

**WEST FALLS
COMMUNITY DEVELOPMENT AUTHORITY**

**AUDITED FINANCIAL STATEMENTS
AS OF JUNE 30, 2026 and 2025**

**CUSIP NUMBER:
952715AA8**



THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**WEST FALLS
COMMUNITY DEVELOPMENT AUTHORITY
ANNUAL FINANCIAL STATEMENTS
JUNE 30, 2026, AND 2025**

TABLE OF CONTENTS

I.	BOARD OF DIRECTORS.....	1
II.	INDEPENDENT AUDITOR’S REPORT	2
III.	MANAGEMENT’S DISCUSSION AND ANALYSIS	5
IV.	FINANCIAL STATEMENTS	
	Statements of Net Position	9
	Statements of Revenues, Expenses, and Changes in Fund Net Position.....	10
	Statements of Cash Flows	11
V.	NOTES TO THE FINANCIAL STATEMENTS	
	Note 1—Financial Reporting Entity	12
	Note 2—Summary of Significant Accounting Policies	13
	Note 3—Cash and Cash Equivalents	16
	Note 4—Investments.....	17
	Note 5—Receivables.....	18
	Note 6—Capital Assets	18
	Note 7—Long-Term Obligations	19
	Note 8—Special Assessments.....	21
	Note 9—Arbitrage.....	22
	Note 10—Contingent Liabilities	22
	Note 11—Subsequent Events.....	22
	Note 12—Evaluation of Subsequent Events	22
	Note 13—Restatement of Net Position.....	22
VI.	COMPLIANCE	
	Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23

I. BOARD OF DIRECTORS

Art Agin, Chairman

Michael Trauberman, Vice Chairman

Alan Brangman, Treasurer

Andy Young, Secretary

David E. Snyder

II. INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the West Falls Community Development Authority (Authority), a component unit of the City of Falls Church, Virginia as of and for the years ended June 30, 2026 and 2025, 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, 2026 and 2025, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and

fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 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.

The Nichols Group, PA
Fleming Island, Florida
October 15, 2026

III. MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

This Management's Discussion and Analysis (MD&A) is intended to provide an objective and easily readable discussion of the West Falls Community Development Authority's (the "Authority") financial activities for the fiscal year ended June 30, 2026, with comparison to the prior fiscal years ended June 30, 2025, and June 30, 2024, where applicable. This MD&A should be read in conjunction with the Authority's basic financial statements and related notes.

The Authority's basic financial statements include:

- **Statement of Net Position** — presents the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year end.
- **Statement of Revenues, Expenses, and Changes in Fund Net Position** — presents the results of operations for the fiscal year.
- **Statement of Cash Flows** — presents cash inflows and outflows from operating, noncapital financing, and investing activities.
- **Notes to the Financial Statements** — provide additional detail and context for items reported in the basic financial statements.

The Authority reports its activities as a business-type activity (enterprise fund) using the economic resources measurement focus and the accrual basis of accounting.

Financial Summary

The following condensed financial information is derived from the Authority's financial statements. Because the Authority presents comparative financial statements for fiscal years ended June 30, 2026, and 2025, this MD&A includes three-year condensed comparative information for fiscal years ended June 30, 2026, 2025, and 2024, where applicable.

Condensed Statements of Net Position:

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Assets:			
Current and other assets	\$ 1,788,666	\$ 2,189,613	\$ 4,085,227
Capital assets	10,050,246	9,435,414	7,259,373
Total Assets	<u>11,838,912</u>	<u>11,625,027</u>	<u>11,344,600</u>
Liabilities:			
Current liabilities	1,014,772	635,141	521,164
Long-term debt (noncurrent portion)	12,850,000	12,965,000	13,000,000
Total Liabilities	<u>13,864,772</u>	<u>13,600,141</u>	<u>13,521,164</u>
Unrestricted	84,291	219,355	(218,248)
Net investment in capital assets	<u>(2,110,151)</u>	<u>(2,194,469)</u>	<u>(1,958,316)</u>
Total Net Position	<u>\$ (2,025,860)</u>	<u>\$ (1,975,114)</u>	<u>\$ (2,176,564)</u>

