

**ATLANTIC PARK
COMMUNITY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF VIRGINIA BEACH, VIRGINIA)**

**FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2025, AND 2024**

**CUSIP NUMBER:
04877Y AA5**

**ATLANTIC PARK
COMMUNITY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE CITY OF VIRGINIA BEACH, VIRGINIA)**

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

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I. BOARD OF DIRECTORS

Robert Dyer, Chairman

Rosemary Wilson, Vice Chairman

Michael Berlucchi

Stacy Cummings

Barbara Henley

David Hutcheson

Cal Jackson-Green

Robert Remick

Dr. Amelia Ross-Hammond

Jennifer Rouse

Joashua Schulman

Amanda Barnes, Secretary

Patrick Duhaney, Treasurer

Report of Independent Auditor

To the Board of Directors
Atlantic Park Community Development Authority
Virginia Beach, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Atlantic Park Community Development Authority (the "Authority"), a component unit of the City of Virginia Beach, 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 financial position of the Authority, as of June 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the 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* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and Specifications 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 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.

Auditors' Responsibility 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 opinion. 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, *Government Auditing Standards*, and the Specifications 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, *Government Auditing Standards*, and the Specifications, 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, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of Board of Directors but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 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 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.

Cherry Bekaert LLP

Virginia Beach, Virginia
October 14, 2025

ATLANTIC PARK COMMUNITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF VIRGINIA BEACH, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025, AND 2024

III. MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

1. The Authority incurred long-term debt of \$53,365,000 in Revenue Bonds, Series 2023 (the "Bonds") on March 30, 2023, bearing interest at 6.25% per annum, with a final maturity of August 1, 2045. The Authority's debt will be paid by a pledge of performance grant payments, and if needed, pre-stabilization advances and special assessment revenues.
2. On April 30, 2024, the Authority executed a promissory note (the "Note") with the City of Virginia Beach (the "City") for \$17,700,000 of reimbursements of off-site public improvements to be paid back no later than October 18, 2062, without interest. The Authority's debt will be paid from proceeds that exceed debt service and administrative fees or by extending the duration of the Authority beyond the bond term in order to pay back the Note.
3. Net position at June 30, 2025, and 2024 was a deficit of \$58,339,176 and \$47,525,788, respectively.
4. The Authority owned no capital assets at June 30, 2025, or 2024 as the public improvements, consisting of two parking garages, were deeded from Venture Waves, LLC (the "Developer") to the Virginia Beach Development Authority (the "VBDA") prior to bond issuance. In addition, the off-site public improvements paid for by the City in exchange for the Note are owned by the City. The Authority is paying for the cost of the improvements, either through bond proceeds or the Note, and records them as "donated capital assets".
5. According to the March 31, 2024, Developer's Continuing Disclosure Statement, the Developer reported arsenic exceedances on December 23, 2023 related to dewatering activities. The Developer suspended dewatering and conducted laboratory bench scale pilot studies during January 2024. Results from the laboratory bench scale studies were verified during field scale pilot studies during February and March 2024. Results from the pilot study programs were used to augment the existing treatment system which was brought back online on March 28, 2024. Since this time, there have been no exceedances.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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6. As of June 30, 2025, \$665,564 in revenues from sales and use tax transactions within the District had been received during the fiscal year. Calendar year's second quarter revenues of \$116,542 will be received in the calendar year's third quarter. No pre-stabilization advances have been drawn and no special assessments have been levied.
7. As of June 30, 2024, \$207,447 in revenues from sales and use tax transactions within the District had been received during the fiscal year. No pre-stabilization advances have been drawn and no special assessments have been levied

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.

