

**WATKINS CENTRE  
COMMUNITY DEVELOPMENT AUTHORITY  
(A Component Unit of the County of Chesterfield, Virginia)**

**Financial Statements and Independent Auditor's Report  
As of and for the Six Months Ended December 31, 2020**

**WATKINS CENTRE  
COMMUNITY DEVELOPMENT AUTHORITY  
(A Component Unit of the County of Chesterfield, Virginia)  
Directory of Officials  
December 31, 2020**

**Board of Directors**

Douglas L. Sbertoli, Chairman

Hugh D. Keogh, Vice Chairman

Dr. James A. Shultz, Secretary/Treasurer

Ray D'Aguanno

Tracy Kemp Stallings

**WATKINS CENTRE  
COMMUNITY DEVELOPMENT AUTHORITY  
(A Component Unit of the County of Chesterfield, Virginia)  
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## Report of Independent Auditor

To the Board of Directors  
Watkins Centre Community Development Authority  
Chesterfield, Virginia

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the Watkins Centre Community Development Authority (the "Authority"), a component unit of the County of Chesterfield, Virginia, as of and for the six month period ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority, as of December 31, 2020, and the respective changes in financial position for the six month period then ended in accordance with accounting principles generally accepted in the United States of America.

**Authority's Dissolution**

As discussed in Notes 1 and 4 to the financial statements, the Authority has fulfilled and completed its responsibilities for which it was created and its dissolution occurred on December 31, 2020. Our opinion is not modified with respect to this matter.

**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 3-6 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Board of Directors is presented for purposes of additional information and is not a required part of the basic financial statements. The Board of Directors 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 January 27, 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  
January 27, 2021

**WATKINS CENTRE  
COMMUNITY DEVELOPMENT AUTHORITY  
(A Component Unit of the County of Chesterfield, Virginia)  
Management's Discussion and Analysis (Unaudited)  
As of and for the Six Months ending December 31, 2020**

This section of the Watkins Centre Community Development Authority's (the "Authority") Annual Financial Report presents our management's discussion and analysis of the Authority's financial performance for the six months ending December 31, 2020. Please read it in conjunction with the Authority's financial statements and notes thereto, which follow this section.

**Financial Highlights**

- Net position at December 31, 2020 was zero due to the redemption of the Bonds and distribution of special assessments in excess of the annual installment pursuant to the Memorandum of Understanding dated September 15, 2007 (see Note 1 and Note 4).

**Overview of the Financial Statements**

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

***Government-wide Financial Statements.*** The government-wide financial statements provide readers with a broad view of the Authority's finances using the accrual basis of accounting in a manner similar to that of a private-sector business. The *Statement of Net Position* presents information on all assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial status of the Authority is improving or deteriorating. The *Statement of Activities* presents information that shows how the Authority's net position changed during the six months ended December 31, 2020. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will have actual cash flows in a future fiscal period.

***Governmental Fund Financial Statements.*** The governmental fund financial statements reinforce the information provided in the government-wide financial statements by providing a narrower focus. The governmental fund financial statements, using the modified accrual basis of accounting, look at near-term inflows and outflows of spendable resources and the available balances of those resources at December 31, 2020. The *Balance Sheet* reports the Authority's fund balance as of December 31, 2020. Fund balance information is useful when evaluating the Authority's near-term financing requirements. The *Statement of Revenues, Expenditures, and Changes in Fund Balance* is the statement of activities for the governmental fund. Consistent with the current financial resources measurement focus, this financial statement reports expenditures rather than expenses. To facilitate comparison, reconciliations are presented for the governmental fund *Balance Sheet* and *Statement of Revenues, Expenditures, and Changes in Fund Balance* to the government-wide financial statements.

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Management's Discussion and Analysis (Unaudited)  
As of and for the Six Months ending December 31, 2020**

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

**Financial Analysis of the Authority**

*Government-wide financial analysis.* The Authority's net position decreased by \$243,767 (100%) during the six-month period ended December 31, 2020 to zero. Assets remaining after payment of all outstanding expenses will be disbursed according to the terms of the Memorandum of Understanding dated September 15, 2007 (see Table 1).