Condensed Summary of Changes in Fund Net Position:

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Operating Revenues	\$ 703,318	\$ 919,150	\$ -
Operating Expenses	<u>115,987</u>	<u>147,654</u>	<u>89,380</u>
Operating Income	587,331	771,496	(89,380)
Other Nonoperating Expenses	<u>(638,077)</u>	<u>(570,046)</u>	<u>(408,446)</u>
Change in Fund Net Position	(50,746)	201,450	(497,826)
Fund Net Position, Beginning of Year	<u>(1,975,114)</u>	<u>(2,176,564)</u>	<u>(1,678,738)</u>
Fund Net Position, End of Year	<u>\$ (2,025,860)</u>	<u>\$ (1,975,114)</u>	<u>\$ (2,176,564)</u>

Management's discussion of significant changes in net position and operating results is provided in the Detailed Analyses and in the Significant Capital Asset and Long-Term Financing Activity sections below.

Detailed Analyses**A. Financial Position (Statement of Net Position)**

Overall, the Authority's net position remained negative at June 30, 2026; however, net position slightly decreased during fiscal year 2026. The decrease in fiscal year 2026 compared to fiscal year 2025 was primarily attributable to an increase in accrued liabilities. The accrued liabilities increased by \$368,830 compared to fiscal year 2025 due to unsubmitted construction costs.

The favorable change in net position from fiscal year 2024 to fiscal year 2025 was due primarily to the commencement of annual assessments collection.

The Authority's financial position is closely linked to the repayment structure of its outstanding Revenue Bonds, which are supported by special assessments levied on benefiting properties. Readers should refer to the notes to the financial statements for detailed information regarding the Authority's long-term obligations and related provisions.

B. Results of Operations (Statement of Revenues, Expenses, and Changes in Fund Net Position)

For fiscal year 2026, the Authority reported a decrease in fund net position of \$50,746 compared to an increase of \$201,450 in fiscal year 2025.

The fiscal year 2026 change in fund net position was driven primarily by:

- Lower interest income, and
- Lower special assessment revenues compared to the prior year.

For fiscal year 2025, the Authority reported an increase in fund net position of \$201,450 compared to a decrease of \$497,826 in fiscal year 2024.

As discussed above, the fiscal year 2025 change in fund net position was driven primarily by the commencement of annual assessments collection in fiscal year 2025.

Special assessments are levied and collected by the City of Falls Church, Virginia (the “City”) and remitted to the Authority based on collection timing. For example, amounts collected by the City prior to fiscal year-end may be remitted to the Authority after year end, consistent with the City’s remittance process. Readers should refer to the revenue and assessment-related notes for the assessment levy, collection/remittance timing, delinquencies, and other detailed disclosures.

C. Assessment Collections, Delinquencies, and Prepayments (Key Drivers / Risks)

Special assessment collections support the Authority’s ability to fund administrative costs and debt service. At June 30, 2026, the Authority reported delinquent assessments of \$593 for tax year 2026. There were no delinquent assessments for tax year 2025. Assessment prepayments received during fiscal year 2026 totaled \$70,768. There were no assessment prepayments made during fiscal years 2025 and 2024. Management monitors delinquency levels and prepayment activity as part of assessing liquidity and debt service coverage.

Readers should refer to *Note 8* to the financial statements for detailed assessment and prepayment disclosures.

Significant Capital Asset and Long-Term Financing Activity

A. Capital Assets

The Authority reported \$10,050,246 of capital assets at June 30, 2026, compared to \$9,435,414 at June 30, 2025, and \$7,259,373 at June 30, 2024. The public improvements financed through the bond issuance were completed, and they are in the process of acceptance by the City. Readers should refer to *Note 6* for additional information.

B. Long-Term Financing Activity

The Authority’s long-term debt consists of the Series 2022A Revenue Bonds. During fiscal years 2026, 2025, and 2024, outstanding debt decreased, primarily as a result of scheduled principal

payments, contributing to the improvement in net position and lower interest expense during the three-year period.

