

**EMBREY MILL COMMUNITY
DEVELOPMENT AUTHORITY**

**AUDITED FINANCIAL STATEMENTS
AS OF JUNE 30, 2025, AND 2024**

CUSIP NUMBERS:

29081T AD9

29081T AE7



THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**EMBREY MILL
COMMUNITY DEVELOPMENT AUTHORITY**

**AUDITED FINANCIAL STATEMENTS
AS OF JUNE 30, 2025, AND 2024**

TABLE OF CONTENTS

I.	BOARD OF DIRECTORS.....	1
II.	INDEPENDENT AUDITOR’S REPORT	2
III.	MANAGEMENT’S DISCUSSION AND ANALYSIS	5
IV.	FINANCIAL STATEMENTS.....	10
	Statements of Net Position	10
	Statements of Revenues, Expenses, and Changes in Net Position.....	11
	Statements of Cash Flows	12
V.	NOTES TO THE FINANCIAL STATEMENTS.....	13
	Note 1—Financial Reporting Entity	13
	Note 2—Summary of Significant Accounting Policies	14
	Note 3—Cash and Cash Equivalents	16
	Note 4—Investments.....	17
	Note 5—Receivables.....	18
	Note 6—Capital Assets	18
	Note 7—Long-Term Obligations.....	18
	Note 8—Special Assessments.....	22
	Note 9—Arbitrage.....	23
	Note 10—Subsequent Events.....	23
	Note 11—Contingent Liabilities	24
	Note 12—Evaluation of Subsequent Events	24
VI.	COMPLIANCE.....	25
	Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25

I. BOARD OF DIRECTORS

Cindy Sellers, Chairman

Henry S. Scharpenberg, Vice Chairman

Alex Saavedra, Treasurer

Christopher Hornung

Vacancy

II. INDEPENDENT AUDITOR'S REPORT



1635 Eagle Harbor Pkwy, Ste 4
Fleming Island, FL 32003
t: 904-264-1665
f: 904-269-9683
www.tng.cc

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Embrey Mill Community Development Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Embrey Mill Center Community Development Authority (Authority) as of and for the years ended June 30, 2025 and 2024, 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 respective financial position of the business-type activities of the Authority, as of June 30, 2025 and 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards 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 opinions.

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 opinions. 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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

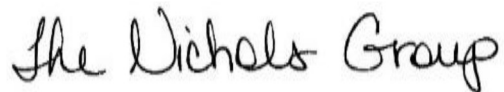
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2026, 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.

Sincerely,

The Nichols Group

The Nichols Group, PA
Fleming Island, Florida
February 23, 2026

III. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the financial performance of the Embrey Mill Community Development Authority (the "Authority") provides an overall review of the Authority's financial activities for the years ended June 30, 2025, and 2024. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. Readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

1. The Authority incurred long term debt of \$21,000,000 in Special Assessment Revenue Bonds, Series 2013, (the "Series 2013 Bonds") on July 24, 2013, bearing interest at 7.25% per annum with a final maturity of March 1, 2043. The Authority's debt was paid through the collection of special assessments imposed on the chargeable properties benefiting from the public improvements.
2. The Authority incurred long term debt of \$17,200,000 in Special Assessment Revenue Bonds, Series 2015, (the "Series 2015 Bonds") on November 4, 2015, bearing interest at 5.30% per annum for the Term 2035 Bonds, and 5.60% per annum for the Term 2045 Bonds, with a final maturity of March 1, 2045. The Authority's debt was paid through the collection of special assessments imposed on the chargeable properties benefiting from the public improvements.
3. The Authority incurred long term debt of \$22,358,000 in a Series 2021A Taxable (Convertible to Tax-Exempt) Refunding Promissory Note (the "Series 2021A Note") and \$19,516,000 in a Series 2021B Taxable (Convertible to Tax-Exempt) Refunding Promissory Note (the "Series 2021B Note") on November 23, 2021, for the purpose of refunding the Series 2013 Bonds and the Series 2015 Bonds (together, the "Bonds"). For the Series 2013 Bonds, the proceeds were held in escrow until March 1, 2023, when the Series 2013 Bonds reached their call dates. They were then fully redeemed and the Series 2021A Note converted to tax-exempt status. For the Series 2015 Bonds, the proceeds were held in escrow until their call date of March 1, 2025, when they were fully redeemed, and the Series 2021B Note was converted to tax-exempt status. Per Government Accounting Standards Board ("GASB") Statements 7 and 23, the transaction is being accounted for as an in-substance defeasance of the Bonds. For additional information, please see Note 7 in the Notes to the Financial Statements.
4. Net position at June 30, 2025, and 2024 totaled (\$29,351,399) and (\$30,422,247), respectively, due primarily to the completion and subsequent donation of public improvements, along with charges for operating expenses and debt service.
5. There were no capital assets at June 30, 2025, or 2024, as all public improvements were previously completed, and accepted by Stafford County (the "County").

