

**CHERRY HILL COMMUNITY
DEVELOPMENT AUTHORITY**

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

CUSIP NUMBERS:

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CHERRY HILL COMMUNITY DEVELOPMENT AUTHORITY

ANNUAL FINANCIAL STATEMENTS JUNE 30, 2025, AND 2024

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I. BOARD OF DIRECTORS

Neville Welch, Chairman

Andy Weedon, Vice Chairman

Lori Greenwood, Secretary

Hilda Barg

Millicent Green

Shaunee Lynch

Sean Spence

Vacant

II. AUDITOR'S OPINION



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cherry Hill 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 Cherry Hill 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 March 31, 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

March 31, 2026

III. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the financial performance of the Cherry Hill 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 \$30,000,000 in Special Assessment Bonds, Series 2015, (the "Series 2015 Bonds") on June 23, 2015, bearing interest at 4.50% to 5.40% per annum with a final maturity of March 1, 2045. The Authority's debt will be paid through the collection of special assessments imposed on the chargeable properties benefiting from the public improvements.
2. The Authority issued long term debt of \$67,320,000 in Special Assessment Revenue Bonds, Subordinate Series 2022, (the "Series 2022 Bonds" and together with the Series 2015 Bonds, the "Bonds") on June 9, 2022, bearing interest at 6.80% per annum with a final maturity of March 1, 2052. The Series 2022 Bonds were issued as "draw-down" bonds with an initial advance of \$22,065,000. Additional advances were made quarterly according to the schedule set forth in an advance agreement dated as of June 1, 2022 (the "Agreement to Advance") between the Authority and PHCC LLC (the "Initial Beneficial Owner") through December 1, 2023. The Authority's debt will be paid through the collection of special assessments imposed on the chargeable properties benefiting from the public improvements.
3. Net position at June 30, 2025, and 2024 totaled (\$17,530,172) and (\$19,083,645), respectively, due primarily to donations of completed improvements.
4. Capital assets at June 30, 2025, and 2024 were \$51,451,356 and \$45,874,856, respectively, which represents ongoing design and permitting of the VRE Station and road extensions. Improvements totaling \$20,205,657 representing the North P1 Plan, Potomac Shores Parkway Phase II, and 2B Pump Station were accepted and conveyed in prior years.
5. Annual payments of special assessments totaling \$3,467,415 for undeveloped parcels and \$2,919,585 for developed parcels were imposed on property owners for the 2024 assessment year due to be collected in two installments by July 15, 2024, and December 5, 2024. Annual payments of special assessments totaling \$2,880,797 for undeveloped parcels and \$2,609,203 for developed parcels were imposed on property owners for the 2023 assessment year. As of January 8, 2026, the County reports \$637 in special assessment collections were delinquent for the 2024 assessment year, \$555 for the 2023 assessment year, and \$3,573 for the 2021 assessment year.

6. Annual payments of special assessments totaling \$3,020,971 for undeveloped parcels and \$3,437,029 for developed parcels were imposed on property owners for the 2025 assessment year due to be collected in two installments by July 15, 2025, and December 5, 2025. As of January 8, 2026, the County reports \$75,607 in special assessment collections were delinquent for the 2025 assessment year

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 Statements of Net Position:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets			
Current and other assets	\$ 30,923,031	\$ 36,093,805	\$ 41,824,634
Capital assets	<u>51,451,356</u>	<u>45,874,856</u>	<u>25,737,213</u>
Total assets	<u>82,374,387</u>	<u>81,968,661</u>	<u>67,561,847</u>
Liabilities			
Current liabilities	3,603,352	5,683,901	5,500,357
Long-term debt	<u>94,685,000</u>	<u>95,165,000</u>	<u>81,520,000</u>
Total Liabilities	<u>98,288,352</u>	<u>100,848,901</u>	<u>87,020,357</u>
Deferred Inflows of Funds			
Deferred assessments	<u>1,616,207</u>	<u>203,405</u>	<u>1,152,945</u>
Net Position			
Net investment in capital assets	(43,713,644)	(49,715,144)	(56,152,787)
Restricted	19,496,970	32,832,547	37,601,655
Unrestricted	<u>6,686,502</u>	<u>(2,201,048)</u>	<u>(2,060,323)</u>
Total Net Position	<u>\$ (17,530,172)</u>	<u>\$ (19,083,645)</u>	<u>\$ (20,611,455)</u>

