

**FARMS OF NEW KENT  
COMMUNITY DEVELOPMENT AUTHORITY**

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

**CUSIP NUMBERS:**

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311551 AC9  
311551 AD7  
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311551 AG0  
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TABLE OF CONTENTS

<b>I.</b>	<b>BOARD OF DIRECTORS</b> .....	<b>1</b>
<b>II.</b>	<b>AUDITOR’S OPINION</b>	
	Independent Auditor’s Report .....	2
<b>III.</b>	<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	<b>5</b>
<b>IV.</b>	<b>FINANCIAL STATEMENTS</b>	
	Statements of Net Position.....	10
	Statements of Revenues, Expenses, and Changes in Net Position.....	11
	Statements of Cash Flows .....	12
<b>V.</b>	<b>NOTES TO THE FINANCIAL STATEMENTS</b>	
	Note 1 — Financial Reporting Entity.....	13
	Note 2 — Summary of Significant Accounting Policies.....	14
	Note 3 — Deposits and Investments.....	17
	Note 4 — Receivables.....	18
	Note 5 — Capital Assets.....	18
	Note 6 — Long-Term Obligations .....	19
	Note 7 — Special Assessments .....	24
	Note 8 — Creation of Special Purpose Entity .....	25
	Note 9 — Arbitrage Requirements .....	25
	Note 10 — Contingent Liabilities.....	25
	Note 11 — Subsequent Events .....	26
	Note 12 — Evaluation of Subsequent Events .....	26
<b>VI.</b>	<b>COMPLIANCE</b>	
	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> .....	27

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## ***I. BOARD OF DIRECTORS***

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Alan W. Files, Chairman

R. Ronald Jordan, Vice Chairman

Michelle M. Gowdy, Treasurer

L. Stephen Miles, Secretary

W. R. Davis, Jr.

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## II. INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors  
Farms of New Kent Community Development Authority

#### **Report on the Audit of the Financial Statements**

##### ***Opinions***

We have audited the accompanying financial statements of the business-type activities of the Farms of New Kent Community Development Authority (Authority) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

##### ***Basis for Opinions***

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

##### ***Responsibilities of Management for the Financial Statements***

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*The Nichols Group*

The Nichols Group, PA  
Fleming Island, Florida

December 5, 2025

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### **III. MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

#### **Financial Highlights**

1. The Authority incurred long term debt of \$85,666,000 in Special Assessment Bonds (the "Series 2006 Bonds") on September 19, 2006, bearing interest from 5.125% to 5.800% per annum with final maturities ranging from 2017 to 2036. The Authority's debt will be paid through the collection of special assessments imposed on the chargeable properties benefiting from the capital assets.
2. Due to the continued default on the Series 2006 Bonds, on October 1, 2015, the bond holders instructed the trustee to create a special purpose entity (the "SPE") to take ownership of certain parcels which were due to be sold at tax sale. The trustee subsequently transferred approximately \$17.3 million between October 2015 and February 2022 at the direction of the bondholders from the Authority's trust accounts to the SPE for operating and other expenses of the SPE.
3. The Authority incurred long term debt of \$46,900,000 in Special Assessment Revenue Refunding Bonds, Series 2021A and \$43,095,623 in Special Assessment Revenue Refunding Bonds, Series 2021B (Capital Appreciation Bonds), (collectively, the "Series 2021 Bonds") on July 22, 2021, in order to partially redeem its Series 2006 Bonds which were in default. The Authority's debt will be paid through the collection of special assessments imposed on the chargeable properties benefiting from the capital assets. At the time of the 2021 refunding, a gain of \$34,417,301 was computed on the cancelling of the Series 2006 Bonds. This amount is shown on the financial statements as deferred gain on refunding. The Series 2021B Bonds were refunded on November 26, 2024.
4. The Authority incurred long term debt of \$13,385,000 in Special Assessment Revenue Refunding Bonds, Series 2024B-1, \$30,701,048 in Revenue Refunding Bonds, Series 2024B-2 (Capital Appreciation Bonds), and \$20,125,680 in Revenue Bonds, Series 2024B-3 (Capital Appreciation Bonds) (collectively, the "Series 2024 Bonds") on November 26, 2024. The Series 2024B-1 Bonds and the Series 2024B-2 Bonds were issued to fully redeem the Series 2021B Bonds. The Series 2024B-3 Bonds were issued to pay the costs of the 2024 public improvements.

5. Net position at June 30, 2025, and 2024 totaled (\$127,318,036) and (\$93,185,550) respectively.
6. For the year ending June 30, 2025, public improvements totaling \$40,885,963 related to the Series 2024B-3 Bonds were completed and donated to the appropriate public entity in accordance with the Development/Acquisition Agreement. Donated improvements are reported as “Donated Capital Assets” in the financial statements. A total of \$76,500,080 of infrastructure improvements were completed in 2009 and donated to the appropriate public entity in 2010. Capital assets as of June 30, 2025, and 2024 totaled \$555,439 and \$576,802 respectively. The remaining public improvements owned by the Authority are complete and are being depreciated over their useful life of thirty years.
7. Prepayments of special assessments totaling \$6,350,057 and \$5,130,269 were collected in fiscal years 2025 and 2024, respectively. These revenues, and prior years’ prepayments, were used to redeem \$9,005,000 and \$4,060,000 of the Series 2021A Bonds in fiscal years 2025 and 2024 respectively.

