

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

Annual Financial Report

Year Ended June 30, 2021

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

**DIRECTORY OF OFFICIALS
JUNE 30, 2021**

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, 2021**

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Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Economic Development Authority of the County of Chesterfield (the “Authority”), a component unit of the County of Chesterfield, Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Economic Development Authority of the County of Chesterfield, as of June 30, 2021, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021, 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.



Richmond, Virginia
September 23, 2021

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

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

This section of the annual financial report of the Economic Development Authority of the County of Chesterfield (the "Authority"), a component unit of the County of Chesterfield, Virginia, presents our discussion and analysis of the Authority's financial performance during the fiscal year that ended June 30, 2021. 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 \$17,559,510 (109.5%) to \$33,593,216.
- Capital assets net of accumulated depreciation increased by \$14,435,465 (76.9%) to \$33,217,990.
- Long-term debt outstanding decreased \$2,029,818 (10.7%) to \$16,880,221.
- Revenues increased by \$13,975,072 (127.0%).
- Expenses increased by \$5,075,064 (216.6%).

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, which is used to account for governmental operations intended to recover all or a significant portion of its costs through user fees. Accordingly, the Authority's financial statements are presented in accordance with the economic resources measurement focus and the accrual basis of accounting.

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

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

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

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

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

Analysis of the Authority

Net Position. The Authority's assets exceeded liabilities by \$33,33,593,216 at the end of the current fiscal year. The Authority's net position increased by \$17,559,510 (109.5%) from the prior year (see Table 1).

**Table 1
Condensed Summary of Net Position
As of June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Assets:		
Current and other assets	\$32,327,912	\$31,573,743
Capital assets	<u>33,217,990</u>	<u>18,782,525</u>
Total assets	<u>65,545,902</u>	<u>50,356,268</u>
Liabilities:		
Long-term debt outstanding	16,880,221	18,910,039
Other liabilities	<u>15,072,465</u>	<u>15,412,523</u>
Total liabilities	<u>31,952,686</u>	<u>34,322,562</u>
Net position:		
Net investment in capital assets	29,215,990	13,803,193
Restricted, contractual agreement	2,567,058	-
Unrestricted	<u>1,810,168</u>	<u>2,230,513</u>
Total net position	<u>\$33,593,216</u>	<u>\$16,033,706</u>

The largest portion of the Authority's net position reflects its investment in capital assets (e.g. land and land improvements, construction in progress, improvements other than buildings, and infrastructure), less any related debt used for acquisitions. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Changes in Net Position. The Authority's total revenues increased from the prior fiscal year by \$13,975,072 (127.0%). In fiscal year 2021, approximately 83.9% of the Authority's revenues were received from the County and approximately 15.9% were gain on sale of capital asset. The remaining revenues are interest income and other revenues. The Authority's total expenses increased from the prior year by \$5,075,064 (216.6%). In fiscal year 2021, approximately 71.4% were incentives, 11.4% were project related expenses, 5.2% were depreciation, 4.5% related to Meadowville operating expenses, 1.5% related to bond amortization and interest, and 4.9% related to professional fees. The remaining 1.1% were other debt related expenses, director's fees and miscellaneous expenses (see Table 2).

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

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

**Table 2
Condensed Summary of Changes in Net Position
Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Revenues:		
Chesterfield County appropriations	\$20,955,825	\$5,136,375
Gain on sale of capital asset	3,974,923	5,701,311
Bond interest subsidy	-	88,197
Interest income	9,142	26,728
Other revenues	<u>38,179</u>	<u>50,386</u>
Total revenues	<u>24,978,069</u>	<u>11,002,997</u>
Expenses:		
Project expenses	849,096	505,732
Meadowville operating expenses	330,302	347,729
Bond amortization and interest expense	109,557	297,632
Other debt related expenses	60,883	39,466
Incentives	5,298,556	550,000
Professional fees	366,575	201,576
Directors' fees	9,900	9,150
Other expenses	10,894	9,414
Depreciation expense	<u>382,796</u>	<u>382,796</u>
Total expenses	<u>7,418,559</u>	<u>2,343,495</u>
Change in net position	<u>\$17,559,510</u>	<u>\$ 8,659,502</u>

