Due from Chesterfield County (Note 11)	1,674,493
Due from other governments (Note 6)	4,346,164
Receivables	23,236
Lease receivable (Note 5)	82,060
Restricted:	
Cash and cash equivalents (Notes 2, 3 & 11)	22,647,209
Due from Chesterfield County (Note 2 & 11)	14,757,853
Total current assets	48,976,879
Noncurrent assets:	
Restricted:	
Due from Chesterfield County (Note 2 & 11)	170,205,606
Capital assets (Note 4):	
Land and land improvements	44,685,211
Intangible asset	2,830,412
Improvements other than buildings	1,936,873
Infrastructure	7,250,802
Accumulated depreciation	(2,754,686)
Net capital assets	53,948,612
Total noncurrent assets	224,154,218
Total assets	273,131,097
Liabilities:	
Current liabilities:	
Accounts payable	126,437
Accrued expenses	3,094,484
Retainage payable	689,031
Liabilities payable from restricted assets:	
Accrued expenses	2,556,888
Retainage payable	209,736
Due to Chesterfield County (Note 11)	3,141,775
Bonds payable (Note 7)	12,921,530
Total current liabilities	22,739,881
Noncurrent liabilities:	
Bonds payable (Note 7)	170,205,606
Total liabilities	192,945,487
Deferred Inflows of Resources:	
Deferred inflows related to leases (Note 5)	81,769
Net Position:	
Net investment in capital assets	53,948,612
Restricted by bond covenants	18,550,133
Restricted by contractual agreements	25,000
Unrestricted	7,580,096
Total net position	$ 80,103,841

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2023

Operating revenues:	
County of Chesterfield appropriations (Note 11)	$ 1,249,949
Closing fees	271,846
Other revenues	42,461
Total operating revenues	1,564,256
Operating expenses:	
Meadowville expenses	545,544
Incentives	100,000
Professional service fees	968,792
Directors' fees	11,100
Other general and administrative expenses	28,159
Depreciation expense (Note 4)	479,194
Total operating expenses	2,132,789
Operating loss	(568,533)
Non-operating revenues (expenses):	
County of Chesterfield appropriations (Note 11)	39,593,437
Commonwealth incentive revenue (Note 6)	14,314,125
Other revenues	162,333
Lease revenue (Note 5)	140,175
Interest income	417,198
Project expenses	(24,148,592)
Incentives	(3,930,398)
Net loss on sale of assets	(374,554)
Miscellaneous expense	(889,987)
Bond interest expense (Note 7)	(5,824,379)
Bond issuance costs	(110,000)
Net non-operating revenues	19,349,358
Change in net position	18,780,825
Net position, July 1, 2022, as restated (Note 2)	61,323,016
Net position, June 30, 2023	$80,103,841

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
Year Ended June 30, 2023

Cash flows from operating activities:	
Receipt of funds from Chesterfield County	$ 1,331,168
Receipt of closing fees	271,846
Receipt of other revenues	42,461
Payments for operating expenses	(1,701,243)
Net cash used in operating activities	(55,768)
Cash flows from capital and related financing activities:	
Receipt of funds from Chesterfield County	25,857,598
Receipt of funds from the Commonwealth	9,882,853
Receipt of bond proceeds	23,000,000
Receipt of funds from sale of capital assets	5,336,154
Receipt of other revenues	362,332
Payment of project expenses	(21,358,292)
Payments for capital assets	(7,952,605)
Payments for County sewer projects	(6,129,555)
Payment for incentives	(250,000)
Payments for lease terminations	(677,991)
Payments for principal on bonds	(10,765,137)
Payments for bond issuance costs	(110,000)
Payment for interest on bonds	(5,452,688)
Net cash provided by capital and related financing activities	11,742,669
Cash flows from investing activities:	
Interest received	415,201
Net cash provided by investing activities	415,201
Net increase in cash and cash equivalents	12,102,102
Cash, July 1, 2022	15,990,971
Cash, June 30, 2023	$ 28,093,073
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (568,533)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	479,194
Change in assets and liabilities:	
Decrease in due from Chesterfield County	81,219
Decrease in accounts payable	(47,648)
Net cash used in operating activities	$ (55,768)
Noncash transactions related to capital and related financing activities are as follows:	
Transfer of capital assets	$ (4,446,789)
Incentives	(2,180,398)
Land transaction costs	(99,152)
Amortized bond premium	(1,605,865)
Amortized lease revenue	140,175

See accompanying notes to financial statements.

