

**WEST FALLS
COMMUNITY DEVELOPMENT AUTHORITY**

(A COMPONENT UNIT OF THE CITY OF FALLS CHURCH, VIRGINIA)

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

**CUSIP NUMBER:
952715AA8**



THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**WEST FALLS
COMMUNITY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF FALLS CHURCH, VIRGINIA)
ANNUAL FINANCIAL STATEMENTS
JUNE 30, 2025, AND 2024**

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I. BOARD OF DIRECTORS

Debora Schantz-Hiscott, Chairman

Alan Brangman

Wyatt Shields

David F. Snyder

Michael Trauberman

Peter Kien, Alternate for Mr. Trauberman

II. INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Falls Community Development Authority
City of Falls Church, VA

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the West Falls Community Development Authority (Authority), a component unit of the City of Falls Church, Virginia 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 5-8 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 October 15, 2025, 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,

A handwritten signature in cursive script that reads "The Nichols Group".

The Nichols Group, PA
Fleming Island, Florida
October 15, 2025

III. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the financial performance of the West Falls Community Development Authority (the "Authority" or "District") 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 was established by Ordinance No. 2033 adopted by the City Council of the City of Falls Church, Virginia (the "City Council"), on August 9, 2021.
2. The Authority incurred long term debt of \$13,000,000 in Revenue Bonds (the "Bonds") on July 27, 2022, bearing interest at 5.375% per annum, with a final maturity of September 1, 2052. 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 (\$1,975,114) and (\$2,176,564), respectively, due primarily to issuance of the Bonds and other costs of the Authority.
4. Capital assets at June 30, 2025, and 2024 totaled \$9,435,414 and \$7,259,373, respectively, which represented approximately 89% of the total public improvements budget as reported in the developer's quarterly disclosure report as of June 30, 2025. Public infrastructure improvements funded by the Bonds include costs for the design and construction of roads, bike paths, sidewalks, plantings, park space, public art, fountains, signage, lighting, environmental remediation, utilities, and site demolition. As of June 30, 2025, water infrastructure, site preparation, streets, sidewalks, bike paths, street lightning, signage and wayfinding, stormwater facilities and Mustang Alley improvements were completed.
5. Annual special assessments totaling \$919,150 were imposed on property owners for the 2025 tax year due to be collected in two installments by June 5, 2025, and December 5, 2025.
6. There were no special assessments imposed on the property owners for the 2024 tax 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	\$ 2,189,613	\$ 4,085,227	\$ 7,671,081
Capital assets	9,435,414	7,259,373	4,616,621
Total Assets	<u>11,625,027</u>	<u>11,344,600</u>	<u>12,639,651</u>
Liabilities:			
Current liabilities	635,141	521,164	1,318,389
Long-term debt	12,965,000	13,000,000	13,000,000
Total Liabilities	<u>13,600,141</u>	<u>13,521,164</u>	<u>14,318,389</u>
Net Position			
Unrestricted	(2,763,714)	(2,749,699)	(3,254,159)
Net investment in capital assets	788,600	573,135	1,575,421
Total Net Position	<u>\$ (1,975,114)</u>	<u>\$ (2,176,564)</u>	<u>\$ (1,678,738)</u>

The negative net position is the result of the use of bond proceeds to fund administrative expenses and debt service.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Revenues	\$ 919,150	\$ -	\$ -
Operating Expenses	<u>147,654</u>	<u>89,380</u>	<u>88,543</u>
Operating Income	771,496	(89,380)	(88,543)
Non-operating Revenues/(Expenses)	<u>(570,046)</u>	<u>(408,446)</u>	<u>(1,590,195)</u>
Change in Net Position	<u>\$ 201,450</u>	<u>\$ (497,826)</u>	<u>(1,678,738)</u>

The positive change in net position is due to the collection of annual assessments.