The Authority's revenues increased by \$13,975,072 (127.0%) and total expenses increased by \$5,075,064 (216.6%) compared to prior fiscal year financial activity. Key elements contributing to these results are as follows:

- County funding to the Authority increased by \$15,819,450 (308.0%) mainly due to the transfer of approximately \$5.2 million for back in business and childcare provider grants and a \$10.0 million increase for land acquisitions. The Back in Business and Childcare Provider Grant Programs were established with Coronavirus Aid, Relief and Economic Security (CARES) Act Federal funding to provide relief to those businesses and childcare facilities most impacted by the COVID pandemic. The Authority served as a contractor to facilitate grant payments to qualifying applicants. The County appropriated \$13.0 million in the current year compared to \$3.0 million in the previous year for the purpose of purchasing commercial and industrial land parcels to further promote economic development within the County.
- Incentive expenses increased by \$4,748,556 (863.4)% due to the Back in Business Grant Program noted above where approximately \$5.2 million in grants were provided to small businesses most impacted by the pandemic.
- Project expenses increased by \$343,364 (67.9%) mainly due to transfer of land to another entity, land planning, waterline and related infrastructure in support of economic prospects for the County.
- Professional fees increased by \$164,999 (81.9%) mainly due to activity related to pursuing potential economic development prospects for the County.

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
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**Management’s Discussion and Analysis, Continued
(unaudited)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2021, the Authority had invested \$33,217,990 for land and land improvements, construction in progress, improvements other than buildings and infrastructure. This amount represents a net increase of \$14,435,465 (76.9%) from fiscal year 2020 (see Table 3).

**Table 3
Summary of Capital Assets
(Net of Depreciation)
Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$24,666,603	\$12,724,554
Construction in progress	2,876,212	-
Improvements other than buildings	1,064,214	1,191,003
Infrastructure	<u>4,610,961</u>	<u>4,866,968</u>
Total capital assets	<u>\$33,217,990</u>	<u>\$18,782,525</u>

Capital assets increased \$14,435,465 due to the purchase of land in the amount of \$13,010,976, sale of land valued at \$969,192, transfer of land to another entity in the amount of \$99,735, construction of road infrastructure in the amount of \$2,726,212, costs for future land acquisition in the amount of \$150,000 and annual depreciation expense of \$382,796. 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 \$7,793,000 in net bonds outstanding and \$9,087,221 in notes outstanding, a decrease in long-term debt of \$2,029,818 (10.7%) compared to the previous fiscal year. During the year, the Authority issued \$8,270,000 in Revenue Refunding Bonds to refund the entire outstanding Series 2005A, Series 2005B and Series 2010B Bonds. More detailed information about the Authority’s revenue bonds and tax-exempt revenue note is presented in Notes 5 and 6 to the basic financial statements, respectively.

OTHER INFORMATION

In December 2020, the Authority purchased approximately 2,000 acres in the southwestern part of the county for future economic development opportunities. The property is referred to as Upper Magnolia Green and is seen as a key element in the county’s development over the next couple of decades.