### **Overview of the Financial Statements**

This annual report consists of two parts – (i) Management’s Discussion and Analysis and (ii) the basic financial statements consisting of a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and related footnotes. The Statement of Net Position represents the financial position of the Authority and provides information about the activities of the Authority, including all short-term and long-term financial resources and obligations. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net total financial position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

## Comparative Financial Statements

### Summary Statement of Net Position:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<b>Assets:</b>			
Current and Other Assets	\$ 4,689,218	\$ 6,092,413	\$ 6,202,681
Capital Assets	555,439	576,802	598,165
<b>Total Assets</b>	<u>5,244,657</u>	<u>6,669,215</u>	<u>6,800,846</u>
<b>Liabilities:</b>			
Current Liabilities	24,930,197	2,657,645	2,359,081
Long Term Liabilities	82,495,235	69,703,855	76,341,983
<b>Total Liabilities</b>	<u>107,425,432</u>	<u>72,361,500</u>	<u>78,701,064</u>
<b>Deferred Gain</b>	<u>25,137,261</u>	<u>27,493,265</u>	<u>29,849,270</u>
<b>Net Position:</b>			
Net investment in capital assets	455,439	476,802	498,165
Restricted	4,667,092	6,068,442	6,177,855
Unrestricted	(132,440,567)	(99,730,794)	(108,425,508)
<b>Total Net Position</b>	<u>\$ (127,318,036)</u>	<u>\$ (93,185,550)</u>	<u>\$ (101,749,488)</u>

The increase in negative net position is due primarily to the acceptance of the public improvements by the public entity and issuance of the Series 2024 Bonds in fiscal year 2025. In prior years, bond proceeds and special assessments collected were used to finance the Special Assessment District's (the "District") debt service, infrastructure improvements, and other administrative costs of the Authority. Completed infrastructure improvements were donated to the appropriate governmental entities in 2010, contributing significantly to the negative net position. Contributions to the SPE have also significantly impacted net position.

### Summary Statement of Revenues, Expenses, and Changes in Net Position:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Revenue	\$ 10,731,510	\$ 9,942,754	\$ 11,979,503
Operating Expenses	199,863	231,936	194,878
Operating Income	<u>10,531,647</u>	<u>9,710,818</u>	<u>11,784,625</u>
Non-Operating Revenues	260,624	281,787	199,851
Non-Operating Expenses	(4,038,794)	(1,428,667)	(912,584)
Donated Capital Assets	(40,885,963)	-	-
Change in Net Position	<u>\$ (34,132,486)</u>	<u>\$ 8,563,938</u>	<u>\$ 11,071,892</u>

The negative net position in fiscal year 2025 is due primarily to the acceptance of the public improvements by the appropriate public entity, bond issuance costs of the Series 2024 Bonds and increased interest expense due to the refunding of the Series 2021B Bonds. A decrease in prepayment revenues from fiscal year 2023 to 2024 resulted in a lower change in net position in fiscal year 2024.

## **Capital Assets**

As of June 30, 2025, public improvements financed with the Series 2024B-3 Bonds totaling \$20,100,000 were completed and donated to the appropriate public entity in accordance with the Development/Acquisition Agreement. Additionally, public improvements totaling \$20,785,963 were completed and donated, and will be financed with additional Series 2024B-3 bond proceeds advances. The public improvements consisted of roadways, a water system, a sanitary system and stormwater management infrastructure. Donated improvements are reported as “Donated Capital Assets” in the financial statements.

A total of \$76,500,080 of infrastructure improvements were completed in 2009 and donated to the appropriate public entity in 2010. The public infrastructure improvements included road and traffic improvements, water and sewer system extensions and improvements, Parham Landing related improvements, and other amenities to benefit a proposed mixed-use residential, retail, and commercial development in New Kent County.

Capital assets as of June 30, 2025, and 2024 totaled \$555,439 and \$576,802, respectively. The remaining public improvements owned by the Authority are complete and are being depreciated over their useful life of thirty years. Purchased software of \$18,000 has been fully depreciated.

## **Long-Term Debt**

The Authority issued Special Assessment Bonds, Series 2006A, 2006B, and 2006C, (collectively, “the Series 2006 Bonds”) dated September 19, 2006, at rates of 5.125% to 5.800%, and due in annual installments beginning March 1, 2007, with a final maturity of March 1, 2036.

The principal portion of debt service was to be paid annually beginning March 1, 2017, by the income received from the special assessments levied on the property owners within the District; however, no payments were made.

All debt service due between March 1, 2014, and June 30, 2021, was deferred at the direction of the bondholders, due to non-payment of special assessments and insufficient funds in the Debt Service Reserve Fund. One-half of the September 1, 2013, interest payment due was deferred.

On July 22, 2021, the Authority issued \$46,900,000 Special Assessment Revenue Refunding Bonds, Series 2021A (the “Series 2021A Bonds”) and \$43,095,623 Special Assessment Revenue Refunding Bonds Series 2021B Capital Appreciation Bonds (the “Series 2021B Bonds”), in order to partially redeem its Series 2006 Bonds. The interest rate on the 2021A Bonds and 2021B Bonds is 3.75% and 5.00%, respectively. All but \$100,000 of the Series 2006 Bonds was redeemed or cancelled. Interest on the Series 2021A Bonds is due beginning on September 1, 2021, with the first principal payment due on March 1, 2022. The Series 2021B Bonds were fully refunded on November 26, 2024. See Note 6 – Long-Term Obligations for further discussion.

Prepayment redemptions of \$9,005,000 and \$4,060,000 were made on the Series 2021A Bonds in fiscal years 2025 and 2024, respectively.