During fiscal year 2026, assessment prepayments were used to redeem \$65,000 of bonds (special mandatory redemptions). There were no special mandatory redemptions made during fiscal years 2025 and 2024. Detailed information about the Authority's bonds (including debt activity, redemption provisions, and debt service requirements) is presented in *Note 7*.

Currently Known Facts, Decisions, or Conditions

Management is not aware of currently known facts, decisions, or conditions that are expected to have a significant effect on the Authority's financial position or that are expected to produce significant differences from current-period results of operations, other than those related to the ongoing collection of special assessments and the scheduled debt service on the Series 2022A Revenue Bonds.

Potential factors that could affect future financial position or results include trends in assessment collections (including delinquency levels), assessment prepayment activity, and any changes in the underlying property base supporting the special assessments.

IV. FINANCIAL STATEMENTS

**WEST FALLS COMMUNITY DEVELOPMENT AUTHORITY
STATEMENTS OF NET POSITION
As of June 30,**

	<u>2026</u>	<u>2025</u>
Assets		
Current Assets		
Restricted cash and cash equivalents	\$ 267,353	\$ 526,596
Restricted short-term investments	1,199,160	1,201,601
Due from primary government	315,979	459,575
Accrued interest receivable	6,174	1,841
Total Current Assets	<u>1,788,666</u>	<u>2,189,613</u>
Noncurrent Assets		
Capital assets	<u>10,050,246</u>	<u>9,435,414</u>
Total Noncurrent Assets	<u>10,050,246</u>	<u>9,435,414</u>
Total Assets	<u>11,838,912</u>	<u>11,625,027</u>
Liabilities		
Current Liabilities		
Accounts payable	6,737	9,144
Accrued liabilities	726,910	358,080
Accrued interest payable	231,125	232,917
Current portion of long-term debt	50,000	35,000
Total Current Liabilities	<u>1,014,772</u>	<u>635,141</u>
Noncurrent Liabilities		
Long-term debt	<u>12,850,000</u>	<u>12,965,000</u>
Total Noncurrent Liabilities	<u>12,850,000</u>	<u>12,965,000</u>
Total Liabilities	<u>13,864,772</u>	<u>13,600,141</u>
Net Position		
Unrestricted	84,291	219,355
Net investment in capital assets	<u>(2,110,151)</u>	<u>(2,194,469)</u>
Net Position	<u><u>\$ (2,025,860)</u></u>	<u><u>\$ (1,975,114)</u></u>

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

WEST FALLS COMMUNITY DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
For the Years Ended June 30,

	<u>2026</u>	<u>2025</u>
Operating Revenues		
Special assessment revenues	\$ 632,550	\$ 919,150
Prepayment revenues	70,768	-
Total operating revenues	<u>703,318</u>	<u>919,150</u>
Operating Expenses		
Administrative fees	\$ 73,377	\$ 90,073
Legal fees	38,110	53,081
Accounting and audit fees	4,500	4,500
Total operating expenses	<u>115,987</u>	<u>147,654</u>
Operating Income	<u>587,331</u>	<u>771,496</u>
Other Nonoperating Revenues (Expenses)		
Interest and dividend income	58,277	128,704
Bond interest expense	(696,354)	(698,750)
Total Other Nonoperating Revenues (Expenses)	<u>(638,077)</u>	<u>(570,046)</u>
Change in Fund Net Position	<u>(50,746)</u>	201,450
Fund Net Position, Beginning of Year	<u>(1,975,114)</u>	<u>(2,176,564)</u>
Fund Net Position, End of Year	<u><u>(2,025,860)</u></u>	<u><u>(1,975,114)</u></u>