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, 2021**

Assets:	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 6,217,175
Due from Chesterfield County (Note 8)	341,049
Restricted:	
Cash and cash equivalents with trustee (Note 3)	2,567,058
Cash and cash equivalents (Notes 3 & 8)	14,014,389
Due from Chippenham Place CDA (Note 6 & 8)	778,825
Due from Chesterfield County (Note 8)	<u>35,723</u>
Total current assets	<u>23,954,219</u>
Noncurrent assets:	
Due from Chippenham Place CDA (Note 6 & 8)	8,373,693
Capital assets (Note 4):	
Land and land improvements	24,666,603
Construction in progress	2,876,212
Improvements other than buildings	1,936,873
Infrastructure	6,159,269
Accumulated depreciation	<u>(2,420,967)</u>
Net capital assets	<u>33,217,990</u>
Total noncurrent assets	<u>41,591,683</u>
Total assets	<u>65,545,902</u>
Liabilities:	
Current liabilities:	
Accounts payable	246,617
Accrued expenses	319,128
Retainage payable	141,311
Deferred revenues	250,000
Liabilities payable from restricted assets:	
Accrued expenses (Note 5, 6 & 8)	133,208
Due to Chesterfield County (Note 8)	13,982,201
Note payable (Note 6)	713,528
Bonds payable (Note 5)	<u>1,457,000</u>
Total current liabilities	<u>17,242,993</u>
Noncurrent liabilities:	
Note payable (Note 6)	8,373,693
Bonds payable (Note 5)	<u>6,336,000</u>
Total noncurrent liabilities	<u>14,709,693</u>
Total liabilities	<u>31,952,686</u>
Net Position:	
Net investment in capital assets	29,215,990
Restricted by contractual agreements	2,567,058
Unrestricted	<u>1,810,168</u>
Total net position	<u>\$33,593,216</u>

See accompanying notes to financial statements.

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

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2021**

Operating revenues:	
County of Chesterfield appropriations (Note 8)	\$ 655,763
Other revenues	<u>38,179</u>
Total operating revenues	<u>693,942</u>
Operating expenses:	
Meadowville expenses	330,302
Incentives	75,000
Professional service fees	366,575
Directors' fees	9,900
Other general and administrative expenses	10,894
Depreciation expense (Note 4)	<u>382,796</u>
Total operating expenses	<u>1,175,467</u>
Operating loss	<u>(481,525)</u>
Non-operating revenues (expenses):	
County of Chesterfield appropriations (Note 8)	20,300,062
Gain on sale of capital asset	3,974,923
Interest income	9,142
Project expenses	(849,096)
Incentives	(5,223,556)
Bond amortization and interest expense (Note 5)	(109,557)
Other debt-related expenses	<u>(60,883)</u>
Net non-operating revenues	<u>18,041,035</u>
Change in net position	17,559,510
Net position, July 1, 2020	<u>16,033,706</u>
Net position, June 30, 2021	<u>\$33,593,216</u>

See accompanying notes to financial statements.

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

**Statement of Cash Flows
Year Ended June 30, 2021**

Cash flows from operating activities:	
Receipt of funds from Chesterfield County	\$ 476,473
Receipt of miscellaneous revenues	38,179
Payments for operating expenses	<u>(567,004)</u>
Net cash used in operating activities	<u>(52,352)</u>
Cash flows from capital and related financing activities:	
Receipt of funds from Chesterfield County	20,196,785
Receipt of bond proceeds	8,270,000
Receipt of proceeds from sale of capital asset	4,919,115
Receipt of contributions for Chesterfield Arts Center	1,171,787
Receipt of deferred grant funds	250,000
Payment of project expenses	(751,776)
Payments for capital assets	(15,533,297)
Payments for Chesterfield Arts Center	(1,853,379)
Payments for Tomahawk Creek Trunk Sewer Line	(397,055)
Payment of incentives	(5,212,650)
Payments of principal on bonds	(9,607,000)
Payment of interest on bonds	(175,284)
Payment of debt related expenses	<u>(60,883)</u>
Net cash provided by capital and related financing activities	<u>1,216,363</u>
Cash flows from investing activities:	
Interest received	9,140
Payments of net bank fees for Chesterfield Arts Center	(120)
Payments of net bank fees for Tomahawk Creek Trunk Sewer Line	<u>(193)</u>
Net cash provided by investing activities	<u>8,827</u>
Net increase in cash and cash equivalents	1,172,838
Cash and cash equivalents, July 1, 2020	<u>21,625,784</u>
Cash and cash equivalents, June 30, 2021	<u>\$22,798,622</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (481,525)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	382,796
Change in assets and liabilities:	
Increase in due from Chesterfield County	(179,290)
Increase in accounts payable	<u>225,667</u>
Net cash used in operating activities	<u>\$ (52,352)</u>
Noncash transactions related to capital and related financing activities are as follows:	
Debt service on Special Assessment Revenue Note	\$ (976,149)
Amortization of bond discount	(669)
Transfer of capital assets	(99,735)

See accompanying notes to financial statements.

