

**LEWISTOWN COMMERCE CENTER
COMMUNITY DEVELOPMENT AUTHORITY**

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

CUSIP NUMBERS:

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THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**LEWISTOWN COMMERCE CENTER
COMMUNITY DEVELOPMENT AUTHORITY**

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

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I. BOARD OF DIRECTORS

Edward N. Smither, Chairman

Franklyn B. Wilson, Vice Chairman

Jay A. Brown

Norma Sellars

Everett Winn

II. INDEPENDENT AUDITOR'S REPORT



THE NICHOLS GROUP, P.A.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lewistown Commerce Center 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 Lewistown Commerce Center Community Development Authority (Authority) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2025 and 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

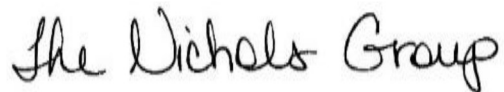
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, 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 March 16, 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,

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

The Nichols Group, PA
Fleming Island, Florida
March 16, 2026

III. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the financial performance of the Lewistown Commerce Center 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 originally incurred long-term debt of \$37,675,000 in Series 2007 Revenue Bonds (the "Series 2007 Bonds") on October 22, 2007, Term 2017, and Term 2027, bearing interest at 5.75% and 6.05% per annum, respectively, with final maturities of March 1, 2017, and March 1, 2027, respectively. The Authority's debt was to be paid through the collection of special real property taxes, incremental tax revenues, and special assessments imposed on the chargeable properties benefiting from the capital asset.
2. On August 26, 2014, the Authority restructured and reissued the Series 2007 Bonds in three series: Series A Special Assessment Revenue Bonds (the "Series A Bonds"), Series B Senior Revenue Bonds (the "Series B Bonds"), and Series C Subordinate Accreted Interest Revenue Bonds (the "Series C Bonds"), (collectively, the "Series 2014 Bonds"). The Series 2014 Bonds bear interest at 6.05% per annum with final maturities of March 1, 2044, and March 1, 2054. The bonds are secured with special assessments, special real property taxes, and incremental tax revenues. Included with the reissuance was a restructuring of the incremental tax revenue agreements with the taxing bodies. (Please see Note 6 for additional information.)
3. The Authority received \$1,758,579 and \$1,262,837 from special real property taxes, incremental tax revenues, and special assessments in the fiscal years ended June 30, 2025, and 2024, respectively. (Please see Note 8 for additional information.)
4. Net deficit at June 30, 2025 and 2024 totaled (\$40,518,076) and (\$40,398,194), respectively.
5. As of June 30, 2025, and 2024, the Authority reports no capital assets as all public improvements were completed and accepted by Hanover County.
6. Delinquent interest payable on the Series 2007 Bonds at issuance of the Series 2014 Bonds was waived by bondholders in exchange for a more favorable interest rate on the restructured bonds. This deferred charge is being amortized over the remaining life of the Series 2007 Bonds.

7. As of June 30, 2025, the total amount of special assessments outstanding was \$7,789, including penalties and interest.

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	\$ 1,363,177	\$ 1,142,417	\$ 1,259,594
Total Assets	<u>1,363,177</u>	<u>1,142,417</u>	<u>1,259,594</u>
Liabilities:			
Current Liabilities	366,465	386,462	382,543
Long Term Liabilities	41,197,116	40,670,832	39,858,541
Total Liabilities	<u>41,563,581</u>	<u>41,057,294</u>	<u>40,241,084</u>
Deferred Inflows of Resources	<u>317,672</u>	<u>483,317</u>	<u>653,183</u>
Total Liabilities & Deferred Inflows	<u>41,881,253</u>	<u>41,540,611</u>	<u>40,894,267</u>
Net Position:			
Restricted	<u>(40,518,076)</u>	<u>(40,398,194)</u>	<u>(39,634,673)</u>
Total Net Position	<u>\$ (40,518,076)</u>	<u>\$ (40,398,194)</u>	<u>\$ (39,634,673)</u>

