

**BALLSTON QUARTER
COMMUNITY DEVELOPMENT AUTHORITY**

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

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THE NICHOLS GROUP, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

**BALLSTON QUARTER
COMMUNITY DEVELOPMENT AUTHORITY**

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

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I. BOARD OF DIRECTORS

Board of Directors

Mr. Takis P. Karantonis, Chairman

Mr. Matt de Ferranti, Vice Chairman

Ms. Maureen Coffey

Ms. Susan Cunningham

Julius D. “JD” Spain

Other Officers

Ms. Michelle Cowan (Treasurer)

Mr. Mason Kushnir (Secretary)

Mr. Mark Schwartz (Assistant Secretary/Treasurer)

II. INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

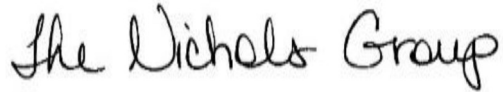
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, 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 March 26, 2026, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Sincerely,

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

The Nichols Group, PA
Fleming Island, Florida
March 26, 2026

III. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Ballston Quarter Community Development Authority's (the "Authority") financial performance provides an overall review of the Authority's financial activities for the fiscal 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 Ballston Quarter \$59,870,000 Revenue Bonds Series 2016 were issued on December 1, 2016. They were comprised of \$44,160,000 in Series 2016A Senior Tax-Exempt bonds (the "Series 2016A Bonds"), bearing interest at 5.0% to 5.5% per annum, and \$15,710,000 in 2016B Subordinate Taxable bonds (the "Series 2016B Bonds" and collectively, with the Series 2016A Bonds, the "2016 Bonds"), bearing interest at 6.625% to 7.000%. The Authority's debt will be paid through the collection of incremental tax revenues pledged to the payment of the Bonds, and special assessments levied on the taxable parcels in the Ballston Quarter Community Development Authority District (the "District"), pledged only to the Series 2016B Bonds.
2. The Ballston Quarter \$40,004,405 Series 2024A-1 and 2024A-2 Revenue Bonds were issued on February 28, 2024. They were comprised of \$15,199,000 Series 2024A-1 Current Interest Bonds (the "Series 2024A-1 Bonds"), bearing interest at 5.50% and \$24,805,405 Series 2024 A-2 Convertible Capital Appreciation Bonds (the "Series 2024A-2 Bonds", and collectively with the Series 2024A-1 Bonds, the "Series 2024 Bonds") bearing interest at 7.125%. The Authority's debt will be paid through the collection of incremental tax revenues pledged to the payment of the Bonds. The Series 2024 Bonds were issued in exchange for \$38,500,000 of Series 2016A Bonds.
3. Net position at June 30, 2025, and 2024 totaled (\$14,270,497) and (\$11,591,703), respectively. The net deficit is due primarily to debt service and depreciation exceeding operating revenues.
4. The Bonds were issued to redevelop and transition the existing Ballston Common Mall and the adjacent residential building site into an open, dynamic, and outward-facing mixed-use development, including approximately 359,300 gross square feet of retail, public plazas and mews, 3,088 parking spaces, and approximately 406 new residential units.
5. Capital assets, net of depreciation, as of June 30, 2025, and 2024 totaled \$41,553,915 and \$43,331,601, respectively. Approximately \$50 million of public improvements were deemed completed as of December 31, 2021. These improvements, which are owned by the Authority, are being depreciated using the straight-line method over their estimated useful lives.

6. Tax increment revenues equaling a portion of the real property tax revenues, local sales tax revenues, and meals tax revenues are due to the trustee on behalf of the Authority, not less frequently than semi-annually and not later than February 1 and August 1 of each year. The Authority recorded \$1,949,064 and \$2,083,653 in tax increment revenues for fiscal years 2025 and 2024, respectively.
7. The Authority is required to furnish an annual report for the collection of a special assessment to Arlington County, Virginia (the “County”) beginning March 1, 2018. Annual installments of the special assessments were billed for fiscal year 2025 and 2024 in the amounts of \$1,095,913 and \$1,145,000, respectively. All special assessments have been collected and remitted to the Authority as of June 30, 2025.
8. The 2016A Bonds had a tender exchange with the Series 2024A-1 Bonds on February 28, 2024, which reduced the required reserve to \$556,400. Replenishments made in August 2024 and May 2025 along with interest and dividends income resulted in a surplus of \$1,795 in the Series 2016A Debt Service Reserve Fund requirement as of June 30, 2025.