ATLANTIC PARK COMMUNITY DEVELOPMENT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025, AND 2024

Financial Statements

Summary Statements of Net Position:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets:			
Current assets	\$ 11,881,729	\$ 17,018,834	\$ 34,708,178
Long-term assets	-	6,107,355	9,138,830
Total assets	<u>11,881,729</u>	<u>23,126,189</u>	<u>43,847,008</u>
Liabilities:			
Current liabilities	1,909,153	2,477,316	1,703,403
Long-term debt	<u>68,311,752</u>	<u>68,174,661</u>	<u>50,515,691</u>
Total Liabilities	<u>70,220,905</u>	<u>70,651,977</u>	<u>52,219,094</u>
Net Position			
Restricted	11,677,829	22,743,396	43,600,147
Unrestricted	<u>(70,017,005)</u>	<u>(70,269,184)</u>	<u>(51,972,233)</u>
Total Net Position(Deficit)	<u>\$ (58,339,176)</u>	<u>\$ (47,525,788)</u>	<u>\$ (8,372,086)</u>

In fiscal year 2025 and 2024, the net deficit is the result of the use of bond proceeds to fund capital assets owned by the VBDA, as well as the Note's usage to fund capital assets owned by the City.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Revenues	\$ 564,735	\$ 424,820	\$ -
Operating Expenses	<u>113,734</u>	<u>122,900</u>	<u>179,288</u>
Operating Income (Loss)	451,001	301,920	(179,288)
Non-operating Revenues/(Expenses)	(2,674,966)	(1,802,186)	3,862,293
Donated Capital Assets	<u>(8,589,423)</u>	<u>(37,653,436)</u>	<u>(12,055,091)</u>
Change in Net Position (Deficit)	<u>\$ (10,813,388)</u>	<u>\$ (39,153,702)</u>	<u>\$ (8,372,086)</u>

The change in net position from fiscal year 2024 to fiscal year 2025 is due to the decreased costs of donated public improvements and decreased investment income partially offset by increased revenues and decreased operating expenses in fiscal year 2025. The change in net deficit from fiscal year 2023 to fiscal year 2024 is due primarily to the increased costs of donated public improvements.

Revenues

Performance grant revenues will equal amounts generated by taxes and charges imposed on certain property and transactions occurring within the District. The residential/commercial facilities and the surf park facilities will generate performance grant revenues, while the CDA facilities and the

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MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2025, AND 2024

entertainment venue will not generate such revenues. See Note 8 of the Notes to the Financial Statements for additional information.

The performance grant term begins on the first day of the first month following the expiration of the interest-only period under the Bonds (August 1, 2025) and concludes on the twentieth anniversary of the term or the date the Bonds are retired, whichever is sooner (the “Grant Term”).

For the first three years of the Grant Term, if performance grant revenues are insufficient to pay debt service, the City may appropriate pre-stabilization advances from the Virginia Beach Tourism Investment Program Fund (the “TIP Fund”). If these amounts are still insufficient to pay debt service, the City can levy and collect special assessments for the benefit of the Authority. In the unlikely event that special assessments are determined to be legally unenforceable in a final decree by a court of competent jurisdiction, the City can levy additional net supplemental special property taxes on the taxable properties in the District.

As of June 30, 2025, \$665,564 in revenues from sales and use taxes on transactions within the District had been received during the fiscal year. The calendar year’s second quarter revenues of \$116,543 will be received in the calendar year’s third quarter. No pre-stabilization advances have been drawn, and no special assessments have been levied.

As of June 30, 2024, \$207,447 in revenues from sales and use tax transactions within the District have been received during the fiscal year. No pre-stabilization advances have been drawn, and no special assessments have been levied.

Capital Assets

The Authority has no capital assets. The public improvements, consisting of two parking units, the Northwest Parking Unit and the North Parking Unit in the Atlantic Park multi-phase, mixed-use development, were deeded from the Developer to the VBDA prior to closing. The Authority continues to fund the costs of the public improvements and records them as “donated capital assets” in the financial statements. Per the Developer’s Continuing Disclosure Statement as of June 30, 2025, 95% of the parking garage budget has been spent.

In addition, an allowance for expenditures of \$17,700,000 for off-site infrastructure was approved by the Authority on April 5, 2022, in the Ordinance Amending an Ordinance Creating the Atlantic Park Community Development Authority. The public improvements consist of signal work, stormwater and undergrounding of utilities. As of June 30, 2025, the costs had been submitted to and paid by the City, which will be reimbursed by the Authority. See Long-Term Debt below for additional information.