Bond proceeds were used to finance the Special Assessment District’s (the “District”) infrastructure improvements and other administrative costs of the Authority. As of December 31, 2009, all capital improvements were accepted and donated to Hanover County. The amount due for the Series C Bonds continues to increase annually due to interest accretion greater than payments.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Revenues	\$ 2,235,801	\$ 1,558,147	\$ 4,721,376
Operating Expenses	<u>(115,159)</u>	<u>(105,309)</u>	<u>(111,765)</u>
Operating Income	2,120,642	1,452,838	4,609,611
Non-Operating Revenues	36,902	38,042	38,185
Non-Operating Expenses	<u>(2,277,426)</u>	<u>(2,254,401)</u>	<u>(2,408,857)</u>
Change in Net Position	<u>\$ (119,882)</u>	<u>\$ (763,521)</u>	<u>\$ 2,238,939</u>

Net position decreased from 2023 to 2024 primarily due to prepaid assessments relating to the cancellation of Series A Bonds recorded in fiscal year 2023. In addition, incremental tax revenue increased from 2024 to 2025.

Capital Assets

The Authority financed \$29,746,410 of public improvements with the proceeds from the Series 2007 Bonds. These improvements were formally donated to and accepted by Hanover County in 2009.

Long-Term Debt

The Authority originally incurred long-term debt of \$37,675,000 in Series 2007 Revenue Bonds on October 22, 2007, Term 2017 and Term 2027, bearing interest at 5.75% and 6.05% per annum, respectively, with final maturities of March 1, 2017, and March 1, 2027, respectively. The Authority's debt was to be paid through the collection of special real property taxes, incremental tax revenues, and special assessments imposed on the chargeable properties benefiting from the capital asset.

The proceeds from the Series 2007 Bonds were used to finance the acquisition of land, easement rights, and rights-of-way, and to finance construction of certain public infrastructure improvements within the District including roads, water and sewer improvements, contribution to the Hanover County storm water management fund, pedestrian trails and landscaping, and public parking.

The debt service was paid annually beginning March 1, 2008.

On August 26, 2014, the terms of the Series 2007 Bonds were renegotiated among bondholders, the Authority, the trustee, and the county pursuant to an Amended and Restated Special Assessment Agreement, a Revised Rate and Method of Apportionment of Special Assessment Agreement, and an Amended and Restated Indenture of Trust. The Series 2014 Bonds, issued in three series, replaced the original Series 2007 Bonds and modified the maturity dates, pledged revenue, and collection of incremental taxes from the county. (Please see Note 6 for additional information.)

This bond issuance represents 100% of the Authority's long-term debt balance.

An originally posted prepayment redemption of \$41,000 and total sinking fund payments of \$659,000 due on March 1, 2020-22 were not made when due as the result of delinquent special assessments. A development modification was accepted in fiscal year 2022 that resulted in the redemption/cancellation of \$5,587,564 in Series A Bonds in fiscal year 2023. (Please see Note 9 for additional information.)

Revenues

Revenues are paid from three sources:

- Special real property taxes of \$0.10 per \$100 of assessed fair market value of taxable real estate levied on the parcels in the District,
- Incremental tax revenues, including real property taxes, sales taxes, meals taxes, and amusement taxes above the base value, and
- Special assessments.

The Authority received the following amounts from the County during the years ended June 30, 2025, 2024, and 2023:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Special real property taxes	\$ 97,777	\$ 44,946	\$ 93,641
Incremental tax revenues	1,408,757	970,924	1,047,137
Special assessments	<u>252,045</u>	<u>246,967</u>	<u>506,701</u>
Total	<u>\$ 1,758,579</u>	<u>\$ 1,262,837</u>	<u>\$ 1,647,479</u>

The variance from 2024 to 2025 is primarily the result of increases in the incremental tax revenues and special assessments received.