On November 26, 2024, the Authority incurred long term debt of \$13,385,000 in Special Assessment Revenue Refunding Bonds, Series 2024B-1, \$30,701,048 in Revenue Refunding Bonds, Series 2024B-2 (Capital Appreciation Bonds), and \$20,125,680 in Revenue Bonds, Series 2024B-3 (Capital Appreciation Bonds) (collectively, the “Series 2024 Bonds”). The Series 2024B-3 Bonds were issued on a draw-down basis. The initial advance in the amount of \$20,125,680 was made on November 26, 2024, and subsequent bond proceeds advances can be made up to an amount not to exceed \$44,998,873. The interest rate on the Series 2024B-1 Bonds is 5.00%, and the interest rate on the Series 2024B-2 and 2024B-3 Bonds is 7.00%. Interest on the Series 2024B-1 Bonds began on March 1, 2025, with the first principal payment due on March 1, 2025. For the Series 2024B-2 Bonds and the Series 2024B-3 Bonds, accreted interest and principal will be paid in a lump sum on March 1, 2036. According to the Fourth Supplement to Trust Indenture, payments will not be made on the remaining Series 2006 Bonds until the Series 2024 Bonds are paid in full.

### **Special Assessments**

Special assessments totaling \$4,381,453 were imposed on the property owners within the District for tax year 2024 for collection in fiscal year 2025. As of June 30, 2025, all special assessments had been paid.

Special assessments totaling \$4,812,485 were imposed on the property owners within the District for tax year 2023 for collection in fiscal year 2024. As of June 30, 2024, all special assessments had been paid.

### **Transfer of Property to Kent Farms Holding Company, LLC**

Due to the continued events of default, on October 1, 2015, the bondholders instructed the Trustee to create a Special Purpose Entity, Kent Farms Holding Company, LLC, to take title to certain properties located within the District which were subject to tax sale, to enter into a property management agreement, and to transfer funds held under the Indenture of Trust to the SPE for operating and other expenses of the SPE. Between October 2015 and February 2022, the Trustee subsequently transferred approximately \$17.3 million from the Authority’s trust accounts to the SPE for those purposes. There were no further contributions to the SPE due to the issuance of the Series 2021 Bonds.

### **Economic Factors and Future Outlook**

Presently, the Authority is not aware of any other significant changes in conditions that would have a significant effect on the administrative expenses in the near future.

### **Contacting Authority's Financial Management**

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Authority’s administrator, MuniCap, Inc., at 8965 Guilford Road, Suite 210, Columbia, Maryland 21046.

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## IV. FINANCIAL STATEMENTS

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### FARMS OF NEW KENT COMMUNITY DEVELOPMENT AUTHORITY

#### STATEMENTS OF NET POSITION

As of June 30,

	<u>2025</u>	<u>2024</u>
Assets:		
Current Assets		
Interest receivable	\$ 22,126	\$ 23,971
Total Current Assets	<u>22,126</u>	<u>23,971</u>
Noncurrent Assets		
Restricted cash and cash equivalents	4,667,092	6,068,442
Capital assets, net of depreciation	555,439	576,802
Total Noncurrent Assets	<u>5,222,531</u>	<u>6,645,244</u>
Total Assets	<u>5,244,657</u>	<u>6,669,215</u>
Liabilities:		
Current Liabilities		
Accounts payable	18,132	96,867
Accrued liabilities	20,785,963	-
Accrued bond interest	2,236,102	1,060,778
Short term bonds payable	1,890,000	1,500,000
Total Current Liabilities	<u>24,930,197</u>	<u>2,657,645</u>
Noncurrent Liabilities		
Bond interest payable	65,045	59,662
Bonds payable	82,430,190	69,644,193
Total Noncurrent Liabilities	<u>82,495,235</u>	<u>69,703,855</u>
Total Liabilities	<u>107,425,432</u>	<u>72,361,500</u>
Deferred Inflows of Resources		
Deferred gain on refunding	<u>25,137,261</u>	<u>27,493,265</u>
Net Position:		
Net investment in capital assets	455,439	476,802
Restricted	4,667,092	6,068,442
Unrestricted	<u>(132,440,567)</u>	<u>(99,730,794)</u>
Total Net Position	<u>\$ (127,318,036)</u>	<u>\$ (93,185,550)</u>

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

**FARMS OF NEW KENT COMMUNITY DEVELOPMENT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Years Ended June 30,**

	<b>2025</b>	<b>2024</b>
Operating Revenues		
Special assessment revenues	\$ 4,381,453	\$ 4,812,485
Prepaid special assessments	6,350,057	5,130,269
Total Operating Revenues	10,731,510	9,942,754
Operating Expenses		
Administrative fees	179,501	176,934
Accounting and audit fees	4,800	4,500
Legal fees	13,012	50,502
Insurance expense	2,550	-
Total Operating Expenses	199,863	231,936
Operating Income	10,531,647	9,710,818
Non-Operating Revenues (Expenses)		
Interest and dividend income	260,624	281,298
Bond issuance costs	(1,031,435)	-
Penalties and interest on delinquent assessments	-	489
Depreciation expense	(21,363)	(21,363)
Interest expense	(2,985,996)	(1,407,304)
Total Non-Operating Expenses	(3,778,170)	(1,146,880)
Donated Capital Assets	(40,885,963)	-
Change in Net Position	(34,132,486)	8,563,938
Net Position, Beginning of Year	(93,185,550)	(101,749,488)
Net Position, End of Year	\$ (127,318,036)	\$ (93,185,550)