A total of \$59,650,412 and \$51,060,989 were incurred for the project as of June 30, 2025, and 2024 respectively.

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Long-Term Debt

The Authority issued Revenue Bonds, Series 2023, totaling \$53,365,000 dated March 30, 2023, bearing interest at 6.25% per annum with a final maturity of August 1, 2045. This bond issuance represents 75% 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 March 1, 2023.

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.

Mandatory sinking fund payments will begin on August 1, 2026, from performance grant payments, and if needed, pre-stabilization advances and special assessment revenues after the payment of administrative expenses.

On April 30, 2024, the Authority executed a Note with the City for \$17,700,000 to be paid back no later than October 18, 2062, without interest. This Note represents 25% of the Authority's long-term debt balance

The Note was executed to reimburse the City for funding construction of off-site improvements. The debt will be paid from proceeds that exceed debt service and administrative fees as defined in the Development Agreement, or by extending the duration of the Authority beyond the bond term.

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

**ATLANTIC PARK COMMUNITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENTS OF NET POSITION**

As of June 30,

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Restricted cash and cash equivalents (note 3)	\$ 5,403,302	\$ 13,402,173
Short-term investments - restricted (note 4)	6,274,527	3,233,868
Accrued interest receivable	87,358	165,420
Due from City of Virginia Beach	116,542	217,373
Total Current Assets	<u>11,881,729</u>	<u>17,018,834</u>
Noncurrent Assets		
Long-term investments - restricted (note 4)	-	6,107,355
Total Noncurrent Assets	<u>-</u>	<u>6,107,355</u>
Total Assets	<u>11,881,729</u>	<u>23,126,189</u>
Liabilities		
Current Liabilities		
Accounts payable	14,374	-
Accrued liabilities	405,708	788,914
Accrued interest payable	1,389,714	1,389,714
Due to City of Virginia Beach	99,357	298,688
Total Current Liabilities	<u>1,909,153</u>	<u>2,477,316</u>
Noncurrent Liabilities		
Bonds payable (note 7)	53,365,000	53,365,000
Discount on bonds payable, net (note 7)	(2,753,248)	(2,890,339)
Promissory note payable (note 7)	17,700,000	17,700,000
Total Noncurrent Liabilities	<u>68,311,752</u>	<u>68,174,661</u>
Total Liabilities	<u>70,220,905</u>	<u>70,651,977</u>
Net Position		
Restricted	11,677,829	22,743,396
Unrestricted	(70,017,005)	(70,269,184)
Net Position (Deficit)	<u>\$ (58,339,176)</u>	<u>\$ (47,525,788)</u>

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

ATLANTIC PARK COMMUNITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF VIRGINIA BEACH, VIRGINIA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ending June 30,

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Non-city grant revenues	\$ 564,735	\$ 424,820
Total Operating Revenues	564,735	424,820
Operating Expenses		
Administrative fees	99,644	107,169
Legal fees	1,590	9,231
Accounting and audit fees	12,500	6,500
Total Operating Expenses	113,734	122,900
Operating Income	451,001	301,920
Non-operating (Expenses) Revenues		
Interest and dividend income	797,436	1,679,482
Bond interest expense	(3,472,402)	(3,481,668)
Total Non-Operating (Expenses) Revenues, net	(2,674,966)	(1,802,186)
Capital assets donated to Virginia Beach Development Authority (note 2D, 6 and 7)	(8,589,423)	(19,953,436)
Capital assets donated to City of Virginia Beach (note 2D, 6 and 7)	-	(17,700,000)
Total Donated Capital Assets	(8,589,423)	(37,653,436)
Change in Net Position (Deficit)	(10,813,388)	(39,153,702)
Net Position (Deficit), Beginning of Year	(47,525,788)	(8,372,086)
Net Position (Deficit), End of Year	\$ (58,339,176)	\$ (47,525,788)