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

LEWISTOWN COMMERCE CENTER COMMUNITY DEVELOPMENT AUTHORITY STATEMENTS OF NET POSITION

As of June 30,

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Accrued interest receivable	\$ 1,520	\$ 1,818
Due from primary government	858,372	668,175
Total Current Assets	<u>859,892</u>	<u>669,993</u>
Noncurrent Assets		
Restricted cash and cash equivalents	503,285	472,424
Total Noncurrent Assets	<u>503,285</u>	<u>472,424</u>
Total Assets	<u>1,363,177</u>	<u>1,142,417</u>
Liabilities		
Current Liabilities		
Accounts payable	17,588	40,916
Accrued interest payable	203,877	209,546
Short-term portion of bonds payable	145,000	136,000
Total Current Liabilities	<u>366,465</u>	<u>386,462</u>
Long-Term Liabilities		
Bonds payable	41,197,116	40,670,832
Total Liabilities	<u>41,563,581</u>	<u>41,057,294</u>
Deferred inflows of resources	317,672	483,317
Total Liabilities and Deferred Inflows	<u>41,881,253</u>	<u>41,540,611</u>
Net Position		
Restricted	(40,518,076)	(40,398,194)
Total Net Position	<u>\$ (40,518,076)</u>	<u>\$ (40,398,194)</u>

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

LEWISTOWN COMMERCE CENTER COMMUNITY DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30,

	2025	2024
Operating Revenues		
Incremental tax revenues	\$ 1,747,014	\$ 1,073,910
Special assessment revenues	488,787	484,237
Total Operating Revenues	2,235,801	1,558,147
Operating Expenses		
Administrative fees	104,902	96,242
Accounting and audit fees	4,800	4,800
Legal fees	4,256	3,188
Insurance expense	1,201	1,079
Total Operating Expenses	115,159	105,309
Operating Income	2,120,642	1,452,838
Non-Operating Revenues (Expenses)		
Bond interest expense	(2,277,426)	(2,253,666)
Restructure fees	-	(735)
Interest income	36,902	38,042
Total Non-Operating Expenses	(2,240,524)	(2,216,359)
Change in net position	(119,882)	(763,521)
Net position, beginning of period	(40,398,194)	(39,634,673)
Net position, end of period	\$ (40,518,076)	\$ (40,398,194)

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

LEWISTOWN COMMERCE CENTER COMMUNITY DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Cash received from primary government	\$ 2,045,604	\$ 1,262,837
Cash payments for administrative fees	(126,230)	(93,516)
Cash payments for insurance	(1,201)	(1,079)
Cash payments for legal fees	(1,456)	(2,800)
Cash payments for accounting and audit fees	(9,600)	-
Net Cash Provided by Operating Activities	<u>1,907,117</u>	<u>1,165,442</u>
Cash Flows from Investing Activities		
Interest and dividends received on investments	37,200	44,623
Investments matured	-	216,719
Net Cash Provided by Investing Activities	<u>37,200</u>	<u>261,342</u>
Cash Flows from Capital and Related Financing Activities		
Interest paid on bonds	(1,632,402)	(1,355,759)
Principal paid on bonds	(281,054)	(253,596)
Payment of restructuring fees	-	(6,615)
Net Cash Used in Capital and Related Financing Activities	<u>(1,913,456)</u>	<u>(1,615,970)</u>
Change in Cash and Cash Equivalents	30,861	(189,186)
Cash and Cash Equivalents, Beginning of Year	<u>472,424</u>	<u>661,610</u>
Cash and Cash Equivalents, End of Year	<u>\$ 503,285</u>	<u>\$ 472,424</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 2,120,642	\$ 1,452,838
Increase in due from primary government	(190,197)	(295,309)
(Decrease) increase in accounts payable	(23,328)	7,913
Net Cash Provided by Operating Activities	<u>\$ 1,907,117</u>	<u>\$ 1,165,442</u>

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 Lewistown Commerce Center 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. In accordance with the Act, the Authority was created by an ordinance adopted by the Hanover County Board of Supervisors (the “Board”), on October 25, 2006, as a community development authority to promote and further the purposes of the Act.

The Lewistown Commerce Center Community Development Authority, Revenue Bonds, Series 2007 (the “Series 2007 Bonds”), were issued pursuant to an Indenture of Trust by and between the Authority and Wells Fargo Bank, NA, dated as of September 1, 2007, and a limited offering memorandum for the bonds dated October 11, 2007. The Series 2007 Bonds were limited obligations of the Authority payable from special real property taxes, incremental tax revenues, and special assessment revenues imposed and collected by Hanover County, Virginia (the “County”), against the taxable real property in the District. Unless prepaid, such special real property taxes and special assessments were payable in installments at the same time general real estate taxes were paid in the County. Special assessments, when imposed, were made a lien on parcels subject to taxation in the District. The County agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special assessment annual installment.