6. Annual payments of the special assessments of \$2,586,162 and \$2,577,548 were deemed collectible in 2025 and 2024, respectively, on developed parcels. The annual payment of special assessments to be collected from undeveloped parcels for 2025 and 2024 is \$80,859 and \$43,452, respectively. As of June 30, 2025, \$234,148 of the first half of the 2025 annual payments of the special assessments, \$4,891 of the 2024 annual payments, and \$397 of the 2023 annual payments of the special assessments have been reported by the County as delinquent. All funds collected by the County as of June 30, 2025, have been remitted to the Authority.

Overview of the Financial Statements

This annual report consists of two parts – (i) Management’s Discussion and Analysis and (ii) the basic financial statements consisting of a *Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows*, and related footnotes. The Statement of Net Position represents the financial position of the Authority and provides information about the activities of the Authority, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total financial position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

Comparative Financial Statements

Summary Statement of Net Position:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets:			
Current and other assets	\$ 6,466,288	\$ 5,744,650	\$ 5,116,563
Total assets	<u>6,466,288</u>	<u>5,744,650</u>	<u>5,116,563</u>
Deferred loss on refunding	<u>3,310,298</u>	<u>3,894,182</u>	<u>4,478,066</u>
Liabilities:			
Current liabilities	1,395,530	1,372,800	1,264,433
Long-term debt	<u>37,668,000</u>	<u>38,630,000</u>	<u>39,605,000</u>
Total liabilities	<u>39,063,530</u>	<u>40,002,800</u>	<u>40,869,433</u>
Deferred assessments	<u>64,455</u>	<u>58,279</u>	<u>92,981</u>
Net Position:			
Net investment in capital assets	(35,296,702)	(35,596,818)	(35,913,934)
Restricted	5,029,715	4,416,120	3,726,247
Unrestricted	<u>915,588</u>	<u>758,451</u>	<u>819,902</u>
Total net position	<u>\$ (29,351,399)</u>	<u>\$ (30,422,247)</u>	<u>\$ (31,367,785)</u>

The deficit in net position is due primarily to the donation of completed improvements to the County in 2014, 2016, 2019, and 2020, along with the Authority’s operating expenses and debt service.

Summary Statement of Revenues, Expenses, and Changes in Net Position:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 2,759,530	\$ 2,650,721	\$ 2,692,437
Operating expenses	<u>189,654</u>	<u>161,512</u>	<u>127,772</u>
Operating income	2,569,876	2,489,209	2,564,665
Non-operating revenues (expenses)	<u>(1,499,028)</u>	<u>(1,543,671)</u>	<u>(1,774,053)</u>
Change in net position	<u>\$ 1,070,848</u>	<u>\$ 945,538</u>	<u>\$ 790,612</u>

The change in net position increased from fiscal year 2024 to fiscal year 2025 primarily due to an increase in special assessment revenues and a decrease in bond interest expense. The change in net position increased from fiscal year 2023 to fiscal year 2024 due to an increase in interest income.

Capital Assets

The Authority had no capital assets at June 30, 2025. Mine Road Phase 3, Mine Road Phase 2, Mine Road Phase 1, Public Park 2, Regional Ponds 9 and 10, and the water tank, booster pump station, and Regional Pond 5 were accepted in prior fiscal years. Contributions totaling \$832,665 were made to the County in lieu of construction of Public Park 1. When accepted, these were reported as “donated capital assets” in the financial statements.

Long-Term Debt

The proceeds from the Bonds were used to finance construction of certain public infrastructure improvements within the Special Assessment District (the “District”), including road improvements, a water tank, a booster pump station, regional storm water ponds, and parks, to fund a debt service reserve fund, to fund the payment of interest on the Bonds during the construction period, to pay costs of issuing the Bonds, and to pay administrative expenses of the Authority and the County.

A. Series 2013 Bonds

The Authority issued Special Assessment Revenue Bonds, Series 2013, totaling \$21,000,000 dated July 24, 2013, bearing interest at 7.25% per annum with a final maturity of March 1, 2043. As of their call date of March 1, 2023, the Series 2013 Bonds were fully redeemed with the proceeds of the Series 2021A Note.

B. Series 2015 Bonds

The Authority issued Special Assessment Revenue Bonds, Series 2015, totaling \$17,200,000 dated November 4, 2015, bearing interest at 5.30% per annum for the Term 2035 Bonds, and 5.60% per annum for the Term 2045 Bonds, with a final maturity of March 1, 2045. Beginning March 1, 2021, mandatory sinking fund payments were made annually from special assessment revenues received by the Authority after the payment of administrative expenses. As of their call date of March 1, 2025, the Series 2015 Bonds were fully redeemed with the proceeds of the Series 2021B Note.