Overview of the Financial Statements

This annual report consists of two parts – Management’s Discussion and Analysis and 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 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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets:			
Current assets	\$ 4,773,873	\$ 4,271,761	\$ 3,661,319
Capital assets	41,553,915	43,331,601	45,109,286
Total assets	<u>46,327,788</u>	<u>47,603,362</u>	<u>48,770,605</u>
Liabilities:			
Current liabilities	1,906,505	1,850,716	1,779,947
Long-term debt	58,121,646	56,796,393	56,292,640
Total Liabilities	<u>60,028,151</u>	<u>58,647,109</u>	<u>58,072,587</u>
Deferred Inflows of Resources			
Deferred assessments	570,134	547,956	572,500
Total Liabilities and Deferred Inflows of Resources	<u>60,598,285</u>	<u>59,195,065</u>	<u>58,645,087</u>
Net Position			
Net investment in capital assets	(17,122,731)	(13,924,792)	(11,703,354)
Restricted	3,125,963	2,557,076	1,959,240
Unrestricted	(273,729)	(223,987)	(130,368)
Total Net Position	<u>\$ (14,270,497)</u>	<u>\$ (11,591,703)</u>	<u>\$ (9,874,482)</u>

Bond proceeds were used to finance the construction of improvements and administrative costs of the Authority. The decrease in net position is due primarily to the payment of debt service and the recording of depreciation on the capital assets. Deferred assessments represent taxes collected as of June 30 that were not due until July 15.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Revenues	\$ 3,044,977	\$ 3,228,653	\$ 3,454,275
Operating Expenses	65,616	185,992	173,875
Operating Income	2,979,361	3,042,661	3,280,400
Non-operating Expenses	(5,658,155)	(4,759,882)	(5,130,147)
Change in Net Position	<u>\$ (2,678,794)</u>	<u>\$ (1,717,221)</u>	<u>\$ (1,849,747)</u>

The change in net position from 2024 to 2025 is due primarily to the increase in interest expense due to the accretion of the 2024 A-2 Bonds. The change in net position from 2023 to 2024 is due primarily to the decrease in interest expense and the decrease in TIF revenues.

Capital Assets

The Authority's capital assets consist of approximately \$50 million of completed improvements related to the retail horizontal, residential horizontal and vertical, garage improvements, and other improvements including the ice rink and pedestrian bridge and site improvements and infrastructure. The improvements are being depreciated using the straight-line method over the assets' useful lives. As of June 30, 2025, capital assets net of depreciation totaled \$41,553,915.

Long-Term Debt

The Authority issued \$44,160,000 of Senior Tax-Exempt Revenue Bonds, Series 2016A, dated December 1, 2016, paying interest at 5.0% to 5.5% per annum, and due in annual installments with maturities ranging from 2026 to 2046. On the same day, the Authority issued \$15,710,000 of Subordinate Taxable Revenue Bonds, Series 2016B, paying interest at 6.625% to 7.000% per annum, and due in annual installments with maturities ranging from 2031 to 2046.

The proceeds from the 2016 Bonds are to be used primarily to fund the costs of public improvements in the District including streetscapes, parking facilities, bridge renovations, building facades and open space areas.