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

ATLANTIC PARK COMMUNITY DEVELOPMENT AUTHORITY
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STATEMENTS OF CASH FLOWS
For the Years Ending June 30,

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Cash receipts from City of Virginia Beach	\$ 665,564	\$ 207,447
Cash payments for administrative fees	(298,689)	-
Net Cash Flows from Operating Activities	366,875	207,447
Cash Flows from Investing Activities		
Interest and dividends received on investments	692,196	1,511,354
Proceeds from maturities of marketable securities	3,250,000	2,669,000
Net Cash Flows from Investing Activities	3,942,196	4,180,354
Cash Flows from Capital and Related Financing Activities		
Payments for VBDA capital assets	(8,972,629)	(20,034,097)
Interest paid on bonds	(3,335,313)	(2,788,692)
Net Cash Flows from Capital and Related Financing Activities	(12,307,942)	(22,822,789)
Net change in cash and cash equivalents	(7,998,871)	(18,434,988)
Restricted Cash and Cash Equivalents, Beginning of Year	13,402,173	31,837,161
Restricted Cash and Cash Equivalents, End of Year	\$ 5,403,302	\$ 13,402,173
Adjustments to Reconcile Operating Profit to Net Cash		
Flows from Operating Activities:		
Operating Income	\$ 451,001	\$ 301,920
Adjustments		
Decrease (increase) in due from City of Virginia Beach	100,831	(217,373)
(Decrease) increase in payments to City of Virginia Beach and VBDA	(199,331)	120,567
Decrease in prepaid expenses	-	2,333
Increase in accounts payable	14,374	-
Net Cash Flows from Operating Activities	\$ 366,875	\$ 207,447
Supplemental Information		
Donated Capital Assets to VBDA	\$ 8,589,423	\$ (19,953,436)
Donated Capital Assets to City of Virginia Beach	\$ -	\$ (17,700,000)
Promissory Note Payable Due to City of Virginia Beach	\$ -	\$ (17,700,000)

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

ATLANTIC PARK COMMUNITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF VIRGINIA BEACH, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025, AND 2024

V. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1—FINANCIAL REPORTING ENTITY

The Atlantic Park Community Development Authority, (the “Authority”), a component unit of the City of Virginia Beach, Virginia, (the “City”) was established pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the *Code of Virginia*, 1950 (the “Act”), as amended, and Chapter 59.2 of Title 15.2 of the *Code of Virginia* (the “Knight-Wagner Act”). 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 adopted by the City Council of Virginia Beach, Virginia (the “City Council”) on September 7, 2021, as amended by an ordinance adopted on April 5, 2022.

The Atlantic Park Community Development Authority, Revenue Bonds, Series 2023 (the “Bonds”), were authorized by a resolution adopted by the Authority on October 18, 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 March 1, 2023.

The Authority issued Revenue Bonds, Series 2023, totaling \$53,365,000 dated March 30, 2023, bearing interest at 6.25% per annum with a final maturity of August 1, 2045. The Bonds were issued at an original issue discount of \$3,062,084, which is being amortized using the straight-line method, over the life of the Bonds. 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.

The Bonds are intended to be paid by a pledge of performance grant payments which will equal amounts generated by taxes and charges imposed on certain property and transactions occurring within the District, pre-stabilization advances from the Virginia Beach Tourism Investment Program Fund (the “TIP Fund), and/or special assessments. Special assessments, if imposed, will be made a lien on parcels subject to taxation in the District, and, pursuant to the Indenture, the City will collect special assessments and pursue the collection of delinquent payments with the same diligence it employs in the collection of the City’s ad valorem taxes.

In addition, on April 30, 2024, the Authority executed a promissory note (the “Note”) with the City to be paid back no later than October 18, 2062, without interest. The proceeds will be used to complete offsite infrastructure improvements approved by the Authority on April 5, 2022, in the Ordinance Amending an Ordinance Creating the Atlantic Park Community Development Authority. The debt will be paid from proceeds that exceed debt service and administrative fees or by extending the duration of the Authority beyond the bond term in order to pay back the Note.