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

**FARMS OF NEW KENT COMMUNITY DEVELOPMENT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30,**

	<b>2025</b>	<b>2024</b>
Cash Flows from Operating Activities		
Cash received from property owners	\$ 10,731,510	\$ 9,942,754
Cash payments for professional fees	(278,598)	(186,174)
Net Cash Provided by Operating Activities	10,452,912	9,756,580
Cash Flows from Investing Activities		
Interest received on investments	262,469	282,152
Net Cash Provided by Investing Activities	262,469	282,152
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(20,100,000)	-
Interest paid on bonds	(1,736,477)	(1,300,108)
Principal paid on bonds	(11,576,358)	(8,848,526)
Proceeds from bond issuance	64,144,803	-
Redemption of prior bonds	(41,884,189)	-
Bond issuance costs	(964,510)	-
Penalties and interest on delinquent assessments	-	489
Net Cash Used in Capital and Related Financing Activities	(12,116,731)	(10,148,145)
Net Change in Cash and Cash Equivalents	(1,401,350)	(109,413)
Cash and Cash Equivalents, Beginning of Year	6,068,442	6,177,855
Cash and Cash Equivalents, End of Year	\$ 4,667,092	\$ 6,068,442
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 10,531,647	\$ 9,710,818
(Decrease) increase in accounts payable	(78,735)	45,762
Net Cash Provided by Operating Activities	\$ 10,452,912	\$ 9,756,580
Supplemental Information		
Donated Capital Assets	\$ 40,885,963	\$ -

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

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## V. NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 1—FINANCIAL REPORTING ENTITY

The Farms of New Kent Community Development Authority (the “Authority”) was established pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Section 15.2-5152 *et seq.*, of the Code of Virginia, 1950 (the “Act”) as amended. The Act provides for the creation of an authority and a related Special Assessment District (the “District”) for the sole purpose of financing, constructing, and maintaining, if necessary, certain public improvements within, contiguous to, or serving the District. In accordance with the Act, the Authority was created as a Virginia public body by the adoption of an approving ordinance by the County of New Kent Board of Supervisors on December 12, 2005.

The Farms of New Kent Community Development Authority, Special Assessment Bonds, Series 2006A, 2006B, and 2006C (the “Series 2006 Bonds”), were issued pursuant to an Indenture of Trust (the “Indenture”) by and between the Authority and SunTrust Bank, Richmond (the “Trustee”, now US Bank National Association), dated as of September 1, 2006, and a limited offering memorandum for the bonds dated September 8, 2006. The Series 2006 Bonds are limited obligations payable primarily from special assessments imposed and collected by New Kent County, Virginia, (the “County”) against the taxable real property in the District. Unless prepaid, such special assessments are payable in installments at the same time general real estate taxes are paid in the County. Special assessments, when imposed, will be made a lien on parcels subject to taxation in the District, and the County has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special assessment annual installment.

On July 22, 2021, the Authority issued \$46,900,000 Special Assessment Revenue Refunding Bonds, Series 2021A and \$43,095,623 Special Assessment Revenue Refunding Bonds Series 2021B (Capital Appreciation Bonds), (collectively, the “Series 2021 Bonds”), in order to refund or cancel all but \$100,000 of the Series 2006 Bonds. The Series 2021 Bonds were issued pursuant to the Indenture, a First Supplemental Indenture and a Second Supplemental Indenture (collectively, the “Master Trust Indenture”) by and between the Authority and the Trustee, dated as of June 1, 2021. The Series 2021 Bonds are limited obligations payable primarily from special assessments imposed and collected by New Kent County, Virginia, against the taxable real property in the District. Unless prepaid, such special assessments are payable in installments at the same time general real estate taxes are paid in New Kent County. Special assessments, when imposed, will be made a lien on parcels subject to taxation in the District, and New Kent County has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special assessment annual installment. The Series 2021B Bonds were fully refunded on November 26, 2024.

On November 26, 2024, the Authority issued \$13,385,000 in Special Assessment Revenue Refunding Bonds, Series 2024B-1, \$30,701,048 in Revenue Refunding Bonds, Series 2024B-2 (Capital Appreciation Bonds), and \$20,125,680 in Revenue Bonds, Series 2024B-3 (Capital Appreciation Bonds), (collectively, the “Series 2024 Bonds”). The Series 2024B-1 Bonds and

the Series 2024B-2 Bonds were issued to fully redeem the Series 2021B Bonds. The Series 2024B-3 Bonds were issued to pay the costs of the 2024 public improvements. The Series 2024 Bonds were issued pursuant to the Master Trust Indenture and the Third Supplemental Indenture (collectively, the “Master Trust Indenture 2024”) by and between the Authority and the Trustee, dated as of November 1, 2024. According to the Fourth Supplement to Trust Indenture, dated as of November 1, 2024, no payments will be made on the remaining Series 2006 Bonds until the Series 2024 Bonds are paid in full.

The Series 2024-1 Bonds are limited obligations payable primarily from a portion of special assessments imposed and collected by New Kent County, Virginia, against the taxable real property in the District. Unless prepaid, such special assessments are payable in installments at the same time general real estate taxes are paid in New Kent County. Special assessments, when imposed, will be made a lien on parcels subject to taxation in the District, and New Kent County has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special assessment annual installment. The Series 2024B-2 Bonds and the Series 2024B-3 Bonds are limited obligations that are not directly secured by the special assessments but are payable primarily from excess monies from operating revenues, and excess funds in the Series 2021A and the Series 2024B-1 Bonds’ revenues.

The District consists of approximately 2,113 acres of land within New Kent County, Virginia, approximately thirty miles east of the City of Richmond’s central business district and approximately twenty-five miles west of Colonial Williamsburg. The District is part of a mixed-use development that includes residential units of various types, commercial and retail components, as well as tourist and recreational amenities, including a working vineyard, winery, country inn and an 18-hole golf course.

The Authority is governed by a board of five directors appointed by the Board of Supervisors. The Board of Supervisors also appoints successor directors of the Authority. Directors serve for staggered terms of no more than four years and are subject to reappointment.

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

## **NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **A. Basis of Presentation**

The Authority’s basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Authority uses enterprise fund accounting to maintain its financial records during the fiscal

year. Enterprise fund accounting focuses on the determination of operating income, financial position and changes in net position, and cash flows.

## **B. Measurement Focus and Basis of Accounting**

The Authority's financial activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Statement of Cash Flows reflects how the Authority finances and meets its cash flow needs.