**Table 1  
Condensed Summary of Net Position  
As of December 31, 2020, and June 30, 2020**

	<u>December</u>	<u>June</u>
Current and other assets	\$227,268	\$250,672
Current and other liabilities	<u>227,268</u>	<u>6,905</u>
Net position – unrestricted	\$ <u>      </u> -	\$ <u>243,767</u>

The Authority's total revenues decreased during the six-month period ended December 31, 2020 by \$1,408,072 (99.9%) and total expenses increased by \$92,056 (60.7%). Approximately 86.4% of the Authority's expenses relate to the return of excess special assessments and 13.6% to administrative expenses (see Table 2).

**Table 2  
Condensed Summary of Changes in Net Position  
As of December 31, 2020, and June 30, 2020**

	<u>December</u>	<u>June</u>
Expenses:		
General government		
Administrative	\$ 33,123	\$ 41,773
Return of special assessments	210,695	-
Bond interest	<u>-</u>	<u>109,989</u>
Total expenses	<u>243,818</u>	<u>151,762</u>
General revenues:		
Incremental taxes	-	1,375,160
Interest income	<u>51</u>	<u>32,963</u>
Total general revenues	<u>51</u>	<u>1,408,123</u>
Change in net position	(243,767)	1,256,361
Net position (deficit) – beginning of year	<u>\$243,767</u>	<u>(1,012,594)</u>
Net position – end of year	\$ <u>      </u> -	\$ <u>243,767</u>

**WATKINS CENTRE  
COMMUNITY DEVELOPMENT AUTHORITY  
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Management's Discussion and Analysis (Unaudited)  
As of and for the Six Months ending December 31, 2020**

The change in the Authority's revenues and expenses is due to the retirement of all outstanding bonds in the prior year and the dissolution of the Authority on December 31, 2020. The Authority did not receive incremental taxes from the County in the current year and excess special assessments held by the Authority will be returned to property owners in the special assessment district after the payment of final expenses.

*Governmental fund financial analysis.* As previously noted, the focus of the governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. The Authority's governmental fund balance decreased by \$243,283 (100%) during the six-month period ended December 31, 2020 to zero. (see Table 3).

**Table 3  
Condensed Summary of Fund Balance  
As of December 31, 2020, and June 30, 2020**

	<u>December</u>	<u>June</u>
Current and other assets	<u>\$227,268</u>	<u>\$250,188</u>
Current liabilities	\$227,268	\$ 6,905
Fund balance:		
Assigned	<u>-</u>	<u>243,283</u>
Total liabilities and fund balance	<u>\$227,268</u>	<u>\$250,188</u>

The Authority's governmental fund total revenues decreased by \$1,408,072 (99.9%) and governmental fund total expenditures decreased by \$2,991,394 (92.5%) (see Table 4).

**Table 4  
Condensed Summary of Changes in Fund Balance  
As of December 31, 2020, and June 30, 2020**

	<u>December</u>	<u>June</u>
Revenues:		
Incremental taxes	\$ -	\$ 1,375,160
Interest income	<u>51</u>	<u>32,963</u>
Total revenues	<u>51</u>	<u>1,408,123</u>
Expenditures:		
Administrative	32,639	41,108
Return of special assessments	210,695	-
Bond interest	-	163,620
Bond principal	<u>-</u>	<u>3,030,000</u>
Total expenditures	<u>243,334</u>	<u>3,234,728</u>
Decrease in fund balance	(243,283)	(1,826,605)
Fund balance – beginning of year	<u>\$243,283</u>	<u>2,069,888</u>
Fund balance – end of year	<u>\$ -</u>	<u>\$ 243,283</u>



**WATKINS CENTRE  
COMMUNITY DEVELOPMENT AUTHORITY  
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Management's Discussion and Analysis (Unaudited)  
As of and for the Six Months ending December 31, 2020**

**Debt Administration and Capital Assets**

On November 6, 2007, the Authority issued \$20,000,000 in revenue bonds to finance certain infrastructure improvements for the District. The Series 2007 bonds were fully redeemed as of March 1, 2020.

The Authority has no capital assets. The Authority entered into an agreement with the Developer to develop plans for the facilities and to construct the infrastructure improvements. The Developer was required to ensure that the improvements were maintained in good and safe condition. Upon completion of the improvements, the Authority agreed that the Developer would transfer all rights, guarantees, maintenance obligations, or other evidence of contingent obligations of third persons with respect to the facilities to an applicable public entity, the County, or the Commonwealth.

**Requests for Information**

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

**WATKINS CENTRE  
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**Statement of Net Position  
As of December 31, 2020**

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**Assets**

Cash and cash equivalents (Note 3)	\$227,263
Interest receivable	<u>5</u>
Total assets	<u>227,268</u>

**Liabilities**

Current liabilities:	
Accounts payable	16,573
Due to property owners	<u>210,695</u>
Total liabilities	<u>227,268</u>

See accompanying notes to the financial statements.