ATLANTIC PARK COMMUNITY DEVELOPMENT AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025, AND 2024

The Atlantic Park project is a multi-phase, mixed-use development on 10.2 acres in the oceanfront resort district of the City. Phase I of the development consists of four components: (1) the “CDA Facilities”, which include 1,469 parking spaces contained in two parking decks, the first being an 8-story precast parking deck (the “Northwest Deck”) containing 1,065 parking spaces and the second being a 4-story cast-in-place concrete parking deck (the “North Deck”) containing 404 parking spaces, (2) the “Residential/Commercial Facilities”, which include approximately 309 apartment homes, 73,345 square feet of retail and food and beverage space, and 10,000 square feet of office space, (3) the “Entertainment Venue”, which will be a 3-story indoor concert and entertainment facility, and (4) the “Surf Park Facilities”, which include a surf lagoon of approximately 2.68 acres with a wave pool, beach area and related cabanas.

The development is being undertaken by Venture Waves, LLC (the “Developer”), a Virginia limited liability company.

The Authority is governed by a Board of eleven directors that consists of the members of the City Council. Each member serves a term that is concurrent with such person’s term as a member of the City Council with terms running until December 31, 2026.

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 (the “GAAP”) for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board (the “GASB”) and other recognized authoritative sources.

A. Basis of Presentation

The Authority’s basic financial statements consist of the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements 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 Statements of Net Position. The Statements of Revenues, Expenses, and Changes in Net Position present increases (e.g., revenues) and decreases

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(e.g., expenses) in net position. The Statements of Cash Flows reflect how the Authority finances and meets its cash flow needs.

Net Position is segregated into 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. Investments are reported at fair value and are segregated into short-term and long-term components. Investments maturing within one year are considered short-term. All investments are expected to be held until maturity.

D. Capital Assets

The Authority has no capital assets. The parking garage public improvements were deeded from the Developer to the Virginia Beach Development Authority (the “VBDA”) prior to Bond issuance. The off-site public improvements are owned by the City. The Authority continues to fund the costs of the public improvements and records them as “donated capital assets” in the financial statements.

E. Net Position

Net position represents the difference between assets and liabilities. 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 performance grant revenues, and if needed, pre-stabilization advances 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.

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G. Use of Estimates

The preparation of financial statements in conformity with GAAP 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. New Accounting Standards

GASB Statements No. 101 and 102 became effective in fiscal year 2025 and had no impact on the financial statements.

J. Future Accounting Standards

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

NOTE 3—CASH AND CASH EQUIVALENTS

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

	<u>2025</u>	<u>2024</u>
Money market funds	<u>\$ 5,403,302</u>	<u>\$ 13,402,173</u>
Total cash and cash equivalents	<u><u>\$ 5,403,302</u></u>	<u><u>\$ 13,402,173</u></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.

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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 and the Revenue Stabilization Fund to mature or be payable at the option of the Trustee not more than five 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 directed investments. Investments at June 30, 2025, and 2024, were in money market funds, at the time 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 totaled \$5,403,302 and \$13,402,137 in fiscal years 2025 and 2024, respectively, and are valued using quoted market prices (Level 1 inputs).

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NOTE 4—INVESTMENTS

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

2025 Investments	Par Value	Interest Rate	Maturity	Fair Market Value
US Treasury Note	\$ 1,454,000	0.250%	7/31/2025	1,449,086
US Treasury Note	\$ 4,828,000	3.000%	7/15/2025	4,825,441
Total Short-Term				<u>\$ 6,274,527</u>
Total Investments				<u>\$ 6,274,527</u>
2024 Investments	Par Value	Interest Rate	Maturity	Fair Market Value
US Treasury Note	\$ 1,618,000	1.750%	7/31/2024	1,613,194
US Treasury Note	\$ 1,632,000	4.125%	1/31/2025	1,620,674
Total Short-Term				<u>3,233,868</u>
US Treasury Note	\$ 1,454,000	0.250%	7/31/2025	1,380,791
US Treasury Note	\$ 4,828,000	3.000%	7/15/2025	4,726,564
Total Long-Term				<u>\$ 6,107,355</u>
Total Investments				<u>\$ 9,341,223</u>

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 US Treasury Notes totaled \$6,274,527 and \$9,341,223 in fiscal years 2025 and 2024, respectively, and are valued using quoted market prices (Level 1 inputs).