Deferred assessments represent taxes collected as of June 30 that were not due until July 15. The deficit in net position is due primarily to acceptance and conveyance of completed improvements in previous years and increase in long-term debt.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Revenues	\$ 6,410,343	\$ 5,487,692	\$ 4,323,973
Operating Expenses	<u>199,896</u>	<u>189,215</u>	<u>172,729</u>
Operating Income	6,210,447	5,298,477	4,151,244
Non-operating Revenues/(Expenses)	<u>(4,656,974)</u>	<u>(3,770,667)</u>	<u>(2,885,822)</u>
Change in Net Position	<u>\$ 1,553,473</u>	<u>\$ 1,527,810</u>	<u>\$ 1,265,422</u>

Net Position slightly increased from 2024 to 2025 due primarily to the collection of special assessments revenues needed for debt service on the Series 2022 Bonds.

Capital Assets

The Authority's capital assets at June 30, 2025, consisted primarily of costs for design and permitting of the VRE Station. Improvements totaling \$20,205,657 representing the North PI Plan, Potomac Shores Parkway Phase II, and the 2B Pump Station were accepted and conveyed in prior years. As of June 30, 2025, the VRE garage is complete, but it has yet to be conveyed to the public entity. The estimated completion of the VRE station is the end of 2026, and the offsite parkway is 2028.

Long-Term Debt

A. Series 2015 Bonds

The Authority issued Special Assessment Bonds, Series 2015, totaling \$30,000,000 dated June 23, 2015, in three terms bearing interest at 4.50% to 5.40% per annum with a final maturity of March 1, 2045. This bond issuance represents 30% of the Authority's long-term debt balance. The Series 2015 Bonds are subject to mandatory sinking fund, optional, and special mandatory redemption requirements as specified in the Trust Indenture.

The proceeds from the Series 2015 Bonds are being used to finance completed improvements and construction of certain public infrastructure improvements within the Cherry Hill Community Development District (the "District") for Phase I of the project, to fund a debt service reserve fund, to fund the payment of interest on the Series 2015 Bonds during the construction period, to pay costs of issuing the Series 2015 Bonds, and to pay administrative expenses of the Authority and the County of Prince William (the "County").

Mandatory sinking fund payments are being made annually beginning March 1, 2018, from special assessment revenues received by the Authority after the payment of administrative expenses. Mandatory sinking fund payments of \$425,000 and \$370,000 were made on March 1, 2025, and March 1, 2024, respectively. A special mandatory redemption of \$15,000 from prepayments was made in fiscal year 2024.

B. Series 2022 Bonds

The Authority issued long term debt of \$67,320,000 in Special Assessment Revenue Bonds on June 9, 2022, bearing interest at 6.80% per annum with a final maturity of March 1, 2052. The Series 2022 Bonds are issued as “draw-down” bonds with an initial advance of \$22,065,000. Following the initial advance, the balance of the purchase price of the Series 2022 Bonds were advanced in subsequent quarterly installments according to the Advance Agreement. As of June 30, 2025, total advances received for the Series 2022 Bonds were \$67,320,000. The Series 2022 Bonds are subject to mandatory sinking fund redemption, optional and special mandatory redemption as specified in the First Supplemental Trust Indenture. The Series 2022 Bonds are subordinate to the Series 2015 Bonds until such time as certain milestones are met. These milestones include the date that no Series 2015 Bonds remain outstanding, the valuation of all properties within the district, and a sufficient amount to fund the liquidity account fully.