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

WEST FALLS COMMUNITY DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30,

	<u>2026</u>	<u>2025</u>
Cash Flows from Operating Activities		
Cash receipts from property owners	\$ 846,915	\$ 459,575
Cash payments for administrative fees	(75,785)	(84,929)
Cash payments for legal fees	(38,110)	(53,081)
Cash payments for accounting and audit fees	(4,500)	(4,500)
Net Cash Provided by Operating Activities	<u>728,520</u>	<u>317,065</u>
Cash Flows from Investing Activities		
Interest and dividends received on investments	67,631	163,095
Investments matured/(purchased)	(11,246)	411,374
Net Cash Provided by Investing Activities	<u>56,385</u>	<u>574,469</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(246,003)	(2,102,207)
Principal paid on bonds	(100,000)	-
Interest paid on bonds	(698,145)	(698,750)
Net Cash Used in Capital and Related Financing Activities	<u>(1,044,148)</u>	<u>(2,800,957)</u>
Change in Cash Balance	(259,243)	(1,909,423)
Cash, Beginning of Year	<u>526,596</u>	<u>2,436,019</u>
Cash, End of Year	<u><u>\$ 267,353</u></u>	<u><u>\$ 526,596</u></u>
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	\$ 587,331	\$ 771,496
Increase (decrease) in due from primary government	143,596	(459,575)
(Decrease) increase in accounts payable	(2,407)	5,144
Net Cash Provided by Operating Activities	<u><u>\$ 728,520</u></u>	<u><u>\$ 317,065</u></u>
Noncash Capital and Related Financing Activities		
Capital assets acquired through an increase in accrued construction liabilities	\$ 368,830	\$ 73,833

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

V. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1—FINANCIAL REPORTING ENTITY

The West Falls Community Development Authority (the “Authority”) was established pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Section 15.2-5152 *et seq.*, of the *Code of Virginia*, 1950 (the “Act”), as amended. The Act provides for the creation of an authority and a related Special Assessment District (the “District”) for the sole purpose of financing, constructing, and maintaining, if necessary, certain public improvements within, contiguous to, or serving the District. The Authority was created pursuant to the Act by an ordinance (the “CDA Ordinance”) adopted by the City Council of the City of Falls Church, Virginia (the “City Council”) on August 9, 2021.

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

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

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

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

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

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

The Authority is governed by a board of five directors appointed by the City Council. Each member serves a four-year term and may be reappointed. Currently, one member seat is vacant.

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Authority’s basic financial statements consist of Statements of Net Position, Statements of Revenues, Expenses, and Changes in Fund Net Position, and 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 Fund Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Statements of Cash Flows reflects how the Authority finances and meets its cash flow needs.

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

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

C. Cash, Cash Equivalents and Investments

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

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

D. Restricted cash and restricted short-term investments

The Authority's cash and cash equivalents and certain short-term investments are held in accounts established under the Indenture of Trust related to the Series 2022A Special Assessment Bonds and are restricted for debt service, reserves, administrative costs, and other bond-authorized purposes.

E. Capital Assets

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets will be recorded at their fair market value on the date that they will be donated. The Authority does not maintain a capitalization threshold as all infrastructure assets are capitalized. The Authority does not depreciate incomplete or unaccepted capital assets as all assets are expected to be donated to a public entity upon completion/acquisition. If the Authority accepts ownership of any completed capital assets, they will be depreciated using the straight-line method over their estimated useful life.

F. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources, if applicable. Net Position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

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

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

During fiscal year 2026, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*, and GASB Statement No. 104, *Disclosure of Certain Capital Assets*.

GASB Statement No. 103 establishes improvements to the financial reporting model, including changes to Management's Discussion and Analysis, the presentation of unusual or infrequent items, and the presentation of proprietary fund statements of revenues, expenses, and changes in fund net position. For proprietary funds and business-type activities, GASB Statement No. 103 continues the requirement to distinguish operating revenues and expenses from nonoperating revenues and expenses and requires separate presentation of noncapital subsidies and a subtotal for operating income or loss and noncapital subsidies, as applicable. The Authority evaluated the requirements of GASB Statement No. 103 and updated the presentation and related discussion in Management's Discussion and Analysis and the proprietary fund statement of revenues, expenses, and changes in fund net position, as applicable. Implementation did not result in a restatement of beginning net position.