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

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

## **C. Cash and Investments**

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

## **D. Capital Assets**

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date they are donated. The Authority does not maintain a capitalization threshold as all infrastructure assets are capitalized. The Authority does not depreciate the infrastructure improvements as they are completed, as the majority will be donated upon completion/acquisition. Public improvements ultimately owned by the Authority are depreciated on a straight-line basis over their useful life of thirty years. Purchased software is depreciated on a straight-line basis over three years.

## **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.

## F. Reclassification of Net Position

During fiscal year 2025, the Authority changed its presentation of net position to exclude non-capital debt from the calculation of "Net investment in capital assets." In prior years, non-capital debt had been included in this component. As a result, \$71,044,193 was reclassified from "Net investment in capital assets" to "Unrestricted net position" as of June 30, 2024. This reclassification had no effect on the total net position.

The following table summarizes the impact of this reclassification on the 2024 comparative amounts:

<b>Component</b>	<b>As Originally Reported (2024)</b>	<b>As Restated (2024)</b>
Net investment in capital assets	(70,567,391)	476,802
Restricted net position	6,068,442	6,068,442
Unrestricted net position	<u>(28,686,601)</u>	<u>(99,730,794)</u>
Total net position	<u><u>(93,185,550)</u></u>	<u><u>(93,185,550)</u></u>

## 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

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

## **K. Future Accounting Standards**

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

## **NOTE 3—DEPOSITS AND INVESTMENTS**

Cash, cash equivalents and investments consisted entirely of investments in U.S. Treasury money market funds at June 30, 2025, and 2024.

### **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 is covered by federal depository insurance or collateralized in accordance with the Master Trust Indenture 2024.

### **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 Master Trust Indenture 2024 requires the investment of moneys in the Debt Service Reserve Fund to mature or be payable at the option of the Trustee not more than six months after the date of their purchase. The Authority's investments in money market funds are withdraw-able on demand.

### **C. Credit Risk**

Credit risk is the risk that an issuer or counterparty to an investment will be unable to fulfill its obligations. The Master Trust Indenture 2024 specifies the minimum rating of different types of cash equivalents and investments. Investments at June 30, 2025, and 2024 have met the ratings criteria.

Although state statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances, or money market mutual funds, the Master Trust Indenture 2024 establishes stringent credit standards for these investments to minimize portfolio risk. All money held in the funds created by the Master Trust Indenture 2024 which are on deposit with any bank will be continuously secured in the manner required by the Master Trust Indenture 2024.

### **D. Concentration of Credit Risk**

Concentration of credit risk can arise by failing to adequately diversify investments. The Master Trust Indenture 2024 establish limitations on portfolio composition by issuer in order to control concentration of credit risk. Not more than 35% of the Authority's total funds

available for investment may be invested in commercial paper, and not more than 5% of the Authority's total funds available for investment may be invested in the commercial paper of any single issuer. The Master Trust Indenture 2024 establishes limitations on the holdings of non-U.S. government obligations as well.

## 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 U.S. Treasury money market funds totaling \$4,667,092 are valued using quoted market prices (Level 1 inputs).

## NOTE 4—RECEIVABLES

Receivables at June 30, 2025, and 2024 consisted of interest due on investments and are considered collectible in full within one year.

## NOTE 5—CAPITAL ASSETS

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

	Beginning Balance	Additions	Donations	Ending Balance
<b>2025</b>				
Roads & Improvements	\$ 640,891	\$ 40,885,963	\$ (40,885,963)	\$ 640,891
Accumulated Depreciation - Roads	(64,089)	(21,363)	-	(85,452)
Software	18,000	-	-	18,000
Accumulated Depreciation-Software	(18,000)	-	-	(18,000)
<b>Total Capital Assets</b>	<b>\$ 576,802</b>	<b>\$ 40,864,600</b>	<b>\$ (40,885,963)</b>	<b>\$ 555,439</b>
	Beginning Balance	Additions	Transfers	Ending Balance
<b>2024</b>				
Roads & Improvements	\$ 640,891	\$ -	\$ -	\$ 640,891
Accumulated Depreciation - Roads	(42,726)	(21,363)	-	(64,089)
Software	18,000	-	-	18,000
Accumulated Depreciation-Software	(18,000)	-	-	(18,000)
<b>Total Capital Assets</b>	<b>\$ 598,165</b>	<b>\$ (21,363)</b>	<b>\$ -</b>	<b>\$ 576,802</b>

As of June 30, 2025, public improvements financed with the Series 2024B-3 Bonds totaling \$20,100,000 were completed and donated to the appropriate public entity in accordance with the Development/Acquisition Agreement. Additionally, public improvements totaling \$20,785,963 were completed and donated, and will be financed with additional Series 2024B-3 bond proceeds advances. The public improvements consisted of roadways, a water system,

a sanitary system and stormwater management infrastructure. Donated improvements are reported as “Donated Capital Assets” in the financial statements. A total of \$76,500,080 of infrastructure improvements were completed in 2009 and donated to the appropriate public entity in 2010.

As of June 30, 2025, capital assets consist of accepted and completed public improvements owned by the Authority that are being depreciated over their useful life of thirty years.