The Bonds were issued to finance infrastructure improvements, including the VRE Station, the underground parking garage for the VRE Station, and Phase 1 of the Route 1/234 improvement plan, to fund deposits to the 2022 debt service reserve fund, to pay construction period interest on the Series 2022 Bonds, and to pay the costs of issuing the Series 2022 Bonds.

Mandatory sinking fund payments will be made annually beginning March 1, 2027, from special assessment revenues received by the Authority after the payment of administrative expenses.

Special Assessments and Annual Payments

Annual installments 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 are collected on developed parcels according to a fixed schedule in order to maintain more consistent payments over the life of the Bonds. All annual payments of special assessments are due in two equal installments on July 15 and December 5 each year.

The assessment year 2024 annual payments on undeveloped and developed property totaled \$3,467,415 and \$2,919,585, respectively, due in two installments on July 15 and December 5, 2024. The first installment collections were remitted to the Authority in August 2024. The second installment, due no later than December 5, 2024, was transferred to the Authority in February 2025. As of January 8, 2026, the County reports \$637 was delinquent.

The assessment year 2023 annual payments on undeveloped and developed property totaled \$2,880,797 and \$2,609,203, respectively, due in two installments on July 15 and December 5, 2023. The first installment collections were remitted to the Authority in August 2023. The second installment, due no later than December 5, 2023, was transferred to the Authority in February 2024. As of January 8, 2026, the County reports \$555 was delinquent.

As of January 8, 2026, the County reports delinquent assessments of \$3,573 for the 2021 assessment year.

Economic Factors and Future Outlook

Presently, the Authority is not aware of any other 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

CHERRY HILL COMMUNITY DEVELOPMENT AUTHORITY STATEMENTS OF NET POSITION As of June 30,

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Short term investments	\$ 9,711,548	\$ 2,900,041
Due from primary government	1,645,446	221,518
Due from property owner	2,132	-
Accrued interest receivable	66,935	139,699
Total Current Assets	<u>11,426,061</u>	<u>3,261,258</u>
Noncurrent Assets		
Restricted cash and cash equivalents	19,496,970	32,832,547
Capital assets	51,451,356	45,874,856
Total Noncurrent Assets	<u>70,948,326</u>	<u>78,707,403</u>
Total Assets	<u>82,374,387</u>	<u>81,968,661</u>
Liabilities		
Current Liabilities		
Accounts payable	37,346	62,411
Accrued liabilities	1,065,722	3,169,831
Accrued interest payable	2,020,284	2,026,659
Current portion of long-term debt	480,000	425,000
Total Current Liabilities	<u>3,603,352</u>	<u>5,683,901</u>
Noncurrent Liabilities		
Long-term portion of bonds payable	94,685,000	95,165,000
Total Noncurrent Liabilities	<u>94,685,000</u>	<u>95,165,000</u>
Total Liabilities	<u>98,288,352</u>	<u>100,848,901</u>
Deferred Inflows of Funds		
Deferred assessments	1,616,207	203,405
Net Position		
Net investment in capital assets	(43,713,644)	(49,715,144)
Restricted	19,496,970	32,832,547
Unrestricted	6,686,502	(2,201,048)
Net Position	<u>\$ (17,530,172)</u>	<u>\$ (19,083,645)</u>

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

CHERRY HILL 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	\$ 6,391,614	\$ 5,487,692
Prepayment revenues	18,729	-
Total Operating Revenues	<u>6,410,343</u>	<u>5,487,692</u>
Operating Expenses		
Administrative fees	189,896	181,265
Legal fees	9,450	7,950
Insurance expense	550	-
Total Operating Expenses	<u>199,896</u>	<u>189,215</u>
Operating Income	<u>6,210,447</u>	<u>5,298,477</u>
Non-Operating Revenues/(Expenses)		
Interest and dividend income	1,416,629	2,057,470
Interest expense	<u>(6,073,603)</u>	<u>(5,828,137)</u>
Total Non-Operating Revenues/(Expenses)	<u>(4,656,974)</u>	<u>(3,770,667)</u>
Change in Net Position	1,553,473	1,527,810
Net Position, Beginning of Year	<u>(19,083,645)</u>	<u>(20,611,455)</u>
Net Position, End of Year	<u>\$ (17,530,172)</u>	<u>\$ (19,083,645)</u>