Capital Assets

The Authority's capital assets consisted of construction in progress of the public improvements, totaling \$9,435,414 as of June 30, 2025, which represents 89% of the total public improvements budget. The improvements consist of the design and construction of roads, bike paths, sidewalks, plantings, park space, public art, fountains, signage, lighting, environmental remediation, utilities, and site demolition to benefit the development. As of June 30, 2025, according to the developer's continuing disclosure statement, water infrastructure, site preparation, streets, sidewalks, bike paths, street lightning, signage and wayfinding, stormwater facilities and Mustang Alley improvements were completed. All public improvements are expected to be completed and conveyed to the City in fiscal year 2026.

Long-Term Debt

The Authority issued Revenue Bonds, Series 2022A, totaling \$13,000,000 dated July 27, 2022, bearing interest at 5.375% per annum with a final maturity of September 1, 2052. This bond issuance represents 100% of the Authority's long-term debt balance. The Bonds are subject to mandatory sinking fund, optional, and special mandatory redemption requirements as specified in the Indenture of Trust (the "Indenture"), entered into between the Authority and U.S. Bank Trust Company, National Association, (the "Trustee") on July 1, 2022.

The proceeds from the Bonds are being used to finance construction of certain public infrastructure improvements, to fund a debt service reserve fund, to fund the payment of interest on the Bonds during the construction period, and to pay costs of issuing the Bonds and certain administrative expenses.

Mandatory sinking fund payments begin on September 1, 2025, from special assessment revenues received by the Authority after the payment of administrative expenses.

Special Assessments

Annual 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. Special assessments shall be billed and collected on the same dates as the City's real estate taxes. The City's customary tax payment enforcement proceedings will apply to the collection of any delinquent payment of special assessments.

Annual special assessments totaling \$919,150 were imposed on property owners for the 2025 tax year due to be collected in two installments by June 5, 2025, and December 5, 2025.

There were no special assessments imposed on the property owners for the 2024 tax year.

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

**WEST FALLS COMMUNITY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF FALLS CHURCH, VIRGINIA)
STATEMENTS OF NET POSITION
As of June 30,**

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ 526,596	\$ 2,436,019
Short-term investments	1,201,601	1,630,539
Due from primary government	459,575	-
Accrued interest receivable	1,841	18,669
Total Current Assets	<u>2,189,613</u>	<u>4,085,227</u>
Noncurrent Assets		
Capital Assets	<u>9,435,414</u>	<u>7,259,373</u>
Total Noncurrent Assets	<u>9,435,414</u>	<u>7,259,373</u>
Total Assets	<u>11,625,027</u>	<u>11,344,600</u>
Liabilities		
Current Liabilities		
Accounts payable	9,144	4,000
Accrued liabilities	358,080	284,247
Accrued interest payable	232,917	232,917
Current portion of long-term debt	35,000	-
Total Current Liabilities	<u>635,141</u>	<u>521,164</u>
Noncurrent Liabilities		
Long-term debt	<u>12,965,000</u>	<u>13,000,000</u>
Total Noncurrent Liabilities	<u>12,965,000</u>	<u>13,000,000</u>
Total Liabilities	<u>13,600,141</u>	<u>13,521,164</u>
Net Position		
Unrestricted	(2,763,714)	(2,749,699)
Net investment in capital assets	<u>788,600</u>	<u>573,135</u>
Net Position	<u>\$ (1,975,114)</u>	<u>\$ (2,176,564)</u>

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

WEST FALLS COMMUNITY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF FALLS CHURCH, VIRGINIA)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ending June 30,

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Special assessment revenues	\$ 919,150	\$ -
Total operating revenues	<u>919,150</u>	<u>-</u>
Operating Expenses		
Administrative fees	\$ 90,073	\$ 62,845
Legal fees	53,081	22,035
Accounting and audit fees	4,500	4,500
Total operating expenses	<u>147,654</u>	<u>89,380</u>
Operating Income (Loss)	<u>771,496</u>	<u>(89,380)</u>
Non-operating Revenues (Expenses)		
Interest and dividend income	128,704	290,304
Bond interest expense	<u>(698,750)</u>	<u>(698,750)</u>
Total Non-Operating Revenues (Expenses)	<u>(570,046)</u>	<u>(408,446)</u>
Change in Net Position	201,450	(497,826)
Net Position, Beginning of Year	<u>(2,176,564)</u>	<u>(1,678,738)</u>
Net Position, End of Year	<u><u>(1,975,114)</u></u>	<u><u>\$ (2,176,564)</u></u>