C. Series 2021A and Series 2021B Notes

The Authority incurred long-term debt of \$22,358,000 in a Series 2021A Taxable (Convertible to Tax-Exempt) Refunding Promissory Note and \$19,516,000 in a Series 2021B Taxable (Convertible to Tax-Exempt) Refunding Promissory Note on November 23, 2021, for the purpose of refunding the Bonds. The proceeds from the Series 2021A Note were held in escrow until March 1, 2023, when the Series 2013 Bonds were fully redeemed and the Series 2021A Note became tax-exempt. As of their call date of March 1, 2025, the Series 2015 Bonds were fully redeemed with the proceeds of the 2021 B Note, and the Series 2021B Note became eligible to convert to tax-exempt rate. The request to convert the 2021B Notes was submitted and accepted on October 1, 2025. The taxable rate for the Notes is 3.48%; the tax-exempt rate is 2.83%. The debt service payment dates on the Notes are March 1 and September 1, commencing March 1, 2022. A total of \$454,000 of the Series 2021A Note and \$407,000 of the Series 2021B Note were redeemed from mandatory sinking fund payments during fiscal year 2025. A total of \$12,000 of the Series 2021A Note and \$11,000 of the Series 2021B Note were redeemed from prepayments during fiscal year 2025. Per GASB Statements 7 and 23, the transaction is being accounted for as an in-substance defeasance of the Bonds.

Special Assessments

Annual payments of the special assessments are to be imposed and collected on all real property within the District to pay debt service and operating costs of the Authority. Annual payments of the special assessments are collected on developed parcels according to a fixed schedule in order to maintain more consistent payments over the life of the debt. Annual payments of the special assessments are collected on the undeveloped parcels for the remainder of funds required for the Authority's annual expenses. All annual payments of the special assessments are due in two equal installments on June 5 and December 5 each year. No additional assessments were required as the result of the issuance of the Notes.

The annual revenue requirement for the 2025 assessment year was \$2,667,021. The total annual payments on the 1,725 taxable, developed parcels were \$2,586,162. As a result, the annual payment of special assessments to be collected from undeveloped parcels for the 2025 assessment year was \$80,859. As of June 30, 2025, there was \$234,148 in delinquent annual payments for the first half of the 2025 assessment year. According to the County, as of January 28, 2026, \$254,565 was unpaid.

The annual revenue requirement for the 2024 assessment year was \$2,621,200. The total annual payments on the 1,795 taxable, developed parcels was \$2,577,548. As a result, the annual payment of special assessments to be collected from undeveloped parcels for the 2024 assessment year was \$43,452. As of June 30, 2025, there was \$4,891 in delinquent annual payments for the 2024 assessment year. According to the County, as of January 28, 2026, \$3,708 was unpaid.

In 2024, Drees Homes was developing 102 two-over-two condominiums and building permits were pulled for a portion of the condominiums. Then Drees defaulted and sold the properties to Brookfield who replanned the development, scrapping the existing permits. Therefore, the developed parcels were reduced by 70 units from 2024 to 2025.

Economic Factors and Future Outlook

Presently, the Authority is not aware of any significant changes in conditions that would have a significant effect on the administrative expenses in the near future.

Contacting Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Authority's administrator, MuniCap, Inc., at 8965 Guilford Road, Suite 210, Columbia, Maryland 21046.

IV. FINANCIAL STATEMENTS

EMBREY MILL COMMUNITY DEVELOPMENT AUTHORITY STATEMENTS OF NET POSITION

As of June 30,

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Interest receivable	\$ 3,419	\$ 4,767
Prepaid expenses	2,500	2,500
Due from primary government	1,430,654	1,321,263
Total Current Assets	<u>1,436,573</u>	<u>1,328,530</u>
Noncurrent Assets		
Restricted cash and cash equivalents	996,076	1,118,568
Restricted investments	4,033,639	3,297,552
Total Noncurrent Assets	<u>5,029,715</u>	<u>4,416,120</u>
Total Assets	<u>6,466,288</u>	<u>5,744,650</u>
Deferred Outflows of Resources		
Deferred loss on refunding	<u>3,310,298</u>	<u>3,894,182</u>
Liabilities		
Current Liabilities		
Accounts payable	50,034	92,089
Accrued interest payable	406,496	415,818
Short-term portion of notes/bonds payable	939,000	861,000
Due to property owners	-	3,893
Total Current Liabilities	<u>1,395,530</u>	<u>1,372,800</u>
Noncurrent Liabilities		
Notes/bonds payable	37,668,000	38,630,000
Total Noncurrent Liabilities	<u>37,668,000</u>	<u>38,630,000</u>
Total Liabilities	<u>39,063,530</u>	<u>40,002,800</u>
Deferred Inflows of Resources		
Deferred assessments	<u>64,455</u>	<u>58,279</u>
Net Position		
Net investment in capital assets	(35,296,702)	(35,596,818)
Restricted	5,029,715	4,416,120
Unrestricted	915,588	758,451
Net Position	<u>\$ (29,351,399)</u>	<u>\$ (30,422,247)</u>

The accompanying notes to the financial statements are an integral part of this statement.

EMBREY MILL COMMUNITY DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30,

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Special assessment revenues	\$ 2,759,530	\$ 2,548,870
Prepaid special assessments	-	101,851
Total Operating Revenues	2,759,530	2,650,721
Operating Expenses		
Administrative fees	176,758	151,041
Legal fees	7,500	5,000
Audit fees	4,500	4,500
Insurance expense	896	971
Total Operating Expenses	189,654	161,512
Operating Income	2,569,876	2,489,209
Non-Operating Revenues (Expenses)		
Interest and dividend income	233,288	234,129
Penalties and interest income	95,249	83,876
Bond interest expense	(1,827,565)	(1,861,676)
Total Non-Operating Revenues (Expenses)	(1,499,028)	(1,543,671)
Change in Net Position	1,070,848	945,538
Net Position, Beginning of Year	(30,422,247)	(31,367,785)
Net Position, End of Year	\$ (29,351,399)	\$ (30,422,247)

The accompanying notes to the financial statements are an integral part of this statement.