On August 26, 2014, with the consent of bondholders, the Authority restructured and reissued the Series 2007 Bonds in three series (collectively, the “Series 2014 Bonds”) pursuant to an Amended and Restated Indenture of Trust (the “Amended Indenture”) between the Authority and UMB Bank, NA, as trustee (the “Trustee”). Pursuant to the Amended and Restated Special Assessment Agreement, the Series A Bonds are secured only by the special assessments. The Series B Bonds and Series C Bonds are secured by the special tax revenues and the incremental tax revenues, but not the special assessments. The Series C Bonds are secured on a subordinate basis to the Series B Bonds. See Note 6B for additional information.

The District consists of approximately 185 acres of land within the County, near the intersection of Lewistown Road and Interstate 95, approximately ten miles north of the City of Richmond’s downtown business district and approximately eighty-five miles south of Washington, DC. The District is part of a planned business complex that is expected to provide commercial and retail spaces, recreation and tourism facilities, and other amenities. Please see Note 9 for development plan modifications.

The Authority is governed by a board of five directors appointed by the Board. The Board also appoints successor directors of the Authority. Directors serve for staggered terms of no more than four years 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. The 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 Accounting and 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, changes in net position, net financial 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 Cash Equivalents

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.

D. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date they are donated. The Authority does not maintain a capitalization threshold as all infrastructure assets are capitalized. The Authority does not depreciate the infrastructure improvements as they will be donated upon completion or acquisition.

E. Deferred Interest Expense

A charge for deferred interest is being amortized over the remaining life of the Series 2007 Bonds using the effective interest method.

F. Net Position

Net position represents the difference between assets, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on the use of resources 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 net assets are available.

G. 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 consist of special real property taxes, incremental tax revenues, and 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.

H. 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.

I. Income Taxes

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

J. New Accounting Standards

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

K. 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>
Government money market funds	\$ 503,285	\$ 472,424
Total cash and cash equivalents	<u>\$ 503,285</u>	<u>\$ 472,424</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. Deposits of the Authority are subject to the provisions of the Virginia Investment of Public Funds Act, which limits deposits to only certain permissible investments, and the Amended Indenture.

B. Interest Rate Risk

Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. The Authority's investments in money market funds are withdraw-able on demand.

C. Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. As required by state statute and the Amended Indenture, commercial paper must have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's, S&P, or Fitch Investor's Service ("Fitch"). Corporate notes with a maturity of not more than five years must have a rating of at least Aa by Moody's and AA by S&P. Certificates of Deposit and negotiable bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by S&P and "P-1" by Moody's. Certificates of Deposit and negotiable bank deposit notes maturing in longer than one year, but not exceeding five years, must be rated "AA" by S&P and "Aa" by Moody's. Investments at June 30, 2025 and 2024 were not in the categories listed above.

All money held in the funds created by the Amended Indenture which are on deposit with any bank will be continuously secured in the manner required by the Virginia Investment of Public Funds Act or the Amended Indenture.

D. Concentration of Credit Risk

Concentration of credit risk can arise by failing to adequately diversify investments. The Amended Indenture establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. Not more than 35% of the Authority's total funds available for investment may be invested in commercial paper, and not more than 5% of the Authority's total funds available for investment may be invested in the commercial paper of any single issuer.

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 \$503,285 are valued using quoted market prices (Level 1 inputs).

NOTE 4—RECEIVABLES

Receivables at June 30, 2025 consisted of tax revenues due from Hanover County and accrued interest. All receivables are considered collectible in full within one year.

NOTE 5—CAPITAL ASSETS

Pursuant to the Development/Acquisition Agreement, in September 2009, the County accepted all improvements, and the completed public improvements were donated to the municipality for ongoing maintenance and ownership. Improvements consisted of the acquisition of land, easement rights and rights-of-way, and construction of certain public infrastructure improvements within the District including roads, water and sewer improvements, contribution to the County storm water management fund, pedestrian trails and landscaping, and public parking.