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

**Notes to the Financial Statements
June 30, 2021**

1. DESCRIPTION OF THE AUTHORITY AND ITS ACTIVITIES

The Economic Development Authority of the County of Chesterfield (the “Authority”), a political subdivision of the Commonwealth of Virginia, was created in December 1968 by the County of Chesterfield, Virginia (the “County”) pursuant to the Industrial Development and Revenue Bond Act, Chapter 49 of Title 15.2, Code of Virginia. This Act empowers the Authority, among other activities, to issue tax-exempt bonds to bond issuers so that they may acquire, improve, maintain, equip, own, lease or dispose of properties by inducing manufacturing and industrial enterprises to locate or remain in the Commonwealth of Virginia. The County Board appoints the seven members of the Authority’s Board and pursuant to the terms of a Support Agreement, the County has agreed, subject to appropriation, to provide 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 (the “ACFR”).

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:

- Management’s Discussion and Analysis – GAAP requires that financial statements be accompanied by a narrative introduction and analytical overview of the Authority’s financial activities in the form of “management’s discussion and analysis.”
- 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 two categories: (1) net investment in capital assets, restricted by contractual agreements, and (2) 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. The direct method of presenting cash flows is utilized.

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 operating expenses related to Meadowville. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD
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**Notes to the Financial Statements
June 30, 2021**

- C. Cash and Cash Equivalents
All highly liquid investments, including restricted assets, with a maturity of three months or less when purchased are considered to be cash equivalents.
- D. Restricted Assets
Certain assets are classified as restricted assets on the Statement of Net Position because their use is limited by revenue bond covenants or contractual agreements. The Trustee maintains funds in the amount of \$2,567,058 in accordance with a contractual agreement and the Authority maintains funds reserved for the construction of Tomahawk Creek Trunk Sewer Line in the amount of \$14,014,389. 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.
- E. Capital Assets
Capital assets include land and land improvements, improvements other than buildings, infrastructure assets (i.e. drainage, roads and irrigation systems) and construction in progress. All capital assets are stated at cost. The standard for capitalization of tangible property is \$5,000 or more per unit with an expected life of greater than one year. Depreciation has been provided over estimated useful lives using the straight-line method. Land and construction in progress are not depreciated. The estimated useful lives of capital assets are as follows:
- | | |
|-----------------------------------|---------------|
| Improvements other than buildings | 15 - 25 years |
| Infrastructure | 20 - 25 years |
- F. Risk Management
The Authority maintains all-risk property insurance on certain improvements at Meadowville at replacement cost. Meadowville is located in the Bermuda District of the County adjacent to the James River and is being developed as an industrial and office park. In addition, the Authority obtains general liability insurance to cover the operations pertaining to Meadowville. The amount of settlements in each of the past three years did not exceed the amount of insurance coverage.
- G. Income Taxes
The Authority qualifies under the Internal Revenue Code for exemption from Federal income taxes. Accordingly, no provisions for income taxes have been made in the accompanying financial statements.
- H. Administrative Functions
The County provides certain administrative services to the Authority at a minimum charge.

3. DEPOSITS AND INVESTMENTS

As of June 30, 2021, the carrying value of the Authority's deposits, with their respective credit rating, was as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$22,798,622	N/A

**ECONOMIC DEVELOPMENT AUTHORITY OF
THE COUNTY OF CHESTERFIELD**
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**Notes to the Financial Statements
June 30, 2021**

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

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

As required by State statute, the Policy requires that commercial paper, with a maturity of 270 days or less, shall be rated by at least two of the following: Moody's Investors Service, within its NCO/Moody's rating of prime 1, by Standard & Poor's, within its rating of "A-1", by Fitch Investor's Services, within its rating of "F-1", by Duff and Phelps, within its rating of "D-1", or by their corporate successors. Corporate notes, with a maturity of no more than five years, shall have a rating of at least "Aa" by Moody's Investors Service, and a rating of at least "AA" by Standard & Poor's. Negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service, and for maturities over one year and not exceeding five years, a rating of at least "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. 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 table.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2021, \$2,317,058 of the Authority's \$22,798,622 demand deposits was exposed to custodial credit risk since the funds were held in an account that was uncollateralized and not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

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, 2021, excluding demand deposits, the Authority had no investments that exposed the Authority to interest rate 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 by the investment officer.