EMBREY MILL COMMUNITY DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Cash received from property owners	\$ 2,660,936	\$ 2,680,239
Cash payments for administrative fees	(211,813)	(120,573)
Cash payments for legal fees	(10,000)	-
Cash payments for audit fees	(9,000)	-
Cash payments for insurance expenses	(896)	(971)
Net Cash Provided by Operating Activities	2,429,227	2,558,695
Cash Flows from Investing Activities		
Interest received on investments	237,764	220,166
Investments purchased	(739,215)	(640,162)
Net Cash Used In Investing Activities	(501,451)	(419,996)
Cash Flows from Capital and Related Financing Activities		
Penalties and interest on delinquent assessments	86,735	85,641
Principal paid on bonds	(884,000)	(901,000)
Interest paid on bonds	(1,253,003)	(1,287,287)
Net Cash Used in Capital and Related Financing Activities	(2,050,268)	(2,102,646)
Change in cash and cash equivalents	(122,492)	36,053
Cash and cash equivalents, beginning of year	1,118,568	1,082,515
Cash and cash equivalents, end of year	\$ 996,076	\$ 1,118,568
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 2,569,876	\$ 2,489,209
Adjustments:		
(Increase) decrease in due from primary government	(100,877)	60,328
(Increase) decrease in due from property owners	(3,893)	3,893
Increase (decrease) in deferred revenues	6,176	(34,703)
(Decrease) increase in accounts payable	(42,055)	39,968
Net Cash Provided by Operating Activities	\$ 2,429,227	\$ 2,558,695

The accompanying notes to the financial statements are an integral part of this statement.

V. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1—FINANCIAL REPORTING ENTITY

The Embrey Mill Community Development Authority (the “Authority” or the “CDA”) was established pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Section 15.2-5152 *et seq.*, of the Code of Virginia, 1950 (the “Act”), as amended. The Act provides for the creation of an authority and a related Special Assessment District (the “District”) for the sole purpose of financing, constructing, and maintaining, if necessary, certain public improvements within, contiguous to, or serving the District. The Authority was created pursuant to the Act by Ordinance #012-43 (the “CDA Ordinance”) adopted by the Board of Supervisors (the “County Board”) of Stafford County, Virginia (the “County”) on December 18, 2012, at the request of NASH Stafford, LLC (the “Developer”) which, at the time the CDA Ordinance was adopted, owned all the property within the CDA District.

According to the Limited Offering Memorandum, the Embrey Mill Community Development Authority, Special Assessment Revenue Bonds, Series 2013 (the “Series 2013 Bonds”), were authorized by a resolution adopted by the Authority on May 6, 2013, as amended on July 12, 2013. The Series 2013 Bonds were the first of several planned bond issuances by the Authority to finance the public improvements in three phases in concert with the phased construction of the residential development. The Series 2013 Bonds were issued pursuant to an Indenture of Trust (the “Indenture”) by and between the Authority and Wilmington Trust, N.A. (the “Trustee”), dated as of June 1, 2013.

The Embrey Mill Community Development Authority, Special Assessment Revenue Bonds, Series 2015 (the “Series 2015 Bonds”, together with the Series 2013 Bonds, the “Bonds”), were authorized by a resolution adopted by the Authority on August 25, 2015. The Series 2015 Bonds were the second of several possible future bond issuances by the Authority to finance the public improvements in three phases in concert with the phased construction of the residential development. The Series 2015 Bonds were issued pursuant to the Indenture by and between the Authority and the Trustee, dated as of June 1, 2013, as supplemented by a First Supplemental Trust Indenture (the “Supplemental Indenture”), dated as of October 1, 2015.

On November 23, 2021, the Authority incurred long term debt of \$22,358,000 in a Series 2021A Taxable (Convertible to Tax-Exempt) Refunding Note (the “Series 2021A Note”) and \$19,516,000 in a Series 2021B Taxable (Convertible to Tax-Exempt) Refunding Note (the “Series 2021B Note”, together the “Notes”) for the purpose of refunding the Bonds. The monies were held in escrow until March 1, 2025, as the Bonds reached their respective call dates. At that time, the Bonds were fully redeemed, and the Notes were converted to tax-exempt status. The Notes were issued pursuant to a Loan Agreement by and between U.S. Bank Trust Company and the Authority dated as of November 23, 2021. Per Government Accounting Standards Board (“GASB”) Statements 7 and 23, the transaction is being accounted for as an in-substance defeasance of the Bonds. For additional information, please see Note 7 in the Notes to the Financial Statements.

The Notes are intended to be paid primarily from special assessments imposed and collected by the County against the taxable real property in the District. Unless prepaid, such special assessments are payable in installments at the same time general real estate taxes are paid in the County. Special assessments, when imposed, will be made a lien on parcels subject to taxation in the District, and, by Ordinance #013-17 adopted on April 23, 2013, the County Board has agreed to levy and to collect special assessments, and apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special assessment annual installment.