NOTE 5—RECEIVABLES

Receivables at June 30, 2025 consisted of Knight-Wagner non-city grant revenues due from the City and interest and dividends on investments. All receivables are considered collectable in full within one year.

NOTE 6—CAPITAL ASSETS

The Authority has no capital assets. The public improvements, consisting of two parking units: the Northwest Deck and the North Deck, in the Atlantic Park multi-phase, mixed-use development, were deeded from the Developer to the VBDA prior to bond issuance. The VBDA has the right to manage the garages or outsource such responsibility to a third-party manager, which could include the Developer. The Authority continues to fund the costs of the public improvements and records them as “donated capital assets” in the financial statements. Per review of the Developer’s

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Continuing Disclosure Statement as of June 30, 2025, 95% of the parking garage budget has been spent. As of April 2025, the northwest parking garage was considered substantially complete.

In addition, an allowance for expenditures of \$17,700,000 for off-site infrastructure was approved by the Authority on April 5, 2022, in the Ordinance Amending an Ordinance Creating the Atlantic Park Community Development Authority. The public improvements consist of signal work, stormwater and undergrounding of utilities. As of June 30, 2025, the costs had been submitted to and paid by the City, which will be reimbursed by the Authority up to the \$17,700,000 amount of the Note. See Note 7B for additional information.

A total of \$59,650,412 and \$51,060,989 was incurred for the project as of June 30, 2025, and 2024, respectively, which includes \$1,352,462 paid by the City to the VBDA prior to bond closing.

NOTE 7—LONG-TERM OBLIGATIONS

Long-term obligations consisted of the following at June 30, 2025 and 2024:

	Balance			Balance	Due in
<u>2025</u>	July 1, 2024	Increase	Decrease	June 30, 2025	one year
Series 2023, Term 2045	\$ 53,365,000	\$ -	\$ -	\$ 53,365,000	\$ -
Less: Unamortized discount	(2,890,339)	-	137,091	(2,753,248)	-
Total Bonds Payable	50,474,661	-	137,091	50,611,752	-
Promissory Note Payable	17,700,000	-	-	17,700,000	-
Total Long-Term Debt	<u>\$ 68,174,661</u>	<u>\$ -</u>	<u>\$ 137,091</u>	<u>\$ 68,311,752</u>	<u>\$ -</u>
<u>2024</u>	July 1, 2023	Increase	Decrease	June 30, 2024	one year
Series 2023, Term 2045	\$ 53,365,000	\$ -	\$ -	\$ 53,365,000	\$ -
Less: Unamortized discount	(3,027,430)	-	137,091	(2,890,339)	-
Total Bonds Payable	50,337,570	-	137,091	50,474,661	-
Promissory Note Payable	-	17,700,000	-	17,700,000	-
Total Long-Term Debt	<u>\$ 50,337,570</u>	<u>\$ 17,700,000</u>	<u>\$ 137,091</u>	<u>\$ 68,174,661</u>	<u>\$ -</u>

A. Revenue Bonds, Series 2023

The Authority issued Revenue Bonds, Series 2023, totaling \$53,365,000 dated March 30, 2023, bearing interest at 6.25% per annum with a final maturity of August 1, 2045. The Bonds were issued at an original issue discount of \$3,062,084, which is being amortized, using the straight-line method, over the life of the Bonds.

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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.

The Bonds are intended to be paid primarily from performance grant revenues equal to amounts generated by taxes and charges imposed on certain property and transactions occurring within the District. The performance grant term begins on the first day of the first month following the expiration of the interest-only period under the Bonds (August 1, 2025) and concludes on the twentieth anniversary of the term or the date the Bonds are retired, whichever is sooner (the “Grant Term”).