As of June 30, 2025, and 2024, there were no capital assets owned by the Authority as all assets had been previously transferred to the appropriate public entity.

NOTE 6—LONG-TERM OBLIGATIONS

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

<u>2025</u>	Balance 7/1/2024	Additions	Reductions	Accreted Interest	Balance 6/30/2025	Due Within One Year
Series 2014 Amended and Restated Revenue Bonds						
Series A Special Assessment Revenue Bonds	\$ 5,348,711	\$ -	\$ (145,054)	\$ -	\$ 5,203,657	\$ -
Series B Senior Revenue Bonds	5,042,000	-	(136,000)	-	4,906,000	145,000
Series C Subordinate Accreted Interest Revenue	30,416,121	-	(1,003,764)	1,820,102	31,232,459	-
Total Bonds Payable	\$ 40,806,832	\$ -	\$ (1,284,817)	\$ 1,820,102	\$ 41,342,116	\$ 145,000

<u>2024</u>	Balance 7/1/2023	Additions	Reductions	Accreted Interest	Balance 6/30/2024	Due Within One Year
Series 2014 Amended and Restated Revenue Bonds						
Series A Special Assessment Revenue Bonds	\$ 5,473,307	\$ -	\$ (124,596)	\$ -	\$ 5,348,711	\$ -
Series B Senior Revenue Bonds	5,171,000	-	(129,000)	-	5,042,000	136,000
Series C Subordinate Accreted Interest Revenue	29,343,234	-	(711,778)	1,784,665	30,416,121	-
Total Bonds Payable	\$ 39,987,541	\$ -	\$ (965,374)	\$ 1,784,665	\$ 40,806,832	\$ 136,000

A. Revenue Bonds, Series 2007- Term 2017 and Term 2027

On October 22, 2007, the Authority issued \$37,675,000 in Revenue Bonds Series 2007, to finance the acquisition and construction of public infrastructure improvements located within the District, to fund a reserve fund, to fund construction period interest and administrative expenses through March 1, 2010, and to pay costs relating to the issuance of the Series 2007 Bonds.

The Series 2007 Bonds were redeemed in full on August 26, 2014, with the issuance of the Amended and Restated Series 2014 Bonds. See Note 6B below.

B. Amended and Restated Revenue Bonds, Series 2014

On August 26, 2014, with the consent of bondholders, the Authority restructured and reissued the Series 2007 Bonds as follows:

	<u>Par Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Series A Special Assessment Revenue Bonds	\$ 12,300,000	6.05%	March 1, 2044
Series B Senior Revenue Bonds	\$ 6,043,000	6.05%	March 1, 2044
Series C Subordinate Accreted Interest Revenue	\$ 19,332,000	6.05%	March 1, 2054

The Series A Bonds are secured solely through collection of special assessments and have no pledge of the incremental tax revenues. The Series B Bonds and the Series C Bonds are secured with special real property taxes and incremental tax revenues only and are not pledged with special assessments. The Series C Bonds are subordinate to the Series B Bonds. Additionally, interest on the Series C Bonds is expected to be deferred and payable from excess incremental tax revenues or at final maturity.

Interest on the Series A Bonds and Series B Bonds (the “Current Interest Bonds”) is payable each March 1 and September 1, beginning March 1, 2015. Accreted interest on the Series C Bonds is payable on any March 1 or September 1 subject to the availability of pledged revenues and only

after sufficient funds have been deposited for payment of all principal and interest due in the current bond year on the Series B Bonds. The sum of principal and accreted interest on the Series C Bonds is payable at maturity or upon earlier redemption. Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months.

Interest payments for the years ended June 30, 2025, and 2024 totaled:

	<u>2025</u>	<u>2024</u>
Series A	\$323,597	\$331,135
Series B	305,041	312,846
	<u>\$628,638</u>	<u>\$643,981</u>

The Series 2014 Bonds are subject to optional redemption, special mandatory redemption, and mandatory sinking fund redemption. See Note 6B3 below for changes to the mandatory sinking fund redemptions.