The District consists of approximately 869 acres of land within the County. The property is located in the northern portion of the County west of Interstate 95, north of State Route 630 and south of State Route 610. The District is part of a master planned community approved by the County in 2001. The Developer purchased the residential portion of the community in 2012, which is expected to consist of approximately 1,827 residential units, while the seller retained ninety-three acres of adjacent land planned for 1.1 million square feet of mixed-use commercial and multi-family units.

As per the Developer's Continuing Disclosure Statement for the period ending June 30, 2021, ownership of the Developer was transferred to Brookfield Properties Development, LLC on June 1, 2021. As part of this acquisition, Brookfield Properties Development, LLC assumed all the rights, titles, interest, duties, and obligations under the Project Management Agreement for the Developer. The Developer reports that there were no personnel changes related to the day-to-day management of the Developer as a result of this acquisition.

The Authority's management believes these financial statements present all activities for which the Authority is financially accountable.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. The policies conform to generally accepted accounting principles (GAAP) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

A. Basis of Presentation

The Authority's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Authority uses enterprise fund accounting to maintain its financial records during the fiscal year. Enterprise fund accounting focuses on the determination of operating income, financial position and changes in net position, and cash flows.

B. Measurement Focus and Basis of Accounting

The Authority's financial activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the Statement of Net Position. The Statement of

Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs.

Net Position is segregated into Net Investment in Capital Assets, Restricted, and Unrestricted components, if applicable.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, and measurement focus relates to the timing of the measurements made. The Authority uses the accrual basis of accounting, and the flow of economic resources measurement focus for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Cash and Investments

Cash received by the Authority is deposited with a financial institution or invested. Deposits and investments having an original maturity of three months or less at the time they are purchased are presented in the financial statements as Cash and Cash Equivalents.

Investments with an initial maturity of more than three months are reported as Investments. Investments are reported at fair value and are segregated into short-term and long-term components. Investments maturing within one year are considered short-term. All investments are expected to be held until maturity.

D. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date they are donated. The Authority does not maintain a capitalization threshold as all infrastructure assets are capitalized. Interest expense during the period of construction, net of investment earnings, was capitalized through fiscal year 2019. The Authority does not depreciate capital assets as all assets are donated upon completion/acquisition.

E. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. Net Position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. For the Authority, these revenues are special assessments. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the Authority. All revenues and expenses not meeting this definition are reported as non-operating.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Income Taxes

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

I. New Accounting Standards

GASB Statement No. 100, Accounting Changes and Error Corrections, became effective in fiscal year 2024. Any accounting changes or error corrections noted during the audit will be presented pursuant to the new standard.

J. Future Accounting Standards

GASB has issued new standards that will become effective in future fiscal years. The Authority will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

NOTE 3—CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of June 30, 2025, and 2024:

	<u>2025</u>	<u>2024</u>
US Treasury money market funds	\$ 996,076	\$ 1,118,568
Total	<u>\$ 996,076</u>	<u>\$ 1,118,568</u>

A. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. There is no custodial credit risk to these accounts as the entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the "Deposits Act"). Under the Deposits Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of the FDIC limit. The State Treasury Board is responsible for monitoring compliance by banks and savings and loans.

B. Interest Rate Risk

Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. As a means of limiting exposure to fair value losses arising from rising interest rates, the Indenture and the Supplemental Indenture (together the "Indentures") require the investment of moneys in the Debt Service Reserve Fund to mature or be payable at the option of the Trustee by the time the Trustee may need such money for the purposes of the bond issue. The Authority's investments in money market funds are withdraw-able on demand.

C. Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Indentures specify the minimum rating of permitted investments. Deposits at June 30, 2025 and 2024 in money market funds had a rating of AAAm.

Although state statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances, or money market mutual funds, the Indentures establish stringent credit standards for these investments to minimize portfolio risk.

D. Concentration of Credit Risk

Concentration of credit risk can arise by failing to adequately diversify investments. The Indentures establish limitations on portfolio composition by issuer in order to control concentration of credit risk. Not more than 35% of the Authority's total funds available for investment may be invested in commercial paper, and not more than 5% of the Authority's total funds available for investment may be invested in the commercial paper of any single issuer. The Indentures establish limitations on the holdings of non-U.S. Government obligations as well.

E. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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. The Authority's investments in money market funds totaling \$996,076 are valued using quoted market prices (Level 1 inputs).

NOTE 4—INVESTMENTS

Investments are reported at fair value and are segregated into short-term and long-term components based on the maturity date of the investment. Investments maturing within one year are considered short-term. All investments are expected to be held until maturity. Investments consisted of the following at June 30, 2025 and 2024:

	<u>Par Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Fair Market Value</u>
US Treasury Bill	\$ 1,399,000	4.030%	8/28/2025	\$ 1,389,917
US Treasury Bill	1,406,000	4.030%	8/28/2025	1,396,871
US Treasury Bill	1,255,000	4.030%	8/28/2025	1,246,851
Total 2025	\$ 4,060,000			\$ 4,033,639

	<u>Par Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Fair Market Value</u>
US Treasury Bill	\$ 1,407,000	5.037%	8/29/2024	\$ 1,395,385
US Treasury Bill	656,000	5.037%	8/29/2024	650,585
US Treasury Bill	1,262,000	5.037%	8/29/2024	1,251,582
Total 2024	\$ 3,325,000			\$ 3,297,552

NOTE 5—RECEIVABLES

Receivables at June 30, 2025 and 2024 consist of interest and dividends on investments, and assessments due to the Authority from the primary government, all of which are considered collectible in full within one year.