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

WEST FALLS COMMUNITY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF FALLS CHURCH, VIRGINIA)
STATEMENTS OF CASH FLOWS
For the Years Ending June 30,

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Cash receipts from property owners	\$ 459,575	\$ -
Cash payments for administrative fees	(84,929)	(68,176)
Cash payments for legal fees	(53,081)	(22,035)
Cash payments for accounting and audit fees	(4,500)	(4,500)
Net Cash Provided by (Used in) Operating Activities	317,065	(94,711)
 Cash Flows from Investing Activities		
Interest and dividends received on investments	163,095	300,908
Investments matured/(purchased)	411,374	637,441
Net Cash Provided by Investing Activities	574,469	938,349
 Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(2,102,207)	(3,434,646)
Interest paid on bonds	(698,750)	(698,750)
Net Cash Used in Capital and Related Financing Activities	(2,800,957)	(4,133,396)
 Change in Cash Balance	(1,909,423)	(3,289,758)
Cash, Beginning of Year	2,436,019	5,725,777
Cash, End of Year	\$ 526,596	\$ 2,436,019
 Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Income (Loss)	\$ 771,496	\$ (89,380)
Increase in due from primary government	(459,575)	-
Increase (decrease) in accounts payable	5,144	(5,331)
Net Cash Provided by (Used in) Operating Activities	\$ 317,065	\$ (94,711)
Construction in progress in accrued liabilities	\$ 358,080	\$ 284,247

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 West Falls 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 was created pursuant to the Act by an ordinance (the “CDA Ordinance”) adopted by the City Council of the City of Falls Church, Virginia (the “City Council”) on August 9, 2021.

The West Falls Community Development Authority, Revenue Bonds, Series 2022A (the “Bonds”), were authorized by a resolution adopted by the Authority on April 7, 2022. The Bonds were issued pursuant to an Indenture of Trust (the “Indenture”) by and between the Authority and U.S. Bank Trust Company, National Association (the “Trustee”), dated as of July 1, 2022.

The Authority issued the Bonds totaling \$13,000,000 dated July 27, 2022, bearing interest at 5.375% per annum with a final maturity of September 1, 2052. This bond issuance represents 100% of the Authority’s long-term debt balance.

The proceeds from the Bonds are being used to finance construction of certain public infrastructure improvements, to fund a debt service reserve fund, to fund the payment of interest on the Bonds during the construction period, and to pay costs of issuing the Bonds and certain administrative expenses.

The Bonds are intended to be paid primarily from special assessments imposed and collected at the request of the Authority by the City of Falls Church, Virginia (the “City”) against the taxable real property in the District. Unless prepaid, such special assessments are payable at the same time the City’s general ad valorem real property taxes are paid. Special assessments, when imposed, will be made a lien on parcels subject to taxation in the District, and, pursuant to the Memorandum of Understanding, the City will levy and collect special assessments and pursue the collection of delinquent payments with the same diligence it employs in the collection of the City’s real estate taxes.

West Falls is a mixed-use redevelopment located in the City to include commercial, retail, hotel, and residential components. West Falls is a significant element of the greater 40-acre transit-oriented development surrounding the West Falls Church Metrorail station. The master plan provides for 1.2 million square feet of luxury apartments, condominiums, senior living, curated retail, grocer, medical office, and an extended stay hotel. The development is on the site of a former high school.

The development is being undertaken by WF Developer (the “Developer”), as the successor by assignment to FCGP Development LLC. The Developer is indirectly owned by affiliates of Rockwood Capital, LLC and Hoffman and is currently managed by an affiliate of Hoffman.

The Authority is governed by a board of five directors appointed by the City Council. The current board members’ terms will expire on August 10, 2025. Each member serves a four-year term and may be reappointed.