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

CHERRY HILL 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 receipts from property owners	\$ 6,397,085	\$ 5,481,067
Cash payments for administrative fees	(216,961)	(152,863)
Cash payments for legal fees	(8,000)	(6,000)
Net Cash Provided by Operating Activities	6,172,124	5,322,204
Cash Flows from Investing Activities		
Interest and dividends received on investments	1,409,867	2,070,540
(Purchase) maturity of investments	(6,731,981)	5,737
Net Cash Provided by Investing Activities	(5,322,114)	2,076,277
Cash Flows from Capital and Related Financing Activities		
Proceeds from bond issuance	-	14,085,000
Acquisition and construction of capital assets	(7,680,609)	(21,257,887)
Interest paid on bonds	(6,079,978)	(4,609,702)
Principal paid on bonds	(425,000)	(385,000)
Net Cash (Used in) Provided by Capital and Related Financing Activities	(14,185,587)	(12,167,589)
Change in Cash Balance	(13,335,577)	(4,769,108)
Cash, Beginning of Year	32,832,547	37,601,655
Cash, End of Year	\$ 19,496,970	\$ 32,832,547
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	\$ 6,210,447	\$ 5,298,477
Adjustments		
(Increase) decrease in due from primary government	(1,423,928)	942,915
Increase in due from property owners	(2,132)	-
(Decrease) increase in accounts payable	(25,065)	30,352
Increase (decrease) in deferred revenues	1,412,802	(949,540)
Net Cash Provided by Operating Activities	\$ 6,172,124	\$ 5,322,204
Noncash investing, capital and financing activities:		
Construction in progress in accrued liabilities	\$ (1,065,722)	\$ (3,169,831)

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 Cherry Hill Community Development Authority (the “Authority”) 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 and the District were created pursuant to the Act by Ordinance #05-28 (the “CDA Ordinance”) adopted by the Board of County Supervisors (the “County Board”) of Prince William County, Virginia (the “County”) on April 19, 2005, as amended by Ordinance #13-34 adopted by the County Board on July 16, 2013.

The Cherry Hill Community Development Authority, \$30,000,000 Special Assessment Bonds (Potomac Shores Project), Series 2015 (the “Series 2015 Bonds”), were authorized by a resolution adopted by the Authority on March 10, 2015. The Series 2015 Bonds are the first of several planned bond issuances by the Authority to finance a portion of the public improvements required in connection with the planned construction of Phase 1 of a mixed-use development, which is anticipated to be developed in phases. The Series 2015 Bonds were issued pursuant to an Indenture of Trust (the “Original Indenture”) by and between the Authority and Wilmington Trust, N.A. (the “Trustee”), dated as of June 1, 2015. Pursuant to the Amended and Restated Memorandum of Understanding, the Authority agreed to issue its revenue bonds for the described purposes in the maximum aggregate principal amount of \$115,000,000.

The Cherry Hill Community Development Authority, \$67,320,000 Special Assessment Bonds (Potomac Shores Project), Series 2022 (the “Series 2022 Bonds” and together with the Series 2015 Bonds, the “Bonds”), were authorized by a resolution adopted by the Authority on May 23, 2022. The Series 2022 Bonds are issued as “draw-down” bonds with an initial advance of \$22,065,000. The Series 2022 Bonds were the second of several possible future bond issuances by the Authority to finance a portion of the public improvements required in connection with the planned construction of Phase 1 of a mixed-use development, which is anticipated to be developed in phases. The Series 2022 Bonds were issued pursuant to the Original Indenture, as supplemented by a First Supplemental Trust Indenture (the “Supplemental Indenture” and together with the Original Indenture, the “Indentures”), dated as of June 1, 2022.