NOTE 6—CAPITAL ASSETS

The Authority had no capital asset activity for the years ended June 30, 2025, or 2024. All improvements funded by the Series 2013 Bonds have been completed and conveyed. Improvements to Mine Road Phase 1, Regional Pond 9, and Regional Pond 10 were accepted by the County in fiscal year 2016. Regional Pond 5, water tank, and booster pump station improvements were accepted and conveyed to the County in 2014. In addition, the developer has made payments to the County in lieu of constructing Public Park 1.

In addition, all improvements funded by the Series 2015 Bonds have been completed and conveyed. Mine Road Phase 3, Mine Road Phase 2, and Public Park 2 were accepted by the County in fiscal years 2020, 2019, and 2016, respectively. The conveyance of accepted public improvements was reported as “donated capital assets” in previous financial statements.

NOTE 7—LONG-TERM OBLIGATIONS

The Authority’s long-term debt activity for the years ended June 30, 2025, and 2024 was as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due within</u>
2025	<u>7/1/2024</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2025</u>	<u>one year</u>
Series 2021 Notes					
Series 2021A	\$21,099,000	\$ -	\$ (466,000)	\$ 20,633,000	\$495,000
Series 2021B	18,392,000	-	(418,000)	17,974,000	444,000
Total Long-Term Debt	\$39,491,000	\$ -	\$ (884,000)	\$ 38,607,000	\$939,000

2024	Balance 7/1/2023	Increase	Decrease	Balance 6/30/2024	Due within one year
Series 2021 Notes					
Series 2021A	\$21,576,000	\$ -	\$ (477,000)	\$ 21,099,000	\$454,000
Series 2021B	18,816,000	-	(424,000)	18,392,000	407,000
Total Long-Term Debt	\$40,392,000	\$ -	\$ (901,000)	\$ 39,491,000	\$861,000

A. Special Assessment Revenue Bonds, Series 2013

On July 24, 2013, the Authority issued \$21,000,000 in Special Assessment Revenue Bonds, Series 2013, to finance certain public infrastructure improvements in connection with the proposed development within the District, to fund a debt service reserve fund, to fund the payment of interest on the Series 2013 Bonds prior to and during construction, and to pay costs of issuing the Series 2013 Bonds and certain administrative expenses of the Authority and the County. The County, on behalf of the Authority, imposed and collected the annual installments of the special assessments and agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the annual installments, to include assessment of penalties and interest, and tax foreclosure proceedings. In addition, when special assessments were imposed, a lien was made on the applicable parcels.

The Series 2013 Bonds were limited obligations of the Authority payable solely from and secured by a pledge of special assessments and certain funds held by the Trustee.

The Series 2013 Bonds bore interest at 7.250% per annum and were issued at a discount totaling \$623,280, which was amortized using the straight-line method over the life of the bonds prior to the issuance of the Notes as discussed in Note 7C below. At the issuance of the Notes, the remaining unamortized discount of \$447,415 was included in the loss on refunding which is being amortized using the straight-line method over the life of the Notes. As of June 30, 2025 the bond discount has been fully amortized.

The Series 2013 Bonds were subject to optional redemption, special mandatory redemption, and mandatory sinking fund redemption. Principal payments on the Series 2013 Bonds were due each March 1 beginning March 1, 2017, according to the mandatory sinking fund redemption schedule.

1. Optional Redemption

The Series 2013 Bonds were redeemable at the option of the Authority on or after March 1, 2023, from any money available for such purpose, in whole or in part at 100% of the principal amount of the Series 2013 Bonds plus accrued interest to the redemption date, subject to certain requirements specified in the Indenture. On March 1, 2023, the Series 2013 Bonds were fully redeemed from the amounts held in escrow at the issuance of the Notes.

2. Special Mandatory Redemption

The Series 2013 Bonds were subject to special mandatory redemption in whole or in part on any March 1, June 1, September 1 or December 1 from any prepayments of special assessments or

from any funds remaining in the project fund after completion of the improvements. At the time of the issuance of the Notes, a total of \$90,000 had been redeemed from prepayments. See Note 7C Below for discussion of the in-substance defeasance of the Series 2013 Bonds.

B. Special Assessment Revenue Bonds, Series 2015

On November 4, 2015, the Authority issued \$17,200,000 in Special Assessment Revenue Bonds, Series 2015, to finance certain public infrastructure improvements in connection with the proposed development within the District, to fund a debt service reserve fund, to fund the payment of interest on the Series 2015 Bonds prior to and during construction, and to pay costs of issuing the Series 2015 Bonds. The County, on behalf of the Authority, imposed and collected the annual installments of the special assessments and agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the annual installments, to include assessment of penalties and interest, and tax foreclosure proceedings. In addition, when special assessments were imposed, a lien was made on the applicable parcels.