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**Statement of Activities  
For the Six Months Ending December 31, 2020**

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<b>Expenses</b>	
General government – administrative	\$ 33,123
Return of special assessments	<u>210,695</u>
Total expenses	<u>243,818</u>
<b>General revenues</b>	
Interest income	<u>51</u>
Total general revenues	<u>51</u>
Change in net position	(243,767)
<b>Net position</b>	
June 30, 2020	<u>243,767</u>
December 31, 2020	<u>\$ -</u>

See accompanying notes to the financial statements.

**WATKINS CENTRE  
COMMUNITY DEVELOPMENT AUTHORITY  
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**Balance Sheet - Governmental Fund  
As of December 31, 2020**

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**Assets**

Cash and cash equivalents (Note 3)	\$227,263
Interest receivable	<u>5</u>
Total assets	<u>\$227,268</u>

**Liabilities**

Accounts payable	\$ 16,573
Due to property owners	<u>210,695</u>
Total liabilities	<u>227,268</u>

See accompanying notes to the financial statements.

**WATKINS CENTRE  
COMMUNITY DEVELOPMENT AUTHORITY  
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**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Fund  
For the Six Months Ending December 31, 2020**

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<b>Revenues:</b>	
Interest income	\$ <u>51</u>
Total revenues	<u>51</u>
<b>Expenditures:</b>	
General government – administrative	32,639
Return of special assessments	<u>210,695</u>
Total expenditures	<u>243,334</u>
Net change in fund balance	(243,283)
Fund balance, June 30, 2020	<u>243,283</u>
Fund balance, December 31, 2020	\$ <u>      -</u>

(Continued)

See accompanying notes to the financial statements.

**WATKINS CENTRE  
COMMUNITY DEVELOPMENT AUTHORITY  
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**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund  
Balance to the Statement of Activities  
For the Six Months Ending December 31, 2020**

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Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balance – total governmental fund	\$ (243,283)
Prepaid expenses are reported as an expenditure in the governmental fund statements since current financial resources were used, whereas prepaid expenses are reported as an asset in the Statement of Net Position and has no effect on net position. This adjustment is the net change of prepaid expenses.	<u>(484)</u>
Change in net position of governmental activities	\$ <u>(243,767)</u>

See accompanying notes to the financial statements.

**WATKINS CENTRE  
COMMUNITY DEVELOPMENT AUTHORITY  
(A Component Unit of the County of Chesterfield, Virginia)  
Notes to the Financial Statements  
December 31, 2020**

1. DESCRIPTION OF THE AUTHORITY AND ITS ACTIVITIES

The Watkins Centre Community Development Authority (the “Authority”), a political subdivision of the Commonwealth of Virginia (the “Commonwealth”), was created on August 23, 2006 pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2, Code of Virginia by the Board of Supervisors (the “Board”) of the County of Chesterfield, Virginia (the “County”). The Authority is governed by a board of five directors appointed by the Board. The Authority is presented as a component unit in the County’s Comprehensive Annual Financial Report (the “CAFR”).

The Authority was created for the purpose of financing, planning, acquiring, and constructing transportation infrastructure improvements within or benefiting the Watkins Centre Development District (the “District”). The District is located in the northwest quadrant of the County at the intersection of State Routes 288 and State Route 60. The Authority’s improvements are part of a mixed-use development project that provides retail, commercial, and office components.

The Authority engaged MuniCap, Inc., a public finance consulting firm, to perform financial and administrative duties.

The Authority has fulfilled its purpose of which it was created and dissolution occurred December 31, 2020. The Authority’s management believes these financial statements present all activities for which the Authority is financially accountable.

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 Standards Board (the “GASB”). The Authority’s Annual Financial Report includes:

- Management’s Discussion and Analysis (the “MD&A”) (unaudited) – MD&A is required supplementary information that introduces the financial statements and provides an analytical overview of the Authority’s activities for the six months ended December 31, 2020. It describes the decisions or conditions that are expected to have a significant effect on financial positions or results of operations.
- Financial Statements – The financial statements include both government-wide and governmental fund statements and related notes. The notes are an integral part of the financial statements and communicate information that is essential for fair presentation of the

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Notes to the Financial Statements  
December 31, 2020**

financial statements that is not displayed on the face of the statements.