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As of June 30, 2021, excluding demand deposits, the Authority had no investments that exposed the Authority to concentration of credit risk.

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 inputs. As of June 30, 2021, excluding demand deposits, the Authority had no investments.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land and land improvements	\$12,724,554	\$13,010,976	\$1,068,927	\$24,666,603
Construction in progress	<u>-</u>	<u>2,876,212</u>	<u>-</u>	<u>2,876,212</u>
Total capital assets not being depreciated	<u>12,724,554</u>	<u>15,887,188</u>	<u>1,068,927</u>	<u>27,542,815</u>
Capital assets being depreciated:				
Improvements other than buildings	1,936,873	-	-	1,936,873
Infrastructure	<u>6,159,269</u>	<u>-</u>	<u>-</u>	<u>6,159,269</u>
Total capital assets being depreciated	<u>8,096,142</u>	<u>-</u>	<u>-</u>	<u>8,096,142</u>
Less accumulated depreciation for:				
Improvements other than buildings	745,870	126,789	-	872,659
Infrastructure	<u>1,292,301</u>	<u>256,007</u>	<u>-</u>	<u>1,548,308</u>
Total accumulated depreciation	<u>2,038,171</u>	<u>382,796</u>	<u>-</u>	<u>2,420,967</u>
Net capital assets being depreciated	<u>6,057,971</u>	<u>(382,796)</u>	<u>-</u>	<u>5,675,175</u>
Total	<u>\$18,782,525</u>	<u>\$15,504,392</u>	<u>\$1,068,927</u>	<u>\$33,217,990</u>

5. REVENUE BONDS

The Authority previously issued its (a) Variable Rate Revenue Bonds, Series 2005A (the “2005A Bonds”) and Variable Rate Revenue Bonds, Taxable Series 2005B (the “2005B Bonds”), to finance the costs of the acquisition of real property for Meadowville Technology Park, and (b) Taxable Recovery Zone Economic Development Revenue Bonds, Series 2010B (the “2010B Bonds”), to finance the costs of the acquisition and construction of an interchange to connect Meadowville Technology Park with I-295. These bonds were refunded during the year and had no outstanding balance at June 30, 2021.

On September 28, 2020, the Authority issued \$8,270,000 in Tax-Exempt Revenue Refunding Bond, Series 2020C, and Taxable Series 2020D (the “2020CD Bonds”). The proceeds were used to refund the outstanding balance, interest accrued on the 2005A Bonds, 2005B Bonds and 2010B Bonds, and pay the costs of issuance. The Series 2020C refunding resulted in cash flow savings of \$357,012 with a net present value savings of \$349,057 or 6.3% of refunded bonds and the Series 2020D refunding resulted in cash flow savings of \$96,042 with a net present value savings of \$103,169 or 4.0% of refunded bonds. The 2020CD Bonds are limited obligations of the Authority, payable solely from payments to be made by the County, pursuant to a Support Agreement, dated September 28, 2020. The County is required under the terms of the Agreement to make payments on behalf of the Authority on a periodic basis in an amount equal to the debt service on the bonds.

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If the Authority is unable to make payment, the lender may take whatever action is necessary to collect the principal and interest then due or enforce compliance with the loan agreement.