## NOTE 6—LONG-TERM OBLIGATIONS

Long-term debt at June 30, 2025, and 2024 consisted of:

	Beginning		Interest			Due Within	
	Balance	Additions	Accretion	Reductions	Ending Balance	One Year	
<b>2025</b>							
Series 2024B-1 Bonds	\$ -	\$ 13,385,000	\$ -	\$ (720,000)	\$ 12,665,000	\$ 760,000	
Series 2024B-2 Bonds	-	30,701,048	563,108	-	31,264,156	-	
Series 2024B-3 Bonds	-	20,125,680	825,354	-	20,951,034	-	
<b>Total Series 2024 Bonds</b>	-	64,211,728	1,388,462	(720,000)	64,880,190	760,000	
Series 2021A Bonds	29,590,000	-	-	(10,250,000)	19,340,000	1,130,000	
Series 2021B Bonds	41,454,193	-	1,036,355	(42,490,548)	-	-	
<b>Total Series 2021 Bonds</b>	71,044,193	-	1,036,355	(52,740,548)	19,340,000	1,130,000	
Series 2006A Term Bonds	40,000	-	-	-	40,000	-	
Series 2006B Term Bonds	42,000	-	-	-	42,000	-	
Series 2006C Term Bonds	18,000	-	-	-	18,000	-	
<b>Total Series 2006 Bonds</b>	100,000	-	-	-	100,000	-	
<b>Total Bonds Payable</b>	\$ 71,144,193	\$ 64,211,728	\$ 2,424,817	\$ (53,460,548)	\$ 84,320,190	\$ 1,890,000	

	Beginning		Interest			Due Within	
	Balance	Additions	Accretion	Reductions	Ending Balance	One Year	
<b>2024</b>							
Series 2021A Bonds	\$ 35,060,000	\$ -	\$ -	\$ (5,470,000)	\$ 29,590,000	\$ 1,500,000	
Series 2021B Bonds	42,721,983	-	2,110,736	(3,378,526)	41,454,193	-	
<b>Total Series 2021 Bonds</b>	77,781,983	-	2,110,736	(8,848,526)	71,044,193	1,500,000	
Series 2006A Term Bonds	40,000	-	-	-	40,000	-	
Series 2006B Term Bonds	42,000	-	-	-	42,000	-	
Series 2006C Term Bonds	18,000	-	-	-	18,000	-	
<b>Total Series 2006 Bonds</b>	100,000	-	-	-	100,000	-	
<b>Total Bonds Payable</b>	\$ 77,881,983	\$ -	\$ 2,110,736	\$ (8,848,526)	\$ 71,144,193	\$ 1,500,000	

### A. Special Assessment Bonds, Series 2006A, B and C

On September 19, 2006, the Authority issued \$85,666,000 in Special Assessment Bonds Series 2006A, B and C, to finance the construction of public infrastructure improvements located within the District, to fund a reserve fund, to fund construction period interest and administrative expenses through March 1, 2009, and to pay costs relating to the issuance of the Series 2006 Bonds. New Kent County, on behalf of the Authority, imposes and collects special assessment annual installments and has agreed to apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the special assessment annual installments, to include assessment of penalties and interest, and tax

foreclosure proceedings. In addition, when special assessments are imposed, a lien is made on the applicable parcels.

The Series 2006 Bonds are limited obligations of the Authority, payable solely from and secured by revenues collected from special assessments after payment of administrative expenses. Principal payments on the Series 2006 Bonds were due each March 1 beginning on March 1, 2017, according to the mandatory sinking fund redemption schedule, however no payments were made due to assessment delinquencies. Interest on the Series 2006 Bonds was payable semiannually on March 1 and September 1 of each year beginning on March 1, 2007. Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months. No interest payments were made from March 1, 2014 – March 2, 2021, due to assessment delinquencies. Due to the amount of deferred principal payments and accrued and unpaid interest on the Series 2006 Bonds, the sole bondholder, Preston Hollow, approved the cancellation of \$34 million in Series 2006 Bonds to be cancelled at the issuance of the Series 2021 Bonds. (See discussion of the Series 2021 Bonds below.) The bondholder also agreed to subordinate its pledge on the special assessments. A total of \$83,631,000 of Series 2006 Bonds along with accrued interest of \$36,715,929 was paid in fiscal year 2022 as a result of the issuance of the Series 2021 Bonds. According to the Fourth Supplement to Trust Indenture, interest accrues on the remaining \$100,000 in Series 2006 Bonds but no further payments of either interest or principal will be made until the Series 2024 Bonds are paid in full. Unpaid interest of \$65,045 is due on the Series 2006 Bonds from prior years and is classified as a long-term liability on the financial statements.

## **B. Special Assessment Bonds, Series 2021A**

On July 22, 2021, the Authority issued \$46,900,000 Special Assessment Revenue Refunding Bonds, Series 2021A (the “Series 2021A Bonds”) at an interest rate of 3.75%, in order to partially redeem its Series 2006 Bonds. Interest on the Series 2021A Bonds was due beginning on September 1, 2021, with the first principal payment due on September 1, 2022.

The Series 2021A Bonds are secured by special assessments to be collected from the remaining residential property that has not prepaid the special assessments in Land Bay I, Land Bay IV and Land Bay V.

### **1. Optional Redemption**

The Series 2021A Bonds are subject to redemption before maturity at the option of the Authority from moneys on deposit in the Series 2021A Optional Redemption Account at any time on or after March 1, 2031, 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 of the Series 2021A Bonds to be redeemed, plus accrued interest to the date of redemption.

### **2. Extraordinary Redemption**

The Series 2021A Bonds are subject to extraordinary redemption, in whole or in part, prior to maturity by the Authority on any date (except for extraordinary redemption in part, which

must occur on a periodic redemption date) in increments of \$5,000 or any integral multiple thereof, at a redemption price equal to 100% of the principal amount to be redeemed, plus interest accrued to the date of redemption. Redemptions may come from any moneys deposited into the 2021A Prepayment Account or 2021A Extraordinary Redemption Account, or any moneys on deposit in the Reserve Account sufficient to pay and redeem all outstanding bonds and accrued interest to the date of redemption. Prepayment redemptions of \$9,005,000 and \$4,060,000 were made on the Series 2021A Bonds in fiscal years 2025 and 2024, respectively.