The Authority issued \$15,199,000 of Current Interest Bonds, Series 2024A-1, dated February 28, 2024, paying interest at 5.50% per annum, and due in annual installments with maturities from 2032-2046. On the same day, the Authority issued \$24,805,404 of Convertible Capital Appreciation Bonds, paying interest at 7.125% per annum, and due in annual installments from 2047 to 2059. The 2016A Bonds have been exchanged for 2024A-1 and 2024A-2 Bonds in the amount of \$38,500,000. The untendered amount remaining on the 2016A Bonds is \$3,180,000. The Series 2024 Bonds were issued pursuant to the Article 6 of Chapter 51 of Title 15.2 of the Code of Virginia of 1950, as amended (the "Act") in exchange for the 2016A Bonds tendered along with a cash payment from the tendering bondholders. The cash payment will be used in part to pay certain costs of issuing the Series 2024 Bonds. Any 2016A Bonds that are not exchanged for Series 2024 Bonds will remain outstanding under the Indenture and those 2016A Bonds and the Series 2024 Bonds will be secured on parity with respect to the pledge of the Tax Increment Revenues under the Indenture. The Series 2024 Bonds will not be secured by a Debt Service Reserve Fund and will instead be secured by the Series 2024 Stabilization Fund, which will not be funded upon issuance of the Series 2024 Bonds but be accumulated over time from available funds.

The debt service is being paid annually beginning March 1, 2017, for the 2016 Bonds and March 1, 2025, for the Series 2024 Bonds from the bond proceeds, revenue received from the incremental real property tax revenues, local sales tax revenues and meals tax revenues, and, for the Series 2016B Bonds only, special assessments. Tax increment revenues are pledged first to payment of the administrative expenses, Series 2024 Bonds, and any 2016A Bonds remaining outstanding after the exchange, any replenishment of the Series 2016A Debt Service Reserve Fund and the Series 2024 Stabilization Fund, the Special Mandatory Redemption Account for the Series 2024 Bonds, debt service on the Series 2016B Bonds and any replenishment of the debt service reserve and the stabilization Fund for the 2016B Bonds.

Revenues

Revenues for the Series 2024 Bonds and 2016 Bonds are being paid from tax increment revenues, including real property taxes, local sales taxes and meals taxes above the base value, and annual installments of the special assessments billed, to the extent tax increment revenues are not sufficient, to pay debt service on the Series 2016B Bonds.

The tax increment revenues will be paid not less frequently than semi-annually and not later than February 1 and August 1 of each year. The County collected \$1,949,064 and \$2,083,653 in tax increment revenues for the fiscal years ended June 30, 2025, and 2024, respectively. Due to the shortfall in prior years actual tax increment revenues, draws were made on the Reserve Fund for the Series 2016A Bonds totaling \$138,849 for the fiscal year ended June 30, 2024, in order to pay debt service. The deficit was replenished in August 2024 and May 2025 from excess funds. There is no longer a deficit of the Series 2016A reserve funds.

Special assessments are payable in annual installments at the same time general real estate taxes are paid in Arlington County, currently June 15 and October 5 of each tax year. Annual installments for fiscal year 2025 of \$1,095,913 were payable in two installments on June 15, 2025, and October 5, 2024. Annual installments for fiscal year 2024 of \$1,145,000 were payable in two installments on June 15, 2024, and October 5, 2023. As of June 30, 2025, all assessments have been collected.

Economic Factors and Future Outlook

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

Contacting Authority's Financial Management

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

IV. FINANCIAL STATEMENTS

BALLSTON QUARTER COMMUNITY DEVELOPMENT AUTHORITY STATEMENTS OF NET POSITION AS OF JUNE 30,

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Due from primary government	\$ 1,639,534	\$ 1,705,338
Accrued interest receivable	8,376	9,347
Total Current Assets	<u>1,647,910</u>	<u>1,714,685</u>
Noncurrent Assets		
Restricted cash and cash equivalents	3,125,963	2,557,076
Capital assets, net of depreciation	41,553,915	43,331,601
Total Noncurrent Assets	<u>44,679,878</u>	<u>45,888,677</u>
Total Assets	<u>46,327,788</u>	<u>47,603,362</u>
Liabilities		
Current Liabilities		
Accounts payable	34,563	99,024
Accrued interest payable	1,316,942	1,291,692
Current portion of long-term debt	555,000	460,000
Total Current Liabilities	<u>1,906,505</u>	<u>1,850,716</u>
Noncurrent Liabilities		
Long-term debt	58,547,190	57,255,113
Discount on long-term debt	(425,544)	(458,720)
Total Noncurrent Liabilities	<u>58,121,646</u>	<u>56,796,393</u>
Total Liabilities	<u>60,028,151</u>	<u>58,647,109</u>
Deferred Inflows of Resources		
Deferred assessments	570,134	547,956
Total Liabilities and Deferred Inflows of Resources	<u>60,598,285</u>	<u>59,195,065</u>
Net Position		
Net Investment in Capital Assets	(17,122,731)	(13,924,792)
Restricted	3,125,963	2,557,076
Unrestricted	(273,729)	(223,987)
Net Position	<u>\$ (14,270,497)</u>	<u>\$ (11,591,703)</u>