Revenue bonds outstanding at June 30, 2021 are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Future Annual Principal Requirements</u>	<u>Amount Outstanding</u>
2020C revenue refunding bonds, due 2030	\$5,659,000	1.00%	\$389,000-\$804,000	\$5,210,000
2020D revenue refunding bonds, due 2025	\$2,611,000	0.75%	\$638,000-\$653,000	<u>2,583,000</u>
Total revenue bonds				<u>\$7,793,000</u>

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

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$1,457,000	\$ 71,459	\$1,528,459
2023	1,450,000	58,535	1,508,535
2024	1,432,000	45,660	1,477,660
2025	1,423,000	32,945	1,455,945
2026	423,000	20,310	443,310
2027-2030	<u>1,608,000</u>	<u>39,770</u>	<u>1,647,770</u>
Total	<u>\$7,793,000</u>	<u>\$268,679</u>	<u>\$8,061,679</u>

The following is a summary of long-term debt transactions for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2021</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$9,130,000	\$8,270,000	\$9,607,000	\$7,793,000	\$1,457,000
Less: Discounts	<u>669</u>	<u>-</u>	<u>669</u>	<u>-</u>	<u>-</u>
Net bonds payable	<u>\$9,129,331</u>	<u>\$8,270,000</u>	<u>\$9,606,331</u>	<u>\$7,793,000</u>	<u>\$1,457,000</u>

For the year ended June 30, 2021, the Authority reported total bond amortization and interest expense in the amount of \$109,557. This includes \$5,204 of interest paid on the 2005A and 2005B Bonds, \$150,402 of interest paid on the 2010B Bonds, \$19,678 paid on the 2020CD Bonds, \$669 of bond discount amortization, and \$35,723 of interest accrued at year-end less \$102,119 interest accrued in the prior year.

6. SPECIAL ASSESSMENT REVENUE NOTE

On October 1, 2011, the Authority entered into a Financing Agreement with the Chippenham Place Community Development Authority (the "CDA"). In accordance with the Financing Agreement, the Authority issued a Special Assessment Revenue Note in an amount up to \$8 million and loaned the proceeds of the note to the CDA to finance the infrastructure improvements at the Cloverleaf Mall (the "Mall") site. The outstanding amount of the Special Assessment Revenue Note, Series 2011, at December 1, 2014 was \$6,670,000.

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On December 1, 2014, the Authority entered into a new Financing Agreement with the CDA. In accordance with the new Financing Agreement, the Authority issued a Tax-Exempt Revenue Note, Series 2014B, in an amount of \$12,577,548, the proceeds of which were used to pay the outstanding balance of the Special Assessment Revenue Note, Series 2011; reimburse the County for infrastructure improvements; and pay the costs of issuing the Note. The outstanding amount of the Special Assessment Revenue Note, Series 2011, at May 1, 2017 was \$11,746,424.

On May 1, 2017, the Authority entered into a new Financing Agreement with the CDA. In accordance with the new Financing Agreement, the Authority issued a Special Assessment Revenue Note, Series 2017, in an amount of \$11,774,028, the proceeds of which were used to pay the outstanding balance and interest accrued on the Tax-Exempt Revenue Note, Series 2014B. In accordance with the Financing Agreement, the CDA promises to pay the outstanding principal balance and interest on the Authority's Note solely from the revenues and other property pledged to the payment of this Note. The Note is a limited obligation of the Authority secured by pledged revenues consisting of incremental tax and special assessment revenues collected by the County. The County intends to make annual appropriations sufficient to cover the required annual debt service. The Note will be repaid with the incremental tax revenues and, to the extent incremental tax revenues are not sufficient, special assessment revenues. As of June 30, 2021, the Authority reported total accrued interest of \$65,297 related to the Note, which will be paid by the CDA. The balance of the Note is included in Due from Chippenham Place CDA on the Statement of Net Position.