**Notes to the Financial Statements
June 30, 2023**

1. DESCRIPTION OF THE AUTHORITY AND ITS ACTIVITIES

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Model

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

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

B. Basis of Accounting and Financial Statement Presentation

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

C. Restricted Assets

Certain assets are classified as restricted on the Statement of Net Position because their use is limited by revenue bond covenants or contractual agreements. Restricted assets include: (1) $25,000 held by the Trustee in accordance with a contractual agreement; (2)

$22,622,209 bond proceeds reserved for the construction of County sewer projects and for improvements of Spring Rock Green Shopping Center (the "Center") for redevelopment purposes; (3) $1,836,323 due from the County for bond interest; and (4) $183,127,136 receivables related to outstanding long-term debt. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources as they are needed.

D. Cash Equivalents

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

E. Receivables

Unrestricted receivables primarily consist of amounts due from a property management firm that is managing the Center and interest income accrued at year-end. Restricted receivables relate to the amount of outstanding long-term debt.

F. Lease Receivable

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

G. Capital Assets

Capital assets include land and land improvements, intangible assets, improvements other than buildings, and infrastructure assets (i.e. drainage, roads and irrigation systems). 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 intangible assets are not depreciated. The estimated useful lives of capital assets are as follows:

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

H. Deferred Inflows of Resources

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

I. Risk Management

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

J. New Accounting Pronouncement

GASB Statement No. 91 (the "GASB 91"), *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by clarifying the definition of conduit debt, establishing that conduit debt is not a liability of the issuer, establishing standards for additional commitments and voluntary commitments extended by issuers as well as arrangements associated with conduit debt, and improving required note disclosures. In previous years, the Authority had issued debt for County economic development and capital improvement projects that do not meet the definition of conduit debt as defined in GASB 91. The Authority had not reported this debt in previous years. As a result of implementing GASB 91, the following beginning balances have been restated.

	Restricted Due from County	Restricted Accrued Expense	Long-term Debt
Balance at July 1, 2022, as previously reported	$ 29,231	$ 863,856	$ 14,709,693
Adoption of GASB 91	165,499,678	1,375,233	157,788,445
Balance at July 1, 2022, as restated	$165,528,909	$2,239,089	$172,498,138

	County Appropriations	Bond Interest Expense	Net Position
Balance at July 1, 2022, as previously reported	$28,789,712	$ 64,968	$54,987,016
Adoption of GASB 91	11,687,152	5,351,152	6,336,000
Balance at July 1, 2022, as restated	$40,476,864	$5,416,120	$61,323,016

3. DEPOSITS AND INVESTMENTS

As of June 30, 2023, the carrying value of the Authority's deposits and investments, with their respective credit rating, was as follows:

	Fair Value	Credit Rating
Demand deposits	$ 3,752,668	N/A
VIP – Stable NAV Liquidity Pool	24,340,405	AAAm
Total deposits and investments	$28,093,073	

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

The Virginia Security for Public Deposits Act (the "Act") requires financial institutions holding public deposits in excess of amounts covered by federal insurance to pledge collateral to a pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the requirements of the Act and for notifying local governments of compliance by banks and savings and loans. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Accordingly, all deposits in banks and savings and loans are considered to be insured.

As required by State statue, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors

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

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

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2023, all of the Authority's investments and demand deposits were insured and collateralized and not subject to custodial credit risk.

Concentration of Credit Risk: According to the Authority's Policy, to eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets shall be diversified. In establishing specific diversification strategies, portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity. Diversification strategies shall be determined and revised periodically. As of June 30, 2023, excluding demand deposits, 100% of the Authority's investments were invested in VIP – Stable NAV Liquidity Pool.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. According to the Authority's Policy, the Authority will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity. In addition, as a means of limiting exposure to fair value losses arising from interest rates, the Policy limits the investment of funds to investments with a stated maturity of no more than five years from the date of purchase. As of June 30, 2023, excluding demand deposits, the Authority invested $24,340,405 in VIP – Stable NAV Liquidity Pool with a maturity date of July 1, 2023.

Fair Value Measurements: GAAP has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is based on the valuation inputs used to measure the fair value of investments. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable. As of June 30, 2023, excluding demand deposits and VIP – Stable NAV Liquidity Pool investments, the Authority had no investments subject to fair value measurement.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital assets not being depreciated:				
Land and land improvements	$45,518,502	$5,147,193	$5,980,484	$44,685,211
Intangible assets	-	2,830,412	-	2,830,412
Construction in progress	25,000	55,000	80,000	-
Total capital assets not being depreciated	45,543,502	8,032,605	6,060,484	47,515,623
Capital assets being depreciated:				
Improvements other than buildings	1,936,873	-	-	1,936,873
Infrastructure	9,887,662	-	2,636,860	7,250,802
Total capital assets being depreciated	11,824,535	-	2,636,860	9,187,675
Less accumulated depreciation for:				
Improvements other than buildings	999,448	126,788	-	1,126,236
Infrastructure	1,891,311	352,406	615,267	1,628,450
Total accumulated depreciation	2,890,759	479,194	615,267	2,754,686
Net capital assets being depreciated	8,933,776	(479,194)	2,021,593	6,432,989
Total	$54,477,278	$7,553,411	$8,082,077	$53,948,612