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, Cash Equivalents 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 market 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. The Authority does not depreciate incomplete or unaccepted capital assets as all assets are expected to be donated to a public entity upon completion/acquisition. If the Authority accepts ownership of any completed capital assets, they will be depreciated using the straight-line method over their estimated useful life.

E. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources, if applicable. 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. 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>
Money market funds	\$ 526,596	\$ 2,436,019
Total cash and cash equivalents	<u>\$ 526,596</u>	<u>\$ 2,436,019</u>

A. Custodial Credit Risk

Custodial credit risk 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 Indenture.

Cash and cash equivalents consist of investments in money market accounts. Such underlying securities were held by financial institutions in their trust departments in the Authority's name.

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 requires the investments of money in the Debt Service Reserve Fund to mature or be payable at the option of the Trustee not more than ten years after the date of their purchase. The Authority's deposits in money market funds are withdrawable 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 Indenture specifies that the Trustee may rely upon the Authority’s written instructions as to both the suitability and legality of direct investments. Investments at June 30, 2025 were in money market funds, currently rated “AAAm” by Standard and Poor’s.

All funds held in the accounts created by the Indenture which are on deposit with any bank will be continuously secured in the manner required by the Indenture.

D. Concentration of Credit Risk

Concentration of credit risk can arise by failing to adequately diversify investments. The Indenture establishes no limitations on portfolio composition by the issuer.

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 \$526,596 are valued using quoted market prices (Level 1 inputs).

NOTE 4—INVESTMENTS

Investments are reported at fair market 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:

	<u>Par Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Fair Market Value</u>
US Treasury Bill	\$ 1,209,000	4.320%	8/21/2025	\$ 1,201,601

NOTE 5—RECEIVABLES

Receivables at June 30, 2025 consisted of interest and dividends on investments and are considered collectable in full within one year.

NOTE 6—CAPITAL ASSETS

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

2025	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfer</u>	<u>Ending Balance</u>
Construction in progress	\$ 7,259,373	\$ 2,099,628	\$ (4,301,752)	\$ 5,057,249
Developer improvements	-	76,413	-	76,413
Public Improvements	-	-	4,301,752	4,301,752
Total Capital Assets	<u>\$ 7,259,373</u>	<u>\$ 2,176,041</u>	<u>\$ -</u>	<u>\$ 9,435,414</u>

2024	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfer</u>	<u>Ending Balance</u>
Construction in progress	\$ 4,616,621	\$ 2,642,752	\$ -	\$ 7,259,373
Total Capital Assets	<u>\$ 4,616,621</u>	<u>\$ 2,642,752</u>	<u>\$ -</u>	<u>\$ 7,259,373</u>

Construction in progress consists of costs related to the public improvements which include design and construction of roads, bike paths, sidewalks, plantings, park space, public art, fountains, signage, lighting, environmental remediation, utilities and site demolition to benefit the development. The proceeds of the Bonds are to be used primarily to fund the costs of these public improvements. Pursuant to the Development Agreement, on completion, the public improvements will be conveyed to the City, the City of Falls Church Economic Development Authority, the Authority, or other such public entity as the Authority may designate.

As of June 30, 2025, according to the developer’s continuing disclosure statement, water infrastructure, site preparation, streets, sidewalks, bike paths, street lightning, signage and wayfinding, stormwater facilities and Mustang Alley improvements were completed but had not been conveyed to the City. All public improvements are expected to be completed by the end of fiscal year 2026.

NOTE 7—LONG-TERM OBLIGATIONS

The Authority’s long-term obligations consisted of the following at June 30, 2025, and 2024:

2025	<u>Balance July 1, 2024</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2025</u>	<u>Due in one year</u>
Series 2022A Bonds	\$ 13,000,000	\$ -	\$ -	\$ 13,000,000	\$ 35,000
Total Bonds Payable	<u>\$ 13,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,000,000</u>	<u>\$ 35,000</u>

2024	<u>Balance July 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2024</u>	<u>Due in one year</u>
Series 2022A Bonds	\$ 13,000,000	\$ -	\$ -	\$ 13,000,000	\$ -
Total Bonds Payable	<u>\$ 13,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,000,000</u>	<u>\$ -</u>

The Authority issued Revenue Bonds, Series 2022A, totaling \$13,000,000 dated July 27, 2022, bearing interest at 5.375% per annum with a final maturity of September 1, 2052. This bond issuance represents 100% of the Authority's long-term debt balance. The Bonds are subject to mandatory sinking fund, optional, and special mandatory redemption requirements as specified in the Indenture.