The Bonds 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 #06-04 adopted on January 17, 2006, as amended by Ordinance #13-34 adopted on July 16, 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 is a 1,920-acre mixed-use development located in the southeast portion of the County approximately thirty miles south of Washington, D.C. overlooking and partially fronting the Potomac River. The Potomac Shores Project (the “Development”) is expected to be developed in multiple phases and when completed will consist of a residential component of approximately 1,218 single-family detached homes, 958 single-family attached townhomes and 912 multi-family units, 350,000 square feet of resort, conference and golf clubhouse space, 3,040,000 square feet of office space, 225,000 square feet of retail and commercial space and a marina. Additional improvements for the resort portion of the Development are expected to be financed with the “Resort Bonds”, which will be secured separately from the Bonds and any subordinate debt.

The powers of the Authority were originally exercised by five members. At a meeting of the County Board on July 18, 2017, board membership was increased from five members to eight members to increase opportunities for homeowner participation. All members are appointed by the County Board in accordance with the Act for a term of four years. Any member is eligible for reappointment. Currently, there is one vacant board seat.

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. These policies conform to accounting principles generally accepted in the United States of America (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 will be recorded at their fair market value on the date that they will be 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 will be 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, laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

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 therefore, is exempt from all federal and state income taxes.

I. 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	\$ 19,496,970	\$ 32,832,547
Total Cash & Cash Equivalents	<u>\$ 19,496,970</u>	<u>\$ 32,832,547</u>

Cash and cash equivalents are carried at cost, which approximates fair market value.

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 provisions under the Indentures.

B. Interest Rate Risk

Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. All of the Authority's investments 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. Investments on June 30, 2025, and 2024 were in money market funds currently rated “AAAm” by Standard and Poor’s.

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 do not establish limitations on portfolio composition by issuer in order to control concentration of credit risk.

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 \$19,496,970 are valued using quoted market prices (Level 1 inputs).

NOTE 4 – INVESTMENTS

Investments are reported at amortized cost 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>2025</u>	<u>Par Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amortized Cost</u>
US Treasury Bill	\$ 2,908,000	4.03%	8/28/2025	\$ 2,889,119
US Treasury Bill	6,867,000	4.03%	8/28/2025	6,822,429
Total	<u>\$ 9,775,000</u>			<u>\$ 9,711,548</u>

<u>2024</u>	<u>Par Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amortized Cost</u>
US Treasury Bill	<u>\$ 2,922,000</u>	5.01%	8/29/2024	<u>\$ 2,900,041</u>

NOTE 5 - CAPITAL ASSETS

The Authority's capital asset activity for the years ended June 30, 2025, and 2024 was as follows:

<u>2025</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Donations</u>	<u>Ending Balance</u>
Construction in progress	\$ 44,647,981	\$ 5,576,500	\$ -	\$ -	\$ 50,224,481
Capitalized bond interest	1,270,378	-	-	-	1,270,378
Capitalized investment income	(43,503)	-	-	-	(43,503)
Total Capital Assets	<u>\$ 45,874,856</u>	<u>\$ 5,576,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,451,356</u>
<u>2024</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Donations</u>	<u>Ending Balance</u>
Construction in progress	\$ 24,510,338	\$ 20,137,643	\$ -	\$ -	\$ 44,647,981
Capitalized bond interest	1,270,378	-	-	-	1,270,378
Capitalized investment income	(43,503)	-	-	-	(43,503)
Total Capital Assets	<u>\$ 25,737,213</u>	<u>\$ 20,137,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,874,856</u>

Capital assets consist of construction in progress of the VRE station and road extensions, net of financing costs associated with the improvements in progress through fiscal year 2019. The proceeds of the Bonds are to be used to fund the costs of these public improvements. Pursuant to the Development Agreement, the capital assets will be acquired by the Authority or conveyed to the appropriate public entity upon completion. As of June 30, 2025, the VRE garage is complete, but it has yet to be conveyed to the public entity. The estimated completion of the VRE station is the end of 2026, and the completion of the offsite parkway is estimated for 2028.