5. LEASE RECEIVABLE

In September 2021, the Authority purchased the Center for redevelopment and assumed the tenant leases. Lease termination agreements were negotiated for all but one of the leases which expires on January 31, 2024. Payments due under the lease contract are fixed with a monthly amount due of $11,741. During the fiscal year, the Authority received lease payments of $140,886 and reported $711 in lease interest income, bringing the lease receivable balance to $82,060 at year-end. The lease has an interest rate of 0.45%. The value of the deferred inflow of resources as of June 30, 2023 was $81,769 and the Authority reported lease revenue of $140,175.

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

June 30,	Principal	Interest	Total
2024	$82,060	$123	$82,183

6. DUE FROM OTHER GOVERNMENTS

The County entered into an Infrastructure Improvement Agreement with the Commonwealth of Virginia (the "Commonwealth") and the Virginia Economic Development Partnership Authority (the "VEDP") where the Commonwealth intends to reimburse the County up to $19 million in approved infrastructure improvements. The County provided notice that it intends to exercise certain rights and responsibilities under the Agreement through the Authority.

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

The following is a summary of grant activity:

	Grant Award	Balance July 1, 2022	Increase	Decrease	Balance June 30, 2023
Infrastructure	$19,000,000	$18,835,108	$ -	$13,595,988	$ 5,239,120
Business Ready	25,000,000	-	25,000,000	468,137	24,531,863
Total	$44,000,000	$18,835,108	$25,000,000	$14,064,125	$29,770,983

During the year, the Authority reported total Commonwealth incentive revenue in the amount of $14,314,125. This includes $9,882,853 cash received from the Commonwealth, $4,346,164 due from the Commonwealth at the end of the current fiscal year, $250,000 recognition of prior year's unearned incentive revenue less $164,892 prior year's due from the Commonwealth.

7. LONG-TERM OBLIGATIONS

A. Revenue Bonds

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

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

Revenue bonds outstanding at June 30, 2023 are as follows:

	Original Issue Amount	Interest Rates	Future Annual Principal Requirements	Amount Outstanding
2019B public facility revenue bonds, due 2039	$45,705,000	3.00-5.00%	$2,285,000	$ 36,560,000
2020F public facility revenue bonds, due 2041	$85,000,000	2.00-5.00%	$4,250,000	76,500,000
Total revenue bonds				113,060,000
Add: Premium				13,782,710
Net revenue bonds outstanding				$126,842,710

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

Year Ended June 30,	Principal	Interest	Total
2024	$ 6,535,000	$ 4,221,700	$ 10,756,700
2025	6,535,000	3,894,950	10,429,950
2026	6,535,000	3,568,200	10,103,200
2027	6,535,000	3,241,450	9,776,450
2028	6,535,000	2,914,700	9,449,700
2029-2033	32,675,000	9,832,200	42,507,200
2034-2038	32,675,000	4,048,500	36,723,500
2039-2041	15,035,000	578,550	15,613,550
Total	$113,060,000	$32,300,250	$145,360,250

B. Direct Borrowings

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

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

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

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

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

Direct borrowings outstanding on June 30, 2023 are as follows:

	Original Issue Amount	Interest Rates	Future Annual Principal Requirements	Amount Outstanding
2015 revenue bond, due 2032	$ 6,899,800	3.09%	$459,987	$ 4,139,883
2017 tax-exempt revenue refunding bond, due 2032	$11,774,028	2.89%	$755,367-$948,731	7,639,543
2019 tax-exempt revenue bond, due 2032	$15,000,000	2.35%	$691,000-$1,459,000	11,457,000
2020C revenue refunding bond, due 2030	$ 5,659,000	1.00%	$389,000-$790,000	3,606,000
2020D revenue refunding bond, due 2025	$ 2,611,000	0.75%	$638,000-$642,000	1,280,000
2020E revenue refunding bond, due 2035	$ 6,246,000	2.00%	$385,000-$479,000	5,162,000
2022 tax-exempt revenue bond, due 2043	$23,000,000	4.34%	$599,000-$1,694,000	23,000,000
Total revenue bonds				$56,284,426

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

Year Ended June 30,	Principal	Interest	Total
2024	$ 4,869,354	$ 1,802,900	$ 6,672,254
2025	5,096,183	1,614,663	6,710,846
2026	4,189,645	1,492,950	5,682,595
2027	4,279,755	1,376,618	5,656,373
2028	4,373,533	1,257,191	5,630,724
2029-2033	18,484,956	4,443,770	22,928,726
2034-2038	7,211,000	2,419,989	9,630,989
2039-2043	7,780,000	873,425	8,653,425
Total	$56,284,426	$15,281,506	$71,565,932