The proceeds from the Bonds are being used to finance construction of certain public infrastructure improvements, to fund a debt service reserve fund, to fund the payment of interest on the Bonds during the construction period, and to pay costs of issuing the Bonds and certain administrative expenses.

The Bonds are intended to be paid primarily from special assessments imposed and collected by the City against the taxable real property in the District. Unless prepaid, such special assessments are payable at the same time the City's real estate taxes are paid. Special assessments, when imposed, will be made a lien on parcels subject to taxation in the District, and, pursuant to the Memorandum of Understanding, the City will levy and collect special assessments and pursue the collection of delinquent payments with the same diligence it employs in the collection of the City's real property taxes.

The 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 Bonds is payable according to the terms specified by the Indenture semiannually on March 1 and September 1 of each year commencing on September 1, 2022. Interest on the Bonds is calculated based on a 360-day year comprised of twelve 30-day months. Interest paid on the bonds totaled \$698,750 and \$698,750 for fiscal years 2025 and 2024, respectively.

Principal payments on the Bonds are due each September 1 beginning September 1, 2025, according to the mandatory sinking fund redemption schedule.

A. Optional Redemption

The Bonds may be called for redemption at the option of the Authority, in whole or in part, in increments of \$5,000, at any time on or after September 1, 2032, upon payment of the principal amount plus interest accrued to the redemption date. There have been no optional redemptions as of June 30, 2025, and 2024.

B. Special Mandatory Redemption

The Bonds are subject to special mandatory redemption, in whole or in part, in minimum amounts of \$5,000, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date of redemption on any March 1, June 1, September 1, or December 1 from amounts deposited into the Prepayment Account, or at any time after the completion date of the public improvements from monies remaining in the Project Fund. There have been no special mandatory redemptions as of June 30, 2025, and 2024.

C. Mandatory Sinking Fund Redemption

The Bonds are required to be redeemed each September 1 in the years and in the amounts set forth below:

<u>Series 2022A Bonds</u>		
<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 35,000	\$ 697,809
2027	50,000	695,525
2028	70,000	692,300
2029	90,000	688,000
2030	110,000	682,625
2031-2035	900,000	3,290,845
2036-2040	1,655,000	2,953,429
2041-2045	2,690,000	2,375,750
2046-2050	4,085,000	1,474,766
2051-2053	3,315,000	275,872
Total	<u>\$ 13,000,000</u>	<u>\$ 13,826,921</u>

NOTE 8—SPECIAL ASSESSMENTS

Annual 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 or exempted). 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 on June 5 and December 5 of each year or such other dates as the City may determine for collection.

In the event that any portion of the special assessment is determined to be legally unenforceable, the City may levy a special tax in accordance with the Memorandum of Understanding.

Annual special assessments totaling \$919,150 were imposed on property owners for the 2025 tax year. There were no special assessments imposed on the property owners for the 2024 tax year.

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 years ending June 30, 2025, and 2024.

NOTE 10—CONTINGENT LIABILITIES

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

NOTE 11—SUBSEQUENT EVENTS

The first installment of the tax year 2025 assessments totaling \$459,575 was transferred to the authority on August 21, 2025.

Annual assessments in the aggregate amount of \$633,143 are to be collected for the tax year 2026.

NOTE 12—EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 15, 2025, the date which the financial statements were available to be issued.

COMPLIANCE

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
West Falls Community Development Authority
City of Falls Church, VA

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 West Falls Community Development Authority (Authority), a component unit of the City of Falls Church, Virginia, 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 October 15, 2025.

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.

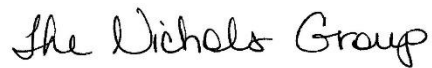
Report on Compliance and Other Matters

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

October 15, 2025