Improvements totaling \$20,205,657 were previously completed, accepted by, and conveyed to the appropriate government entity. The acceptance and conveyance were reported in the financial statements as "donated capital assets".

NOTE 6—LONG-TERM OBLIGATIONS

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

	Balance			Balance	Due within
<u>2025</u>	July 1, 2024	Increase	Decrease	June 30, 2025	one year
Series 2015 Bonds					
Term 2025	\$ 425,000	\$ -	\$ (425,000)	\$ -	\$ -
Term 2035	8,215,000	-	-	8,215,000	480,000
Term 2045	19,630,000	-	-	19,630,000	-
Series 2022 Bonds	67,320,000	-	-	67,320,000	-
Total Bonds Payable	\$ 95,590,000	\$ -	\$ (425,000)	\$ 95,165,000	\$ 480,000

	Balance			Balance	Due within
<u>2024</u>	July 1, 2023	Increase	Decrease	June 30, 2024	one year
Series 2015 Bonds					
Term 2025	\$ 795,000	\$ -	\$ (370,000)	\$ 425,000	\$ 425,000
Term 2035	8,215,000	-	-	8,215,000	-
Term 2045	19,645,000	-	(15,000)	19,630,000	-
Series 2022 Bonds	53,235,000	14,085,000	-	67,320,000	-
Total Bonds Payable	\$ 81,890,000	\$ 14,085,000	\$ (385,000)	\$ 95,590,000	\$ 425,000

A. Special Assessment Bonds, Series 2015

On June 23, 2015, the Authority issued \$30,000,000 in Special Assessment Bonds (Potomac Shores Project), Series 2015, to finance certain public infrastructure improvements in connection with Phase 1 of the proposed development within the District, to fund a debt service reserve fund, to fund the payment of interest on the Series 2015 Bonds through March 1, 2016, and to pay costs of issuing the Series 2015 Bonds and certain administrative expenses of the Authority and the County. The County, on behalf of the Authority, will impose and collect the special assessment annual installments and has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special assessment annual installments, to include assessment of penalties and interest, and tax foreclosure proceedings. In addition, when special assessments are imposed, a lien is made on the applicable parcels.

The Series 2015 Bonds are 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 is payable according to the terms specified by the Original Indenture semiannually on September 1 and March 1 of each year beginning on September 1, 2015. Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Series 2015 Bonds were issued as follows:

	Par Value	Interest Rate	Final Maturity Date
Term 2025	\$ 2,025,000	4.50%	March 1, 2025
Term 2035	\$ 8,225,000	5.15%	March 1, 2035
Term 2045	\$ 19,750,000	5.40%	March 1, 2045

Interest payments totaled \$1,502,218 and \$1,519,273 for the years ended June 30, 2025, and 2024, respectively.

The Series 2015 Bonds are subject to optional redemption, special mandatory redemption, and mandatory sinking fund redemption. Principal payments are due each March 1 beginning March 1, 2018, according to the mandatory sinking fund redemption schedule.

1. Optional Redemption

The Series 2015 Bonds may be redeemed at the option of the Authority on or after March 1, 2025, from any money available for such purpose, in whole or in part at 100% of the principal amount of the Series 2015 Bonds plus accrued interest to the redemption date.

2. Special Mandatory Redemption

The Series 2015 Bonds are subject to special mandatory redemption in whole or in part on any March 1 or September 1 from any prepayments of special assessments or at any time from any funds remaining in the project fund after completion of the improvements. No special redemptions were made in fiscal year 2025. A special mandatory redemption of \$15,000 was made in fiscal year 2024.