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

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

The governmental fund financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when both measurable and available and are considered available if received within 45 days after the end of the accounting period. Expenditures are recognized when the liability is incurred. The Balance Sheet measures only current assets and liabilities. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports only on the Authority's near-term inflows and outflows of spendable resources for the six months ended December 31, 2020.

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

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

**C. Cash Equivalents**

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



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Notes to the Financial Statements  
December 31, 2020**

- D. Risk Management  
The Authority maintains liability insurance for Public Officials/Directors and Officers exposure.
- E. Net Position and Fund Balance  
Net position represents the difference between assets and liabilities and is reported as restricted when there are limitations imposed on the use of resources either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Amounts with no such restrictions are presented as unrestricted. Assigned fund balance represents amounts considered available for new spending at the direction of management.
- F. Income Taxes  
The Authority is a governmental entity and, therefore, is exempt from federal and state income taxes.
- G. Administrative Functions  
The County provides certain administrative services to the Authority.

3. DEPOSITS

As of December 31, 2020, the carrying value of the Authority’s deposits with their respective credit ratings by Standard and Poor’s (“S&P”) and original maturities, was as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date</u>	<u>Credit Rating</u>
Money market funds	<u>\$227,263</u>	January 1, 2021	AAAm

- A. Credit Risk  
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Virginia Security for Public Deposits Act requires financial institutions holding public deposits in excess of amounts covered by Federal insurance to pledge collateral to a pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the requirements of the Act and for notifying local governments of compliance by banks and savings and loans. If the value of the pool’s collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Accordingly, 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

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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. Asset-backed securities with a duration of no more than five years and a rating of no less "AAA" by two rating agencies, one of which must be either Moody's Investors Service or Standard & Poor's.

**B. Concentration of Credit Risk**

The trust indenture establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 35% of the Authority's total funds available for investment may be invested in commercial paper and no more than 5% of the total funds available for investment may be invested in commercial paper from any one issuing corporation. As of December 31, 2020, excluding money market funds, the Authority had no investments.

**C. Interest Rate Risk**

Interest rate risk is the impact that fluctuations in market interest rates can have on the value of the Authority's investments. The Authority's funds are invested in money market funds as permitted in the trust indenture. Money market funds are considered cash equivalents and have an average maturity date of less than three months. As of December 31, 2020, excluding money market funds, the Authority had no investments.

**D. 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 or collateral securities that are in the possession of an outside party. Any investment held by an outside party will be held as agent for the benefit of the Trustee as fiduciary for the Authority and not for the bank serving as Trustee in its commercial capacity. As of December 31, 2020, none of the Authority's demand deposits were exposed to custodial credit risk.

**E. 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

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Notes to the Financial Statements  
December 31, 2020**

the valuation inputs used to measure the fair value of investments with Level 1 inputs being quoted prices in active markets for identical assets; Level 2 inputs being significant other observable inputs; and Level 3 inputs being significant unobservable inputs. As of and for the six months ending December 31, 2020, excluding money market funds, the Authority had no investments.

4. **DISSOLUTION**

On December 16, 2020, the County Board approved a resolution to dissolve and terminate the Authority. The estimated final expenses of the Authority totaling \$16,573 have been recorded as Accounts Payable in the financial statements. Any additional funds remaining after payment of final Authority expenses will be transferred to the property owners in accordance with the Memorandum of Understanding dated September 15, 2007.

5. **CLAIMS AND LAWSUITS**

At December 31, 2020, there were no claims or lawsuits pending involving the Authority that are considered material to the Authority's financial statements.

6. **RELATED PARTY TRANSACTIONS**

The County provides certain administrative services to the Authority, which includes maintaining the general ledger, preparing financial statements, and coordinating the annual financial statement audit. As of and for the six-month period ending December 31, 2020, the Authority made payments of \$3,420 to the County.

7. **SUBSEQUENT EVENTS**

Disbursements were made in January 2021 to clear the final accounts payables on the balance sheet and to distribute the remaining cash of \$210,695 to the property owners, exhausting all available cash. There will be no further financial reporting.

**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  
Watkins Centre Community Development Authority  
Chesterfield, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and the major fund of the Watkins Centre Community Development Authority (the "Authority"), a component unit of the County of Chesterfield, Virginia, as of and for the six month period ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 27, 2021. Our report included an emphasis paragraph regarding the Authority's dissolution.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Richmond, Virginia  
January 27, 2021