GASB Statement No. 104 requires certain capital assets to be separately disclosed in the capital asset note, including lease assets, intangible right-to-use assets, subscription assets, and other intangible assets by major class. It also requires disclosure of capital assets held for sale, including historical cost, accumulated depreciation or amortization, and the carrying amount of debt for which such assets are pledged as collateral, by major class of asset. The Authority evaluated the requirements of GASB Statement No. 104 and determined that implementation did not have a material effect on the financial statements for the fiscal year ended June 30, 2026, except for any additional disclosures required if such capital assets or capital assets held for sale exist. The implementation of GASB Statement No. 104 had no impact on the Authority's financial statements.

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, 2026, and 2025:

	<u>2026</u>	<u>2025</u>
Federated Hermes Money Market Obligations Trust	\$ 267,353	\$ 526,596
Total cash and cash equivalents	<u>\$ 267,353</u>	<u>\$ 526,596</u>

A. Custodial Credit Risk

The Authority's restricted cash and cash equivalents at June 30, 2026 and 2025 consisted of \$267,353 and \$526,596, respectively. These were invested in U.S. Money Markets Obligations Trust — Federated Hermes U.S. Treasury Institutional 125 (UTIXX), a money market fund held in accounts established under the Indenture. The balance is restricted for debt service, reserves, administrative costs, and other bond-authorized purposes. The money market fund is withdrawable on demand and was rated AAAM by Standard & Poor's at year-end. Because the balance is held in a money market fund rather than as a bank deposit, it is not exposed to custodial credit risk as defined by GASB Codification § 150.153.

B. Interest Rate Risk

Interest rate risk is the risk that an interest rate change could adversely affect an investment's fair value. As a means of limiting exposure to fair value losses arising from rising interest rates, the Indenture requires the investments of money in the Debt Service Reserve Fund to mature or be payable at the option of the Trustee not more than ten years after the date of their purchase. At June 30, 2026 and 2025, the Authority's money market fund balances were available for withdrawal on demand. The Authority's restricted short-term investment at June 30, 2026 consisted of a U.S. Treasury Note with a fair value of \$1,199,160 and a maturity date of August 31, 2026. The Authority's restricted short-term investment at June 30, 2025 consisted of a U.S. Treasury Bill with a fair value of \$1,201,601 and a maturity date of August 21, 2025. Because the Authority's investments are held in money market funds or mature within one year, management believes its exposure to interest rate risk is limited.

C. Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Indenture specifies that the Trustee may rely upon the Authority's written instructions as to both the suitability and legality of direct investments. The Authority's cash equivalents at June 30, 2026 and 2025 were invested in U.S. Money Markets Obligations Trust — Federated Hermes U.S. Treasury Institutional 125 (UTIXX), a money market fund rated AAAM by Standard & Poor's. The Authority's restricted short-term investments at June 30, 2026 and 2025 consisted of a U.S. Treasury Note and U.S. Treasury Bill, respectively, which are obligations of

the U.S. government and are not considered to have credit risk for purposes of the credit-quality disclosure requirements.

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 are valued using quoted market prices (Level 1 inputs). The Authority's U.S. Treasury Note and U.S. Treasury Bill were valued using observable market inputs and classified as Level 2. There were no Level 3 investments and no changes in valuation techniques during the year.

NOTE 4—INVESTMENTS

Investments are reported at fair market value and are segregated into short-term and long-term components based on the maturity date of the investment. Investments maturing within one year are considered short-term. All investments are expected to be held until maturity. Investments consisted of the following at June 30, 2026:

<u>2026</u>	<u>Par Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Fair Market Value</u>
US Treasury Note	\$1,204,000	1.375%	8/31/2026	\$ 1,199,160
<u>2025</u>	<u>Par Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Fair Market Value</u>
US Treasury Bill	\$1,209,000	4.320%	8/21/2025	\$ 1,201,601

NOTE 5—RECEIVABLES

Receivables at June 30, 2026 and 2025 consisted of interest and dividends on investments and are considered collectable in full within one year. Due from primary government represents special assessments collected by the City on behalf of the Authority prior to year-end and remitted to the Authority subsequent to year-end.