**3. Sinking Fund Redemption**

The Series 2021A Bonds are required to be redeemed prior to maturity by the Authority on March 1 in the years and in the amounts set forth below, as adjusted for prepayment redemptions:

<u>Series 2021A 3.75% \$46,900,000</u>		
<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 1,130,000	\$ 725,250
2027	1,235,000	682,875
2028	1,340,000	636,563
2029	1,460,000	586,313
2030	1,590,000	531,563
2031-2035	10,105,000	1,660,125
2036	2,480,000	93,000
Total	<u>\$ 19,340,000</u>	<u>\$ 4,915,689</u>

**C. Special Assessment Bonds, Series 2021B**

On July 22, 2021, the Authority issued \$43,095,623 Special Assessment Revenue Refunding Bonds Series 2021B Capital Appreciation Bonds (the “Series 2021B Bonds”) in order to partially redeem its Series 2006 Bonds. Interest on the Series 2021B Bonds accreted on September 1 and March 1 each year beginning on September 1, 2021, at an annual rate of 5% according to the terms of the Master Trust Indenture. The remaining principal and accreted interest on the Series 2021B Bonds was to be paid in a lump sum on March 1, 2036. The Series 2021B Bonds were fully refunded on November 26, 2024.

The Series 2021B Bonds were secured by special assessments to be collected from the commercial property in Land Bay III, Land Bay IV and Land Bay V and from lot sales from any of the lots in Land Bay III, Land Bay IV and Land Bay V that are owned by the Kent Farms Holding Company.

**1. Turbo Redemption**

The Series 2021B Bonds were subject to turbo redemption prior to maturity by the Authority on any date (except for turbo redemption in part, which must occur on a periodic redemption date), 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 the accreted amount of the bonds to be redeemed from any moneys deposited in the 2021B Turbo Redemption Account. In the event of a partial turbo redemption, the bonds shall be redeemed in inverse order of their maturity. The Series 2021B Bonds were fully refunded on November 26, 2024. In fiscal year 2024, \$3,378,526 in Series 2021B Bonds were redeemed.

## **2. Gain on Refunding**

At the time of the 2021 refunding, a gain of \$34,417,301 was computed on the cancelling of the Series 2006 Bonds. This amount is shown on the financial statements as deferred gain on refunding. It is being amortized using the straight-line method over the life of the Series 2021 Bonds at \$2,356,004 per year.

## **D. Special Assessment Revenue Refunding Bonds, Series 2024B-1**

On November 26, 2024, the Authority issued \$13,385,000 Special Assessment Revenue Refunding Bonds, Series 2024B-1 (the “Series 2024B-1 Bonds”) at an interest rate of 5.00%, in order to fully redeem the Series 2021B Bonds, to fund the 2024 Reserve Fund and to pay a portion of issuance costs of the Series 2024B-1 Bonds. Interest on the Series 2024B-1 Bonds was due beginning on March 1, 2025, with the first principal payment due on March 1, 2025.

The Series 2024B-1 Bonds are secured primarily by a portion of special assessments to be collected from the remaining residential property that has not prepaid the special assessments in Land Bay III, Land Bay IV and Land Bay V.

### **1. Optional Redemption**

The Series 2024B-1 Bonds are not subject to optional redemption prior to maturity.

### **2. Extraordinary Redemption**

The Series 2024B-1 Bonds are subject to extraordinary redemption, in whole or in part, prior to maturity by the Authority on any date (except for extraordinary redemption in part, which must occur on a periodic redemption date) in increments of \$5,000 or any integral multiple thereof, at a redemption price equal to 100% of the principal amount to be redeemed, plus interest accrued to the date of redemption. Redemptions may come from any moneys deposited into the 2024B-1 Prepayment Account or 2024B-1 Extraordinary Redemption Account, or any moneys on deposit in the Reserve Account sufficient to pay and redeem all outstanding bonds and accrued interest to the date of redemption. There were no prepayment redemptions made on the Series 2024B-1 Bonds in fiscal year 2025.

### 3. Sinking Fund Redemption

The Series 2024B-1 Bonds are required to be redeemed prior to maturity by the Authority on March 1 in the years and in the amounts set forth below, as adjusted for prepayment redemptions:

<u>Series 2024B-1 5.00% \$13,385,000</u>		
<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 760,000	\$ 633,250
2027	825,000	595,250
2028	895,000	554,000
2029	975,000	509,250
2030	1,055,000	460,500
2031-2035	6,600,000	1,422,500
2036	1,555,000	77,750
Total	<u>\$ 12,665,000</u>	<u>\$ 4,252,500</u>

### E. Revenue Refunding Bonds, Series 2024B-2

On November 26, 2024, the Authority issued \$30,701,048 Revenue Refunding Bonds Series 2024B-2 Capital Appreciation Bonds (the “Series 2024-2 Bonds”) in order to fully redeem the Series 2021B Bonds, to fund the Reserve Fund and to pay a portion of issuance costs of the Series 2024B-2 Bonds. Interest on the Series 2024B-2 Bonds will accrete on September 1 and March 1 each year beginning on March 1, 2025, at an annual rate of 7% according to the terms of the Master Trust Indenture 2024. The remaining principal and accreted interest on the Series 2024B-2 Bonds will be paid in a lump sum on March 1, 2036.

The Series 2024B-2 Bonds are payable primarily from excess monies from operating revenues, and excess funds from the Series 2021A and the Series 2024B-1 Bonds’ revenues.