The Series 2015 Bonds were limited obligations of the Authority payable solely from and secured by a pledge of special assessments and certain funds held by the Trustee.

Interest on the Series 2015 Bonds was payable according to the terms specified by the Supplemental Indenture semiannually on March 1 and September 1 of each year beginning on March 1, 2016. Interest on the Series 2015 Bonds was calculated on the basis of a 360-day year comprised of twelve 30-day months. The Series 2015 Bonds accrued interest at 5.30% per annum for the Term 2035 Bonds, and 5.60% per annum for the Term 2045 Bonds.

The Series 2015 Bonds were subject to optional redemption, special mandatory redemption, and mandatory sinking fund redemption. Principal payments on the Series 2015 Bonds were due each March 1 beginning March 1, 2021, according to the mandatory sinking fund redemption schedule.

1. Optional Redemption

The Series 2015 Bonds were redeemed at the option of the Authority on March 3, 2025, from any money available for such purpose, in whole or in part at 100% of the principal amount of the Bonds plus accrued interest to the redemption date, subject to certain requirements specified in the Supplemental Indenture.

2. Special Mandatory Redemption

The Series 2015 Bonds were subject to special mandatory redemption in whole or in part on any March 1, June 1, September 1 or December 1 from any prepayments of special assessments or from any funds remaining in the project fund after completion of the improvements. At the time of the issuance of the Notes, a total of \$70,000 had been redeemed from prepayments. See Note 7C below for discussion of the in-substance defeasance of the Series 2015 Bonds.

C. Series 2021 Taxable (Convertible to Tax-Exempt) Refunding Notes

On November 23, 2021, the Authority incurred long term debt of \$22,358,000 in a Series 2021A Taxable (Convertible to Tax-Exempt) Refunding Note and \$19,516,000 in a Series 2021B Taxable (Convertible to Tax-Exempt) Refunding Note for the purpose of refunding the Bonds. The proceeds from the Series 2021A Note were held in escrow until March 1, 2023, when the Series 2013 Bonds were fully redeemed, and the Series 2021A Note became tax-exempt. The proceeds from the Series 2021B Note were held in escrow until March 1, 2025, when the Series 2015 Bonds were fully redeemed, and the Series 2021B Note became eligible to convert to the tax-exempt rate. The request to convert was submitted and accepted as of October 1, 2025. The taxable rate for the Notes is 3.48%; the tax-exempt rate is 2.83%. The payment dates on the Notes are March 1 and September 1, commencing March 1, 2022. The interest paid on the Notes in fiscal years 2025 and 2024 was \$1,253,003 and \$1,287,288, respectively, and is computed on actual days.

The primary purpose of this refunding was to redeem the Bonds for a net present value savings of \$6,143,305 and \$1,140,548 for the Series 2013 Bonds and the Series 2015 Bonds, respectively. The Authority previously issued the Series 2013 Bonds and the Series 2015 Bonds at interest rates of 7.25% and 5.30%-5.60%, respectively. Debt service due on the Bonds was paid from the proceeds of the Notes held in escrow until their respective call dates. The Notes are set to mature with a balloon payment on March 1, 2031. The interest rate on the Notes includes a five-year prepayment fee. After March 1, 2027, the Authority can refund the outstanding Notes and extend the term of the debt past 2031 with a new issue.

A total of \$12,000 of the Series 2021A Note and \$11,000 of the Series 2021B Note were redeemed from prepayments during fiscal year 2025.

A total of \$62,000 of the Series 2021A Note and \$52,000 of the Series 2021B Note were redeemed from prepayments during fiscal year 2024.

In addition, the proceeds from the Note issuance deposited in escrow to refund the Bonds minus the net carrying value of the Bonds resulted in a deferred loss on refunding of \$5,413,902. This deferred loss on the refunding is being amortized using the straight-line method over the life of the Notes, which is shorter than that of the Bonds.

1. Optional Redemption

The Notes may be redeemed in whole or in part prior to March 1, 2027, at a prepayment price equal to the principal amount paid plus accrued interest to the date of payment, plus a prepayment fee. The prepayment fee is calculated by subtracting the principal amount to be prepaid from the net present value of the portion of the cash flows to be prepaid. If the prepayment fee is not paid, it will accrue interest until paid at the taxable rate of the Notes plus 5%, or the tax-exempt rate of the Notes plus 5%, whichever is applicable. All prepayments shall be in an amount of at least \$100,000 or if less, the remaining entire principal balance.

Notwithstanding the provisions above, for the period of time from the date of closing through the fifth anniversary of the loan, during the 12-month period beginning on the date hereof and during each 12-month period thereafter beginning on the same date of the same month, the Notes may be

redeemed in an amount totaling in the aggregate up to 10% of the outstanding principal amount as of the first day of each 12-month period without paying a prepayment fee. Prepayments within the stated percentage are not subject to the \$100,000 minimum prepayment restriction.

After March 1, 2027, the Notes are subject to prepayment at the option of the Authority on any date with no prepayment fee.