The Bonds are limited obligations of the Authority payable solely from and secured by a pledge of performance grant payments, pre-stabilization advances, 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 February 1 and August 1 of each year commencing on August 1, 2023. Interest on the Bonds is calculated based on a 360-day year comprised of twelve 30-day months. Interest payments totaling \$3,335,313 and \$2,788,692 were paid in fiscal year 2025 and 2024, respectively.

The Bonds are subject to optional redemption, special mandatory redemption, and mandatory sinking fund redemption. Principal payments on the Bonds are due each August 1 beginning August 1, 2026, according to the mandatory sinking fund redemption schedule.

1. Optional Redemption

The Bonds may be called for redemption at the option of the Authority, in whole or in part, in increments of \$100,000 or any integral multiple of \$5,000 in excess thereof, any time, on or after August 1, 2032, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption.

2. Special Mandatory Redemption

The Bonds are subject to special mandatory redemption, in whole or in part, in increments of \$100,000 or any integral multiple of \$5,000 in excess thereof, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest to the date of redemption on any interest payment date 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 Account or any amounts transferred from the Net Proceeds Account to the Redemption Account.

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3. Mandatory Sinking Fund Redemption

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

Year Ending June 30:	Principal	Interest
2026	\$ -	\$ 3,335,313
2027	1,410,000	3,291,250
2028	1,500,000	3,200,313
2029	1,595,000	3,103,594
2030	1,695,000	3,000,781
2031-2035	10,195,000	13,223,594
2036-2040	13,805,000	9,500,781
2041-2045	18,695,000	4,459,531
2046	4,470,000	139,688
Total	<u>\$ 53,365,000</u>	<u>\$ 43,254,845</u>

B. Promissory Note

On April 30, 2024, the Authority executed a Note with the City for \$17,700,000 to be repaid no later than October 18, 2062, without interest.

The proceeds from the Note are being used to finance construction of off-site improvements. The debt will be paid from proceeds that exceed debt service and administrative fees as defined in the Development Agreement, or by extending the duration of the Authority beyond the bond term.

C. Administrative Expense Advances

Subject to annual appropriation by the City Council, the City and the VBDA shall pay, on behalf of the Authority, the administrative expenses and legal fees respectively, due during the construction phase and the pre-stabilization phase if performance grant revenues are insufficient. These payments shall constitute administrative expenses advances and shall be reimbursed promptly by the Authority from amounts on deposit in the Revenue Stabilization Fund.

As of June 30, 2025, \$665,564 in revenues from sales and use tax transactions within the District have been received. However, no reimbursement has been made to the City or the VBDA. Therefore, as of June 30, 2025, \$85,267 in administrative expenses, \$1,590 in legal fees and \$12,500 in audit fees have been recorded as accrued liabilities due to the City for expenses for the fiscal year 2025.

As of June 30, 2024, \$207,447 in revenues from sales and use tax transactions within the District have been received. However, no reimbursement had been made to the City or the VBDA. Therefore, as of June 30, 2024, \$181,336 in administrative expenses and \$117,352 in legal fees

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were recorded as accrued liabilities due to the City for expenses from the time of bond issuance to fiscal year end 2024. These expenses were reimbursed to the City during fiscal year 2025.

NOTE 8—REVENUES

The primary security for the Bonds are performance grant revenues, comprising six separate revenue streams split into “City Grant Revenues” and “Non-City Grant Revenues”.

“City Grant Revenues” are as follows:

- Meals tax revenues generated from a 1.06% tax on prepared food, in addition to the state and local sales taxes,
- Admissions tax revenues generated from a 10% admissions tax on ticket sales within the District, excluding those ticket sales at the entertainment venue, and only levied at 5% on the surf park ticket sales, and
- Sales tax revenues generated from a 1.5% sales and use tax on transactions within the District, excluding those transactions subject to the admissions tax.

“Non-City Grant Revenues” are as follows:

- Knight-Wagner revenues generated from an additional 2.025% sales and use tax on transactions within the District, excluding those transactions subject to the admissions tax,
- Special admissions fee revenues generated from a 5% admissions fee on tickets that pay a 5% regular admissions tax, and
- Special property tax revenues generated from a \$0.25 per \$100 of assessed value special tax levied upon taxable property in the District, except for the entertainment venue.