Revenue notes outstanding at June 30, 2021 are as follows:

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Note issued, due 2032	\$11,774,028	2.89%	\$713,528 - \$948,731	<u>\$9,087,221</u>

The following is a summary of long-term debt transactions for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Decrease</u>	<u>Balance June 30, 2021</u>	<u>Amounts Due Within One Year</u>
Note payable	<u>\$9,780,708</u>	<u>\$693,487</u>	<u>\$9,087,221</u>	<u>\$713,528</u>

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

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2022	\$ 713,528	\$ 262,621	\$ 976,149
2023	734,150	241,999	976,149
2024	755,367	220,782	976,149
2025	777,197	198,952	976,149
2026	799,658	176,491	976,149
2027-2031	4,358,590	522,160	4,880,750
2032	<u>948,731</u>	<u>27,418</u>	<u>976,149</u>
Total	<u>\$9,087,221</u>	<u>\$1,650,423</u>	<u>\$10,737,644</u>

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7. COMMITMENTS

At June 30, 2021, uncompleted contracts totaled \$2,417,839 for the development of Meadowville, sewer line improvements, and other Authority projects. Commitments in the amount of \$574,920 will be made from restricted assets and \$1,842,919 will be made from unrestricted assets.

8. RELATED PARTY TRANSACTIONS

Acquisition of the Mall Property: On October 18, 2004, the Authority sold Taxable Redevelopment Facility Note, Series 2004, on behalf of the County, in an amount of \$9,225,000 for the acquisition of the Mall property for redevelopment by the County. On August 21, 2008, the principal amount of the Taxable Redevelopment Facility Note was increased by \$7,371,199 for the purchase of the ground lease interest at the Mall. In October 2011, the Authority sold 28.4 acres of the Mall property to the developer and used the proceeds for infrastructure improvements. In July 2013, the Authority sold an additional 16.81 acres of the Mall property to the developer and applied \$3,453,705 of the proceeds to pay a portion of the outstanding note.

On December 19, 2014, the Authority issued Taxable Revenue Note, Series 2014A, on behalf of Chesterfield County, in an amount of \$7,484,947. The Series 2014A Note proceeds, along with a \$5,657,547 reimbursement of infrastructure improvements from the CDA to the County, were applied against the outstanding balance of the Series 2004 Note. On December 1, 2015, the Authority exercised its option to convert the Series 2014A Note balance of \$7,484,947 to a term note.

On September 28, 2020, the Authority issued Revenue Refunding Bond, Taxable Series 2020E, on behalf of Chesterfield County, in an amount of \$6,246,000. The Series 2020E Bond proceeds, along with \$456,292 debt service reserve funds, were applied against the outstanding balance of the Series 2014A Note. The interest rate on the Series 2020E Bond is 2.00%. Principal and interest on the Note shall be payable on January 1 and July 1 in each of the years 2021 through 2035. The County accounts for this lease as a capital lease and has reported an asset and redevelopment note liability. Therefore, the related asset and liability are not reflected in the Authority's financial statements. During the year, the County made payments for principal and interest in the amounts of \$337,000 and \$32,271, respectively, bringing the outstanding bond balance to \$5,909,000.

Chesterfield Arts Center: On December 18, 2015, the Authority issued Revenue Bond (Chesterfield Arts Center), Series 2015, for the County in the amount of \$6,899,800. The Series 2015 Bond proceeds are to be used to finance the costs for the acquisition, development, construction and equipping the Chesterfield Center for the Arts (the "Project"). The interest rate on the Series 2015 Bond is 3.09%. Interest is payable on each January 15 and July 15, beginning July 15, 2016, and principal shall be payable annually on July 15, beginning July 15, 2017 and continuing to and including July 15, 2031. During the year, the County made payments for principal and interest in the amounts of \$459,986 and \$163,456, respectively, bringing the outstanding balance to \$5,059,856.

On November 15, 2017, the County participated in the Virginia Resources Authority Infrastructure and State Moral Obligation Revenue Bonds, County Project VRA Special Fund Revenue Bond (Series 2017C) in the amount of \$2,675,000. The Series 2017C Bond proceeds are to be used to finance a portion of the costs of acquisition, development, construction and equipping the Chesterfield Arts Center. The interest rate on the Series 2017C Bond is 3.125% to 5.125%. Interest

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is payable on each April 1 and October 1, beginning April 1, 2018, and principal shall be payable annually on October 1, beginning October 1, 2018 and continuing to and including October 1, 2036. The County has reported the related asset and liability; therefore, they are not reflected in the Authority's financial statements. During the year, the County made payments for principal and interest in the amount of \$145,000 and \$105,953, respectively, bringing the outstanding note balance to \$2,250,000.