2. Mandatory Sinking Fund Redemption

The Notes are required to be redeemed each March 1 in the years and in the amounts set forth below as adjusted for prepayment redemptions in fiscal year 2025:

For year ending June 30:	Series 2021A Notes		Series 2021B Notes	
	Principal	Interest	Principal	Interest
2026	\$ 495,000	\$ 592,095	\$ 444,000	\$ 585,257
2027	537,000	577,821	482,000	502,989
2028	582,000	563,953	522,000	490,499
2029	629,000	545,713	564,000	474,181
2030	678,000	527,665	608,000	457,999
2031	17,712,000	508,211	15,354,000	440,553
Total	<u>\$20,633,000</u>	<u>\$ 3,315,458</u>	<u>\$17,974,000</u>	<u>\$ 2,951,478</u>

For year ending June 30:	Total Notes	
	Principal	Interest
2026	\$ 939,000	\$ 1,177,352
2027	1,019,000	1,080,810
2028	1,104,000	1,054,452
2029	1,193,000	1,019,894
2030	1,286,000	985,664
2031	33,066,000	948,764
Total	<u>\$38,607,000</u>	<u>\$ 6,266,936</u>

NOTE 8—SPECIAL ASSESSMENTS

Annual installments of the special assessments are to be imposed and collected on all the real property within the District (excepting those for which the special assessment lien has been prepaid) with the exception of non-benefited property and public property. The annual revenue requirement, generally, is equal to: (i) annual debt service and administrative expenses, less (ii) other amounts available for the payment of such debt service and expense. Annual payments of special assessments, unless prepaid, will be payable in installments at the same time general real estate taxes are paid in the County pursuant to a Memorandum of Understanding. The County has agreed to apply its customary tax payment enforcement proceedings to the collection of any delinquent payment of special assessments. Special assessments are due to the County on June 5 and December 5 of each year, payable to the Authority no later than August 15 and February 15, respectively.

The Board of Directors approved a fixed schedule of annual payments for parcels of developed property to maintain more consistent payments on these parcels from year to year. Commencing with assessment year 2014 and for each following assessment year, developed property is subject to a fixed schedule of annual payments. For the 2025 assessment year, Stafford County reports that building permits have been issued for 1,725 parcels, including twenty-one prepaid parcels. As a result, these parcels are classified as “Developed Property”, and with the exception of the twenty-one prepaid parcels, are subject to the fixed schedule of annual payments.

The annual revenue requirement for the 2025 assessment year was \$2,667,021. The total annual payments on the 1,725 taxable, developed parcels were \$2,586,162. As a result, the annual payment of special assessments to be collected from undeveloped parcels for the 2025 assessment year was \$80,859.

The annual payment for the 2025 assessment year was due in two equal installments of \$1,333,511 on June 5 and December 6, 2025. As of June 30, 2025, there was \$234,148 in delinquent annual payments for the 2025 assessment year.

The annual revenue requirement for the 2024 assessment year was \$2,621,000. The total annual payments on the 1,795 taxable, developed parcels was \$2,577,548. As a result, the annual payment of special assessments to be collected from undeveloped parcels for the 2024 assessment year was \$43,452.

The annual payment for the 2024 assessment year was due in two equal installments of \$1,310,500 on June 5 and December 6, 2024. As of June 30, 2025, there was \$4,891 in delinquent annual payments for the first half of the 2024 assessment year.

In addition, as of June 30, 2025, there was \$397 in delinquent annual payments for the 2023 assessment years.

In 2024, Drees Homes was developing 102 two-over-two condominiums and building permits were obtained for a portion of the condominiums. Then Drees Homes defaulted and sold the properties to Brookfield, who replanned the development, scrapping the existing permits. Therefore, the developed parcels were reduced by 70 units from 2024 to 2025.

NOTE 9—ARBITRAGE

When applicable, arbitrage calculations are performed on the Authority’s funds to determine any arbitrage rebate or yield restriction liability. No liabilities for arbitrage rebate or yield restrictions were identified in the fiscal year ended June 30, 2025.

NOTE 10—SUBSEQUENT EVENTS

As of January 28, 2026, Stafford County reports that \$254,565 in 2025, \$3,708 in 2024 and \$397 in 2023 assessments, including the second half payment due December 5, 2025, remains uncollected.

NOTE 11—CONTINGENT LIABILITIES

As of June 30, 2025, there were no claims or lawsuits pending against the Authority.

NOTE 12—EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 31, 2026, the date which the financial statements were available to be issued.

VI. COMPLIANCE



THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

1635 Eagle Harbor Pkwy, Ste 4
Fleming Island, FL 32003
t: 904-264-1665
f: 904-269-9683
www.tng.cc

INDEPENDENT AUDITOR'S REPORT 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
Embrey Mill Community Development Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and 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 business-type activities of the Embrey Mill Center Community Development Authority (Authority) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 23, 2026.

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

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

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

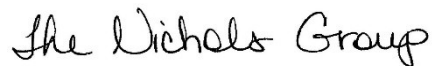
Report on Compliance and Other Matters

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*.

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.

Sincerely

The Nichols Group

The Nichols Group, PA
Fleming Island, Florida

February 23, 2026