For the first three years of the Grant Term, if performance grant revenues are insufficient to pay debt service, the City may appropriate pre-stabilization advances from the TIP Fund. If the performance grant revenues plus the pre-stabilization advances are insufficient to pay debt service, the City, at the request of the Authority, can levy and collect special assessments to compensate for the shortfall. In the unlikely event that special assessments are determined to be legally unenforceable in a final decree by a court of competent jurisdiction, the City can levy additional special property taxes on the taxable properties in the District.

The amount of pre-stabilization advances in any bond year cannot exceed the amount of real property taxes collected within the District, excluding any special property tax revenues, during such bond year. Pre-stabilization advances will be repaid to the VBDA from any future excess revenues collected and available for such purposes.

For the fiscal year 2025, \$665,564 in revenues from sales and use taxes on transactions within the District had been received. No pre-stabilization advances have been drawn and no special assessments have been levied.

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For the fiscal year 2024, \$207,447 in revenues from sales and use tax transactions within the District have been received. No pre-stabilization advances have been drawn and no special assessments have been levied.

Subject to the withholding of any amounts to repay pre-stabilization advances and administrative expenses advances, the admissions tax revenues, the Knight-Wagner revenues, the meals tax revenues, and the sales tax revenues will be paid by the City to the Trustee on a quarterly basis and not later than March 1, June 1, September 1, and December 1 beginning on the first due date occurring after the commencement of the Grant Term.

Subject to the withholding of any amounts to repay pre-stabilization advances and administrative expenses advances, the special admissions fee revenues will be paid to the Trustee by the Developer on a monthly basis and not later than the fifteenth day of the month following the month in which amounts were collected, with such payments beginning during the second month of the Grant Term (September 2025) and concluding on the date as of which all Bonds have been paid in full.

Subject to the withholding of any amounts to repay pre-stabilization advances and administrative expenses advances, the special property tax revenues will be paid by the City to the Trustee on each July 15 and January 15, with the first payment due on January 15, 2026, and concluding on the July 15 or January 15 that immediately precedes the date as of which all Bonds have been paid in full.

Per the Indenture, any interest accruing on and any profit realized from the investment of money in the Project Fund shall be transferred to the Revenue Stabilization Fund on each interest payment date. In addition, per the Development Agreement, Knight-Wagner revenues attributable to sales during the construction phase shall be transferred to the Revenue Stabilization Fund held by the Trustee. The construction phase is defined as the period of time commencing with the closing date of the Bonds through the completion of the public facilities. The Knight-Wagner revenues used to fund the Revenue Stabilization Fund shall not constitute part of the performance grant and shall be in addition to any performance grant payments made during the grant term. Any amounts remaining in the Revenue Stabilization Fund upon retirement of the Bonds will be returned to the City.

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, or 2024.

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NOTE 10—CONTINGENT LIABILITIES

Per review of the Developer’s Continuing Disclosure Statement as of June 30, 2025, the Developer intends to appeal various real estate assessments. This may lead to an increase in the pre-stabilization advances. However, the increase will not have any impact on the Authority.

NOTE 11—SUBSEQUENT EVENTS

Second quarter Knight-Wagner revenues totaling \$116,542 were received on August 15, 2025. The first special admission fee revenues totaling \$25,053 were received on September 15, 2025.

The accumulated administrative expenses advances of \$99,359 will be paid to the City by the Authority in fiscal year 2026 from accumulated earned interest, excess debt service reserve fund income and Knight-Wagner Non-City Grant Revenues.

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.

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Atlantic Park Community Development Authority
Virginia Beach, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* (the “Specifications”) issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Atlantic Park Community Development Authority (the “Authority”), a component unit of the City of Virginia Beach, 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 14, 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 opinion 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 have not been 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* or the Specifications.

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.

Cherry Bekaert LLP

Virginia Beach, Virginia
October 14, 2025