1. Optional Redemption

The Current Interest Bonds maturing on or after March 1, 2025, are subject to optional redemption on or after March 1, 2024, in whole or in part at any time upon payment of the following redemption prices:

<u>Redemption Date</u>	<u>Redemption Price</u>
March 1, 2024 - February 28, 2025	103%
March 1, 2025 - February 28, 2026	102%
March 1, 2026 - February 28, 2027	101%
March 1, 2027 and thereafter	100%

The Series C Bonds are subject to optional redemption without penalty or premium in whole or in part in minimum amounts of \$1,000 at any time upon payment of the principal amount to be redeemed plus accreted interest.

2. Special Mandatory Redemption

Series A Bonds. The Series A Bonds are subject to special mandatory redemption in whole or in part at any time from (i) prepaid assessments, (ii) deed of trust proceeds under the Indenture, and (iii) any amounts in the Net Proceeds Account not used to repair or replace the facilities.

Series B Bonds. The Series B Bonds are not subject to special mandatory redemption.

Series C Bonds. The Series C Bonds are subject to special mandatory redemption at any time at a redemption price equal to the principal amount to be redeemed plus accreted interest from (i) any pledged revenues available for such purpose if amounts on deposit in the accounts are sufficient to pay the principal and interest on the Series B Bonds coming due in the current bond year, (ii) amounts remaining in the Series A Reserve Account upon maturity or earlier redemption of the Series A Bonds, (iii) amounts remaining in the Series B Reserve Account upon the maturity or earlier redemption of the Series B Bonds, (iv) amounts transferred from the Delinquent Payments Account in accordance with the Amended Indenture, and (v) funds in the Debt Service Reserve

Fund in the event amounts therein exceed twice the Debt Service Reserve requirement. Special mandatory redemptions of \$1,003,764 and \$711,778 were made on Series C Bonds in the years ended June 30, 2025, and 2024, respectively.

3. Mandatory Sinking Fund Redemption (Series A Bonds)

Sinking fund payments of \$659,000 due March 1, 2020-2022 were not made when due on the Series A Bonds due to special assessments delinquencies. Development modifications discussed in Note 9 resulted in the redemption/cancellation of \$6,167,693 in Series A Bonds in fiscal years 2021-2023. Per the Trustee, on the instructions of bond counsel, going forward, any funds in excess of administrative expenses and interest will be used to redeem Series A Bonds each year. In fiscal years 2025 and 2024, \$145,054 and \$124,596 were redeemed, respectively.

4. Mandatory Sinking Fund Redemption (Series B Bonds)

The Series B Bonds are required to be redeemed prior to maturity by the Authority on March 1 in the years and in the amounts set forth below:

<u>Year ending June 30:</u>	<u>Series 2014B</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 145,000	\$ 296,813
2027	153,000	288,041
2028	163,000	278,784
2029	172,000	268,923
2030	183,000	258,517
2031-2035	1,094,000	1,112,535
2036-2040	1,468,000	739,068
2041-2044	1,528,000	238,007
Total	\$ 4,906,000	\$ 3,480,688

Mandatory redemptions on the Series B Bonds of \$136,000 and \$129,000 were made during the years ended June 30, 2025, and 2024, respectively.

5. Draws on Reserve Fund

The following table details the transfers to and from the Series A Reserve Fund to pay debt service and extraordinary legal expenses due to special assessment delinquencies.

<u>Date</u>	<u>Amount</u>
FY2020	\$ (109,642)
FY2021	(57,353)
FY2022	(152,110)
FY2023	(129,741)
FY2024	(6,615)
Total	\$ (455,461)

As of June 30, 2025, the balance in the Series A Reserve Fund was \$27,183, which is \$200,683 below the debt service reserve requirement of \$227,866.

NOTE 7—DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources as of June 30, 2025, and 2024 consisted of the following:

	Balance			Balance
	July 1, 2024	Additions	Reductions	June 30, 2025
Deferred interest charges	\$ 483,317	\$ -	\$ (165,645)	\$ 317,672
	\$ 483,317	\$ -	\$ (165,645)	\$ 317,672

	Balance			Balance
	July 1, 2023	Additions	Reductions	June 30, 2024
Deferred interest charges	\$ 653,183	\$ -	\$ (169,866)	\$ 483,317
	\$ 653,183	\$ -	\$ (169,866)	\$ 483,317

At the time of the reissuance of the Series 2007 Bonds, approximately \$2.2 million in interest was due to bondholders on the Series 2007 Bonds. As a provision of the reissuance, bondholders waived their right to collect this accrued interest in exchange for a more favorable interest rate on the Series 2014 Bonds. This deferred interest charge is being amortized as a reduction in the current interest expense over the remaining life of the Series 2007 Bonds using the effective interest method. Amortization of \$165,645 and \$169,866 was recorded for the years ended June 30, 2025, and 2024, respectively.