On November 14, 2018, the County participated in the Virginia Resources Authority Infrastructure and State Moral Obligation Revenue Bonds, County Project VRA Special Fund Revenue Bond (Series 2018B) in the amount of \$4,710,000. The Series 2018B Bond proceeds are to be used to finance a portion of the costs of acquisition, development, construction and equipping the Chesterfield Arts Center. The interest rate on the Series 2018B Bond is 2.914% to 4.407%. Interest is payable on each April 1 and October 1, beginning April 1, 2019, and principal shall be payable annually on October 1, beginning October 1, 2019 and continuing to and including October 1, 2038. The County has reported the related asset and liability; therefore, they are not reflected in the Authority's financial statements. During the year, the County made payments for principal and interest in the amounts of \$240,000 and \$171,830, respectively, bringing the outstanding note balance to \$4,230,000.

During the year, the Authority received \$836,683 in contributions from the Chesterfield Center for the Arts Foundation, \$335,104 from the County, received \$783 of interest income, paid \$903 in bank fees, and paid \$1,853,379 for project costs. Following is a summary of restricted cash transactions for the year ended June 30, 2021:

	Series 2015		
	<u>Bonds</u>	<u>Contributions</u>	<u>Total</u>
Cash balance, July 1, 2020	\$ 93,878	\$ 587,834	\$ 681,712
Capital contribution	-	1,171,787	1,171,787
Interest income (net bank fees)	5	(125)	(120)
Project expenses	(93,883)	(1,759,496)	(1,853,379)
Cash balance, June 30, 2021	\$ _____	\$ _____	\$ _____

Tomahawk Creek Trunk Sewer Line: On May 30, 2019, the Authority issued Tax-Exempt Revenue Bond (Watkins Sewer Project), Series 2019, for the County in the amount of \$15,000,000. The Series 2019 Bond proceeds are to be used to finance sewer line improvements in the County. The interest rate on the Series 2019 Bond is 2.35%. Interest is payable on each February 1 and August 1, beginning February 1, 2020, and principal shall be payable annually on August 1, beginning August 1, 2020 and continuing to and including August 1, 2031. During the year, the County made principal and interest payments in the amounts of \$1,153,000 and \$338,952, respectively, bringing the outstanding bond balance to \$13,847,000.

The Authority maintains the bond proceeds and makes payments for the costs of the project on behalf of the County. At June 30, 2021, the Authority reported a restricted cash balance of \$14,014,389, a liability to the County of \$13,982,201 and accrued expenses of \$32,188. During the year, the Authority received \$22,597 of interest earned on the bond proceeds, paid \$22,790 in bank fees, and made payments of \$397,055 for project costs.

Receivable from the CDA: The Authority had a receivable from the CDA in the amount of \$9,152,518 for proceeds loaned to the CDA from the Series 2017 Note issued by the Authority.

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County Appropriations: For the year ended June 30, 2021, the Authority reported total appropriations from the County in the amount of \$20,955,825. This includes \$20,673,258 received during the year, \$376,772 receivable accrued at year-end less \$94,205 receivable accrued in the prior year.

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, 2021, the Authority made payments of \$6,400 to the County.

Transfer of Capital Asset: During the year, the Authority conveyed 1.674 acres of land with a cost of \$99,735 to the County for a water tank site.

9. CLAIMS AND LAWSUITS

At June 30, 2021, there were no claims or lawsuits pending involving the Authority that are considered material to the financial statements.

10. SUBSEQUENT EVENTS

On July 9, 2021, the Authority purchased property commonly known as Southside Speedway for approximately \$5 million with funding provided by the County. The property was acquired due to its proximity to River City Sportsplex and to expand on the sustained quality of life and economic development success that has been created in that area.

**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, 2021, 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 23, 2021.

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 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 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.

A handwritten signature in cursive script that reads "Cherry Belmont LLP".

Richmond, Virginia
September 23, 2021