C. Direct Borrowings

The following is a summary of long-term debt transactions for the year ended June 30, 2023:

	Balance July 1, 2022*	Increase	Decrease	Balance June 30, 2023	Amounts Due Within One Year
Revenue bonds	$119,595,000	$ -	$ 6,535,000	$113,060,000	$ 6,535,000
Add: Premium	15,388,575	-	1,605,865	13,782,710	1,517,177
Net revenue bonds	134,983,575	-	8,140,865	126,842,710	8,052,177
Direct borrowings	37,514,563	23,000,000	4,230,137	56,284,426	4,869,353
Total	$172,498,138	$23,000,000	$12,371,002	$183,127,136	$12,921,530

**FY 2022 was restated for comparability (see Note 2)*

For the year ended June 30, 2023, the Authority reported total bond interest expense in the amount of $5,824,379. This includes $5,452,688 of interest paid and $1,836,323 of interest accrued at year-end less $1,464,632 interest accrued in the prior year as restated.

8. COMMERCIAL MANAGEMENT AGREEMENT

In October 2021, the Authority entered into a commercial management agreement with Thalhimer (the "Manager") to manage the Center. The agreement grants the Manager the authority to collect rent payments from tenants and pay operating costs necessary for the operation and maintenance of the Center. The agreement requires the Authority to ensure that sufficient funds are available to the Manager to allow for the proper and efficient operation of the Center. As of June 30, 2023, the Manager reported a cash balance of $21,925; therefore, funding from the Authority was not necessary. The Authority reports this amount as a receivable. The Manager reported the following financial activity for the year ended June 30, 2023:

Operating revenues	$ 142,468
Operating expenses	(174,478)
Net operating activity	(32,010)
Non-operating expenses	(239,100)
Expenses over revenues	(271,110)
Beginning cash balance, July 1, 2022	293,035
Ending cash balance, June 30, 2023	$ 21,925

9. CONDUIT DEBT OBLIGATIONS

To further economic development in the County, the Authority has issued the following industrial development bonds that meet the definition of a conduit debt obligation. No commitments beyond the collateral, the payments from the private-sector facility, and maintenance of the tax-exempt status of the conduit debt obligation were extended by the Authority for the bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements.

A. Retirement Facilities First Mortgage Revenue Bonds to finance construction of facilities for the residence and care of the aged. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the private-sector facility. On June 30, 2023, the bonds had an outstanding principal balance of $29,775,913.

B. Multifamily Housing Revenue Bonds to finance the acquisition, construction and equipping of multi-family housing developments. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the private-sector facility. On June 30, 2023, the outstanding principal balance was $34,075,363 with $4,330,637 remaining on a draw down structure issue.

10. COMMITMENTS

On June 30, 2023, uncompleted contracts totaled $38,260,776 for the development of Meadowville, sewer line improvements, and other Authority projects. Commitments in the amount of $4,148,454 will be made from restricted assets and $34,112,322 will be made from unrestricted assets.

11. RELATED PARTY TRANSACTIONS

County Appropriations: For the year ended June 30, 2023, the Authority reported total appropriations from the County in the amount of $40,843,386. This includes the following:

		Non-operating		
	Operating	Projects	Debt Service	Total
Receipt of funds	$1,331,168	$ 9,639,773	$16,217,826	$27,188,767
FY22 due from County, as restated	(255,712)	(370,715)	(173,962,771)	(174,589,198)
FY23 due from County	174,493	1,500,000	184,963,459	186,637,952
Amortized bond premium	-	-	1,605,865	1,605,865
County appropriations	$1,249,949	$10,769,058	$ 28,824,379	$40,843,386

Due to County: The Authority maintains bond proceeds for County sewer line improvements and makes payments for the costs of the project on behalf of the County. On June 30, 2023, the Authority reported a restricted cash balance of $3,143,625 and a liability to the County of $3,141,775. During the year, cash balance was reduced by $6,129,555 due to the following: $5,151,598 current year project costs, $774,456 prior year accrued expenses, $275,199 prior year retainage payable less $69,847 net interest income and $1,851 current year accrued expenses.

County Support: The County provides certain administrative services to the Authority, which includes maintaining the general ledger, preparing financial statements and coordinating the annual financial statement audit. During the year ended June 30, 2023, the Authority made payments of $6,400 to the County.

12. CLAIMS AND LAWSUITS

On June 30, 2023, there were no claims or lawsuits pending involving the Authority that are considered material to the financial statements.

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Economic Development Authority of the County of Chesterfield (the "Authority"), a component unit of the County of Chesterfield, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 17, 2023. Our report recognizes that the Authority implemented a new accounting standard effective July 1, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Cherry Bekaert LLP

Richmond, Virginia
October 17, 2023