NOTE 8—REVENUES

The Series 2014 Bonds are limited obligations payable primarily from:

- special real property taxes,
- incremental tax revenues, and
- special assessments.

The Authority received the following amounts from the County during the years ended June 30, 2025, and 2024:

	<u>2025</u>	<u>2024</u>
Special real property taxes	\$ 97,777	\$ 44,946
Incremental tax revenues	1,408,757	970,924
Special assessments	252,045	246,967
Total	<u>\$ 1,758,579</u>	<u>\$ 1,262,837</u>

A. Special Real Property Taxes

Pursuant to the terms of the Amended and Restated Special Assessment Agreement dated August 26, 2014, among Hanover County, the Authority, and the developers, special real property taxes at a rate of \$0.10 per \$100 of assessed fair market value will be collected by the County against the taxable real property within the District. The special real property tax will be levied and collected for each calendar year and continuing to the earlier of the final maturity date of the Series B and Series C Bonds or the date on which the Series B and Series C Bonds are paid in full or provision for their payment in full has been made. Payments of the special real property tax to the Authority will be made by the County only to the extent of revenues received by the County. The County will bill the special real property taxes in the same manner and at the same time as it bills regular real estate taxes. The County has agreed to apply its customary tax payment enforcement proceedings to the collection of any delinquent payment of special real property taxes, including the assessment of penalties and interest.

All special real property taxes collected by the County have been remitted to the Authority. As of June 30, 2025, there were no delinquencies.

B. Incremental Tax Revenues

Incremental tax revenues consist of real property tax incremental revenues, personal property tax incremental revenues, hotel occupancy incremental revenues, and sales tax incremental revenues. The incremental tax revenues are payable by the County not less frequently than annually on or before each August 1, however, the real property tax incremental revenues are payable by the County not less frequently than semi-annually on or before February 1 and August 1 of each year. Pursuant to the Amended and Restated Special Assessment Agreement, executed on August 26, 2014, incremental tax revenues will be paid at the “Applicable Percentage” as specified below:

<u>Calendar Years</u>	<u>Percentage</u>
2014 - 2030	75%
2031 - 2035	70%
2036 - 2040	65%
2041 - 2045	60%
2046 - 2050	55%
2051 - 2054	50%

Limitation: The aggregate amount of incremental tax revenues and special real property tax revenues to be paid by the County to the Authority shall not exceed the aggregate amount of \$59,000,000. As of June 30, 2025, \$9,142,480 has been paid.

Termination: Subject to the limitation above, after the earlier of the date on which the Series B and Series C Bonds have been re-paid in full, or provision for their repayment has been made, or December 31, 2054, the tax incremental contribution plan shall expire, and all incremental tax revenues shall thereafter be retained by the County.

All incremental tax revenues collected by the County have been remitted to the Authority.

C. Special Assessments

Pursuant to the Revised Rate and Method of Apportionment of Special Assessments and the Amended and Restated Special Assessment Agreement, each dated as of August 26, 2014, annual special assessments are to be collected from each parcel of taxable property within the District (excepting those for which the assessment lien has been prepaid) each year in an amount equal to the “Annual Revenue Requirement”. The annual revenue requirement is the lesser of: (A) the annual installment for the assessment year and (B) the sum of the following: (1) debt service on the Series A Bonds to be paid from the annual installments, (2) period costs associated with the Series A Bonds, including but not limited to, rebate payments and any credit enhancements on the Series A Bonds, (3) administrative expenses, (4) amounts required to be deposited into the Debt Service Reserve Fund to bring the balance in such fund up to the debt service reserve requirement, (5) a contingency, less, (6) available tax revenues available to the Authority that may be applied to the annual revenue requirement, (7) funds in excess of the debt service reserve requirement, (8) any credits applied under the bond indenture, and (9) any other funds available that may be applied to the annual revenue requirement.