B. Special Assessment Revenue Bonds, Subordinate Series 2022

On June 9, 2022, the Authority issued \$67,320,000 in Special Assessment Revenue Bonds (Potomac Shores Project), Subordinate Series 2022, to finance certain public infrastructure improvements known as the "Series 2022 CDA Improvements", to fund a debt service reserve fund, to fund the payment of interest on the Series 2022 Bonds, and to pay costs of issuing the Series 2022 Bonds. The Series 2022 Bonds were issued as "draw-down" bonds with an initial advance of \$22,065,000. PHCC LLC (d/b/a Preston Hollow Community Capital, the "Initial Beneficial Owner") was obligated to fund the purchase price of the Series 2022 Bonds in quarterly installments upon satisfaction of certain conditions as set forth in the Agreement to Advance. All additional installments have been paid by the Initial Beneficial Owner.

The County, on behalf of the Authority, will impose and collect the special assessment annual installments and has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special assessment annual installments, to include assessment of penalties and interest, and tax foreclosure proceedings. In addition, when special assessments are imposed, a lien is made on the applicable parcels.

The Series 2022 Bonds are 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 2022 Bonds are being issued as subordinate debt under the Indentures, and as such, will be junior as to priority and payment to the Series 2015 Bonds. Upon the occurrence of a “springing parity lien event”, as described in the Supplemental Indenture, the Series 2022 Bonds will convert to Bonds under the Indentures and as such will be secured on a parity basis with the Series 2015 Bonds. The springing lien test requirements were not met in fiscal years 2025 and 2024.

Interest on the Series 2022 Bonds is initially payable according to the terms specified by the Supplemental Indenture monthly from July 1, 2022, through March 1, 2024, and thereafter semiannually on September 1 and March 1 of each year. Interest on the Series 2022 Bonds is calculated on the basis of a 360-day year comprised of twelve 30-day months at 6.80% per annum. Interest payments totaled \$4,577,760 and \$3,090,430 for the years ended June 30, 2025, and June 30, 2024, respectively.

The Series 2022 Bonds are subject to optional redemption, special mandatory redemption, and mandatory sinking fund redemption. Principal payments on the Bonds are due each March 1 beginning March 1, 2027, according to the mandatory sinking fund redemption schedule.

1. Optional Redemption

The Series 2022 Bonds may be redeemed at the option of the Authority on or after March 1, 2037, from any money available for such purpose, in whole or in part at 100% of the principal amount of the Series 2022 Bonds plus accrued interest to the redemption date.

2. Special Mandatory Redemption

The Series 2022 Bonds are subject to special mandatory redemption in whole or in part on any March 1 or September 1 from any prepayments of special assessments or at any time from any funds remaining in the project fund after completion of the improvements.

C. Mandatory Sinking Fund Redemption

The Bonds are required to be redeemed each March 1 in the years and in the amounts set forth below as revised for prepayment redemptions:

<u>Series 2015</u>			<u>Series 2022</u>		
Year Ending June 30:	Principal	Interest	Year Ending June 30:	Principal	Interest
2026	\$ 480,000	\$ 1,483,093	2026	\$ -	\$ 4,577,760
2027	545,000	1,458,373	2027	10,000	4,577,760
2028	610,000	1,430,305	2028	105,000	4,577,080
2029	685,000	1,398,890	2029	210,000	4,569,940
2030	760,000	1,363,613	2030	320,000	4,555,660
2031-2035	5,135,000	6,141,610	2031-2035	3,690,000	23,156,360
2036-2040	7,915,000	4,515,480	2036-2040	8,370,000	20,430,260
2041-2045	11,715,000	1,992,060	2041-2045	15,300,000	16,714,400
Total	<u>\$ 27,845,000</u>	<u>\$ 19,783,424</u>	2046-2050	25,385,000	10,241,820
			2051-2052	13,930,000	1,441,940
			Total	<u>\$ 67,320,000</u>	<u>\$ 94,842,980</u>

Total

Year Ending June 30:	Principal	Interest
2026	\$ 480,000	\$ 6,060,853
2027	555,000	6,036,133
2028	715,000	6,007,385
2029	895,000	5,968,830
2030	1,080,000	5,919,273
2031-2035	8,825,000	29,297,970
2036-2040	16,285,000	24,945,740
2041-2045	27,015,000	18,706,460
2046-2050	25,385,000	10,241,820
2051-2052	13,930,000	1,441,940
Total	<u>\$ 95,165,000</u>	<u>\$ 114,626,404</u>

D. Additional Bonds

Additional bonds may be issued by the Authority to finance subsequent phases of the District improvements, to refund, defease, or purchase any bonds outstanding, to finance the costs incurred with the issuance and sale of additional bonds and to fund a debt service reserve fund upon issuance of additional bonds.