NOTE 6—CAPITAL ASSETS

The Authority's capital asset activity for the years ended June 30, 2026, and 2025, was as follows:

2026	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Construction in progress	\$ 5,057,249	\$ 2,707	\$ (48,172)	\$ (5,011,784)	\$ -
Developer improvements	76,413	649,708	-	(726,121)	-
Public Improvements	4,301,752	10,589	-	5,737,905	10,050,246
Total Capital Assets	<u>\$ 9,435,414</u>	<u>\$ 663,004</u>	<u>\$ (48,172)</u>	<u>\$ -</u>	<u>\$ 10,050,246</u>
2025	Beginning Balance	Additions	Reductions	Transfer	Ending Balance
Construction in progress	\$ 7,259,373	\$ 2,099,628	\$ -	\$ (4,301,752)	\$ 5,057,249
Developer improvements	-	76,413	-	-	76,413
Public Improvements	-	-	-	4,301,752	4,301,752
Total Capital Assets	<u>\$ 7,259,373</u>	<u>\$ 2,176,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,435,414</u>

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

As of June 30, 2026, according to the developer's continuing disclosure statement, the construction was substantially completed but had not been conveyed to the City. The public improvements are in the process of being conveyed to the City.

NOTE 7—LONG-TERM OBLIGATIONS

The Authority's long-term obligations consisted of the following at June 30, 2026, and 2025:

	Balance			Balance	Due in
2026	July 1, 2025	Increase	Decrease	June 30, 2026	one year
Series 2022A Bonds	\$ 13,000,000	\$ -	\$ (100,000)	\$ 12,900,000	\$ 50,000
Total Bonds Payable	<u>\$ 13,000,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 12,900,000</u>	<u>\$ 50,000</u>

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

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

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

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

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

Interest on the Bonds is payable according to the terms specified by the Indenture semiannually on March 1 and September 1 of each year commencing on September 1, 2022. Interest on the Bonds is calculated based on a 360-day year comprised of twelve 30-day months. Interest paid on the bonds totaled \$698,145 and \$698,750 for fiscal years 2026 and 2025, respectively. Bond interest expense recognized on the accrual basis in the Statement of Revenues, Expenses, and Changes in Fund Net Position was \$696,354 for fiscal year 2026 and \$698,750 for fiscal year 2025. Interest paid in cash during those years was \$698,145 and \$698,750, respectively. For fiscal year 2026, the \$1,791 difference between interest expense and interest paid reflects the net decrease in

accrued interest payable on the Bonds, which was \$231,125 at June 30, 2026 and \$232,917 at June 30, 2025. There was no difference between interest expense and interest paid for fiscal year 2025.

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

A. Optional Redemption

The Bonds may be called for redemption at the option of the Authority, in whole or in part, in increments of \$5,000, at any time on or after September 1, 2032, upon payment of the principal amount plus interest accrued to the redemption date. There have been no optional redemptions as of June 30, 2026, and 2025.

B. Special Mandatory Redemption

The Bonds are subject to special mandatory redemption, in whole or in part, in minimum amounts of \$5,000, at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date of redemption on any March 1, June 1, September 1, or December 1 from amounts deposited into the Prepayment Account, or at any time after the completion date of the public improvements from monies remaining in the Project Fund. Special mandatory redemptions totaling \$65,000 were made in the fiscal year ended June 30, 2026 from special assessment prepayments. There were no special mandatory redemptions made from special assessment prepayments in fiscal year ended June 30, 2025.

C. Mandatory Sinking Fund Redemption

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

<u>Series 2022A Bonds</u>		
Year Ending June 30:	Principal	Interest
2027	\$ 50,000	\$ 692,031
2028	70,000	688,806
2029	90,000	684,506
2030	110,000	679,131
2031	130,000	672,681
2032-2036	1,025,000	3,222,177
2037-2041	1,829,000	2,844,745
2042-2046	2,920,000	2,213,425
2047-2051	4,398,000	1,239,798
2052-2053	2,278,000	124,593
Total	<u>\$ 12,900,000</u>	<u>\$ 13,061,893</u>

NOTE 8—SPECIAL ASSESSMENTS

Annual special assessments are to be imposed and collected on all the real property within the District (excepting those for which the assessment lien has been prepaid or exempted). The annual revenue requirement, generally, is equal to: (i) annual debt service and administrative expenses, less (ii) other amounts available for the payment of such debt service and expense. Special assessments, unless prepaid, will be payable on June 5 and December 5 of each year or such other dates as the City may determine for collection.