#### 1. Extraordinary Redemption

The Series 2024B-2 Bonds are subject to extraordinary redemption, in whole or in part, prior to maturity by the Authority on any date (except for extraordinary redemption in part, which must occur on a periodic redemption date) in increments of \$5,000 or any integral multiple thereof, at a redemption price equal to the accreted amount of the bonds to be redeemed. Redemptions may come from any moneys deposited into the 2024B-2 Extraordinary Redemption Account.

#### 2. Turbo Redemption

The Series 2024B-2 Bonds are subject to turbo redemption prior to maturity by the Authority on any date (except for turbo redemption in part, which must occur on a periodic redemption date), 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 the accreted amount of the bonds to be redeemed from any moneys deposited in the 2024B-2 Turbo Redemption Account. In the event of a

partial turbo redemption, the bonds shall be redeemed pro rata based on the respective accreted amounts of the Series 2024B-2 Bonds as of the date fixed for redemption.

## **F. Revenue Bonds, Series 2024B-3**

On November 26, 2024, the Authority issued \$20,125,680 Revenue Bonds Series 2024B-3 Capital Appreciation Bonds (the “Series 2024B-3 Bonds”) in order to pay the costs of the 2024 public improvements and a portion of the issuance costs of the Series 2024B-3 Bonds. The Series 2024B-3 Bonds were issued on a draw-down basis. The initial advance in the amount of \$20,125,680 was made on November 26, 2024, and the subsequent bond proceeds advances can be made up to an amount not to exceed \$44,998,873. Interest on the Series 2024B-3 Bonds will accrete on September 1 and March 1 each year beginning on March 1, 2025, at an annual rate of 7% according to the terms of the Master Trust Indenture 2024. The remaining principal and accreted interest on the Series 2024B-3 Bonds will be paid in a lump sum on March 1, 2036.

The Series 2024B-3 Bonds are payable primarily from excess monies from operating revenues, and excess funds in the Series 2021A and the Series 2024B-1 Bonds’ revenues.

### **1. Extraordinary Redemption**

The Series 2024B-3 Bonds are subject to extraordinary redemption, in whole or in part, prior to maturity by the Authority on any date (except for extraordinary redemption in part, which must occur on a periodic redemption date) in increments of \$5,000 or any integral multiple thereof, at a redemption price equal to the accreted amount of the bonds to be redeemed. Redemptions may come from any moneys deposited into the 2024B-3 Extraordinary Redemption Account.

### **2. Turbo Redemption**

The Series 2024B-3 Bonds are subject to turbo redemption prior to maturity by the Authority on any date (except for turbo redemption in part, which must occur on a periodic redemption date), 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 the accreted amount of the bonds to be redeemed from any moneys deposited in the 2024B-3 Turbo Redemption Account. In the event of a partial turbo redemption, the bonds shall be redeemed pro rata based on the respective accreted amounts of the Series 2024B-3 Bonds as of the date fixed for redemption.

## **NOTE 7—SPECIAL ASSESSMENTS**

Annual special assessments are to be collected from each parcel of taxable property within the District (excepting those for which the assessment lien has been prepaid) each year in an amount equal to the “Annual Installment”. The Annual Installment, generally, is equal to: (i) annual debt service and administrative expenses, less (ii) other amounts available for the payment of such debt service and expense. Special assessments, unless prepaid, will be payable in installments at the same time general real estate taxes are paid in New Kent County.

The County has agreed to apply its customary tax payment enforcement proceedings to the collection of any delinquent payment of special real property taxes. Taxes are due each year on December 5.

Special assessments totaling 4,381,453 were imposed on the property owners within the District for tax year 2024 for collection in fiscal year 2025. As of June 30, 2025, all special assessments had been paid.

Special assessments totaling \$4,812,485 were imposed on the property owners within the District for tax year 2023 for collection in fiscal year 2024. As of June 30, 2024, all special assessments had been paid.

Assessment prepayments totaling \$6,350,057 and \$5,130,269 were collected by the Trustee and remitted to the Authority during the fiscal years ending June 30, 2025, and 2024, respectively. These revenues and prior years' prepayments were used to redeem \$9,005,000 and \$4,060,000 of the Series 2021A Bonds in fiscal years 2025 and 2024 respectively.

#### **NOTE 8—CREATION OF SPECIAL PURPOSE ENTITY**

Due to the continued events of default on the Series 2006 Bonds, on October 1, 2015, the bondholders instructed the Trustee to create a Special Purpose Entity (the "SPE"), Kent Farms Holding Company, LLC, to take title to certain properties located within the District, to enter into a property management agreement, and to transfer funds held under the Indenture to the SPE for operating and other expenses of the SPE. On December 1, 2015, the bondholders instructed the Trustee to take title to certain properties located within the District in accordance with certain purchase and sale agreements, and to acquire intangible property appurtenant to the real property, including any development rights. On March 1, 2016, the bondholders instructed the Trustee to transfer additional funds held under the Indenture to the SPE for the annual operating budget of the SPE.

There have been no contributions to the SPE since February 2022, due to the issuance of the Series 2021 Bonds. A total of \$17,386,323 was transferred since the creation of the SPE.

#### **NOTE 9—ARBITRAGE REQUIREMENTS**

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 year ending June 30, 2025.

#### **NOTE 10—CONTINGENT LIABILITIES**

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

**NOTE 11—SUBSEQUENT EVENTS**

On September 30, 2025, \$1,410,000 of Series 2021A Bonds were redeemed. On September 30, 2025, \$344,755 of the Series 2024B-2 Bonds and \$225,790 of the Series 2024B-3 were redeemed.

**NOTE 12—EVALUATION OF SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 5, 2025 the date which the financial statements were available to be issued.

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## VI. COMPLIANCE

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Farms of New Kent Community Development Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Farms of New Kent Community Development Authority (Authority) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 5, 2025.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material

weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*The Nichols Group*

The Nichols Group, PA  
Fleming Island, Florida

December 5, 2025