NOTE 7—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 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. Special assessments, unless prepaid, will be payable in installments at the same time general real estate taxes are paid in the County pursuant to the Amended and Restated 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 July 15 and December 5 of each year, payable to the Authority no later than August 20 and January 10, respectively.

Pursuant to a resolution adopted on October 8, 2014, the Board of Directors established 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 2016 and for each following assessment year, developed property shall be subject to the adopted fixed schedule of annual payments.

The annual revenue requirement for the 2024 assessment year is calculated to be \$6,387,000. The County reported that building permits had been issued for 2,238 parcels, which were classified as “Developed Property”. However, seven parcels were prepaid. Therefore, 2,231 parcels were subject to the fixed schedule of annual payments. The total annual payments to be collected from all parcels of developed property are \$2,919,585. The annual payment of special assessments to be collected from undeveloped property for the 2024 assessment year is \$3,467,415. All payments were due to be collected by July 15 and December 5, 2024. As of June 30, 2025, the County reported that 2024 annual payments in the amount of \$637 were delinquent.

The annual revenue requirement for the 2023 assessment year is calculated to be \$5,490,000. The County reported that building permits had been issued for 1,977 parcels, which were classified as “Developed Property”. However, six parcels were prepaid. Therefore, 1,971 parcels were subject to the fixed schedule of annual payments. The total annual payments to be collected from all parcels of developed property are \$2,609,203. The annual payment of special assessments to be collected from undeveloped property for the 2023 assessment year is \$2,880,797. All payments were due to be collected by July 15 and December 5, 2023. As of June 30, 2025, the County reported that 2023 annual payments in the amount of \$555 were delinquent.

In addition to the above, delinquencies for previous years totaled \$3,573.

NOTE 8—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 fiscal years ending June 30, 2025, and 2024.

NOTE 9—CONTINGENT LIABILITIES

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

NOTE 10—SUBSEQUENT EVENTS

1. Revenue

The annual revenue requirement for the 2025 assessment year is calculated to be \$3,020,971 for undeveloped property and \$3,437,029 for developed property, totaling \$6,458,000.

As of January 8, 2026, the County reported the following delinquent assessments:

Year	Delinquency
2025	\$ 75,607
2024	637
2023	555
2021	3,573
Total	<u>\$ 80,372</u>

2. Redemptions

On September 1, 2025, prepayments were used to optionally redeem the Series 2015 Term 2045 Bonds in the amount of \$20,000.

On March 1, 2026, the Series 2015 Term 2035 Bonds mandatory sinking fund redemption was made in the amount of \$480,000.

3. Misclassification of Parcels

Fourteen parcels within the District were misclassified for the 2025-2026 assessment year. The misclassification resulted in an overcharge and subsequent overpayment to the County by the parcel owner, NVR. The reimbursement to NVR in the amount of \$14,553, together with an equal \$14,553 reduction in the second half annual installment for parcel 8389-54-0059.12, and a second half annual installment adjustment for parcel 8389-52-8235 in the amount of \$29,106 corrects this error. The reimbursement of \$14,553 was reimbursed to NVR by the Authority in October 2025 after being received from the County in August 2025.

NOTE 11—EVALUATION OF SUBSEQUENT EVENTS

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

VI. COMPLIANCE



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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
Cherry Hill 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 Cherry Hill 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 March 31, 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.

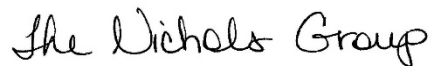
Report on Compliance and Other Matters

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

March 31, 2026