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

Annual special assessments totaling \$633,143 were imposed on property owners for the 2026 tax year. As of June 30, 2026, delinquent assessments totaled \$593.

Annual special assessments totaling \$919,150 were imposed on property owners for the 2025 tax year. There were no delinquent assessments as of June 30, 2025.

The Authority has pledged special assessment revenues, including special assessment prepayments, to repay the Series 2022A Bonds (see Note 7). Pledged revenues are comprised of special assessment revenues and special assessment prepayment revenues. Special assessment prepayment revenues are included in pledged revenues because the trust indenture includes prepayments within Special Assessment Revenues and Pledged Revenues.

The Authority has pledged 100% of its special assessment revenues, including special assessment prepayments, to repay the Series 2022A Bonds. The approximate amount of the pledge is equal to the remaining principal and interest requirements on the Bonds, which totaled \$25,961,893 (\$12,900,000 of principal and \$13,061,893 of interest) at June 30, 2026. The special assessments are pledged through the final maturity of the Bonds on September 1, 2052; during that period, the pledged revenues are not available for any purpose other than the payment of debt service and related requirements under the Indenture, except to the extent they exceed the amounts required for those purposes. The special assessments are levied solely to fund the Authority's annual debt service and administrative expenses, and the entire special assessment revenue stream is committed to the Bonds; the proportion of that specific revenue stream that has been pledged is therefore 100%.

The following table presents pledged revenues and debt service for the Series 2022A Bonds for the years ended June 30:

Year ended June 30	Special assessment revenues	Special assessment prepayment revenues	Total pledged revenues	Principal paid	Interest paid	Total debt service paid
2026	\$ 632,550	\$ 70,768	\$ 703,318	\$ 100,000	\$ 698,145	\$ 798,145
2025	919,150	-	919,150	-	698,750	698,750

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, 2026, and 2025.

NOTE 10—CONTINGENT LIABILITIES

As of June 30, 2026, there were no claims or lawsuits pending against the Authority.

NOTE 11—SUBSEQUENT EVENTS

The first installment of the tax year 2026 assessments totaling \$315,979 was transferred to the authority on August 21, 2026.

Annual assessments in the aggregate amount of \$874,140 are to be collected for the tax year 2027.

NOTE 12—EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 15, 2026 the date which the financial statements were available to be issued.

NOTE 13— RESTATEMENT OF NET POSITION

During the fiscal year ended June 30, 2026, the Authority determined that the components of net position reported in prior years had been misclassified. In calculating net investment in capital assets under GASB Codification Section 2200.118, the Authority had (i) deducted the amount of bond proceeds originally deposited to the Project Fund at the issuance of the Series 2022A Bonds rather than the outstanding principal balance of the capital-related debt, and (ii) reported the portion of capital-related debt attributable to restricted financial assets as an addition to net investment in capital assets rather than as a reduction of restricted net position.

The correction has been applied retroactively. It is a reclassification among the components of net position and does not change total net position, total assets, total liabilities, or the change in net position of any period. The effect of the correction on the components of net position previously reported is as follows:

Component of Net Position	As previously reported, June 30, 2025	Restatement Increase/(Decrease)	As Restated, June 30, 2025
Net investment in capital assets	\$ 788,600	\$ (2,983,069)	\$ (2,194,469)
Unrestricted	(2,763,714)	2,983,069	219,355
Total net position	<u>\$ (1,975,114)</u>	<u>\$ -</u>	<u>\$ (1,975,114)</u>

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
West Falls Community Development Authority
City of Falls Church, VA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the West Falls Community Development Authority (Authority), a component unit of the City of Falls Church, Virginia, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 15, 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.

The Nichols Group, PA
Fleming Island, Florida

October 15, 2026