Special assessments, unless prepaid, are payable in two equal installments at the same time general real estate taxes are paid in Hanover County: June 5 and October 5 of each year. The County has agreed to apply its customary tax payment enforcement proceedings to the collection of any delinquent payment of special assessments, including the assessment of penalties and interest.

Special assessments related to the 2014 Series A Bonds in the amount of \$491,610 were due for collection in two equal payments on June 5 and October 5, 2025. As of June 30, 2025, there were \$7,763 in delinquencies, including penalties and interest.

Special assessments related to the 2014 Series A Bonds in the amount of \$492,706 were due for collection in two equal payments on June 5 and October 5, 2024. As of June 30, 2025, there were \$26 in delinquencies, including penalties and interest.

D. County Collection Costs

Pursuant to the Amended and Restated Special Assessment Agreement, the County may deduct its reasonable costs and expenses associated with its administration of the assessments and incremental tax revenues totaling \$24,000 for the first year. These costs may be increased by 3% annually thereafter. The County deducted \$37,391 and \$36,302 during the years ended June 30, 2025, and 2024, respectively.

NOTE 9—PROPOSAL FOR DEVELOPMENT MODIFICATION

On May 12, 2021, CB Lewistown and an adjacent landowner proposed forming a joint venture (the “New JV”) to develop three parcels into a 500,000-square-foot lease development, promoting further district growth and increasing property values. After receiving approval from most Series A Bond owners, CB Lewistown sold its remaining parcels to Winding Brook II for \$10, heavily encumbered by \$5.4 million in liens. The New JV acquired these parcels, paid assessments and taxes, and covered trustee-related expenses.

In January 2022, a probate court approved the Trust Instruction Proceeding (TIP). By June 2022, the New JV deposited funds with the trustee to pay off remaining Series A liens, redeemed about \$2.7 million of Series A bonds, and held escrow for future rebates. It also tendered \$2.05 million in Series C bonds for distribution to Series A bondholders.

On December 15, 2022, Winding Brook II sold its land in the District to Jim Pattison Developments Inc., (“Pattison”), one of the largest and best capitalized industrial companies in North America. Under a Development Management Agreement (the “Agreement”) executed between Winding Brook II and Pattison, Winding Brook II will serve as Pattison’s Development Manager. The Agreement calls for construction of a light industrial building of approximately 552,587 square feet. As of June 30, 2024, development is complete, and the building owner is currently marketing the building for tenants.

On June 30, 2023, the remaining amount in escrow of approximately \$2.9 million was released to the New JV and a corresponding amount of the Series A Bonds was cancelled.

NOTE 10—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 ended June 30, 2025, and 2024.

NOTE 11—CONTINGENT LIABILITIES

There are no lawsuits or other contingent liabilities pending.

NOTE 12—SUBSEQUENT EVENTS

A. Draw on the Series A Debt Service Reserve Fund

As of February 28, 2026, the balance in the Series A Debt Service Reserve fund was \$27,821, a deficit of \$200,045. The Authority has chosen not to replenish the reserve fund at this time. Given the absence of prior credits, the most prudent course of action is to maintain the current schedule of Maximum Annual Installments. This approach ensures that the Authority continues to levy at least enough to cover the expenses of the A Bonds as they become due.

B. Delinquent Revenues

As of February 28, 2026, delinquent assessments, including penalties & interest, totaled \$3,873.

C. Debt Service Payments Series A Bonds

On September 2, 2025, \$157,411 was paid in interest on the Series A Bonds. A payment to principal of \$145,000 and a payment to interest of \$157,410 were made on March 2, 2026, from funds in excess of administrative expenses.

NOTE 13—EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 16, 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
Lewistown Commerce Center 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 Lewistown Commerce Center Community Development Authority (Authority) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated March 16, 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.

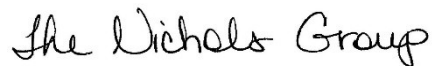
Report on Compliance and Other Matters

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 16, 2026