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

BALLSTON QUARTER COMMUNITY DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30,

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Special assessment revenues	\$ 1,095,913	\$ 1,145,000
TIF revenues	1,949,064	2,083,653
Total Operating Revenues	<u>3,044,977</u>	<u>3,228,653</u>
Operating Expenses		
Administrative fees	61,116	91,623
Legal fees	-	89,869
Accounting and audit fees	4,500	4,500
Total Operating Expenses	<u>65,616</u>	<u>185,992</u>
Operating Income	<u>2,979,361</u>	<u>3,042,661</u>
Non-Operating Expenses		
Interest and dividend income	110,758	122,911
Interest expense	(3,991,227)	(2,544,761)
Depreciation expense	(1,777,686)	(1,777,685)
Bond issue costs	-	(810,347)
Developer contribution	-	250,000
Total Non-Operating Expenses	<u>(5,658,155)</u>	<u>(4,759,882)</u>
Change in Net Position	(2,678,794)	(1,717,221)
Net Position, Beginning of Year	<u>(11,591,703)</u>	<u>(9,874,482)</u>
Net Position, End of Year	<u>\$ (14,270,497)</u>	<u>\$ (11,591,703)</u>

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

BALLSTON QUARTER COMMUNITY DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Cash receipts from primary government	\$ 3,132,958	\$ 3,193,317
Cash payments for administrative fees	(50,410)	(142,898)
Cash payments for legal fees	(4,000)	(151,591)
Cash payments for accounting and audit fees	(9,000)	(4,500)
Net Cash Provided by Operating Activities	3,069,548	2,894,328
Cash Flows from Investing Activities		
Interest and dividends received on investments	111,730	121,098
Net Cash Provided by Investing Activities	111,730	121,098
Cash Flows from Capital and Related Financing Activities		
Redemption of Series 2016 Bonds	-	(38,195,000)
Proceeds from issuance of Series 2024 Bonds	-	38,964,828
Developer contribution	-	250,000
Principal paid on bonds	(460,000)	(390,000)
Interest paid on bonds	(2,085,724)	(2,303,738)
Bond issuance costs paid	(66,667)	(743,680)
Net Cash Used by Capital and Related Financing Activities	(2,612,391)	(2,417,590)
Change in Cash and Cash Equivalents	568,887	597,836
Cash and Cash Equivalents, Beginning of Year	2,557,076	1,959,240
Cash and Cash Equivalents, End of Year	\$ 3,125,963	\$ 2,557,076
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	\$ 2,979,361	\$ 3,042,661
Adjustments		
Decrease (increase) in due from governments	65,804	(10,793)
Decrease in accounts payable	(64,462)	(46,329)
Increase (decrease) in deferred assessments	22,178	(24,544)
Decrease (increase) in accounts payable for bond issuance costs	66,667	(66,667)
Net Cash Provided by Operating Activities	\$ 3,069,548	\$ 2,894,328

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 Ballston Quarter Community Development Authority (the “Authority”) was established pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2, Code of Virginia, 1950 as amended (the “Act”). The Act authorizes the Authority to, among other things, acquire, establish, construct, equip, operate and maintain certain infrastructure improvements benefiting property within the Authority district, and to issue revenue bonds to pay the costs associated with such improvements. The Act also authorizes the Authority to finance such improvements by special assessments imposed on property within the Authority’s boundaries. In accordance with the Act, the Authority was created as a Virginia public body by the adoption of an ordinance by the County Board of Arlington County, Virginia (the “County”) on July 16, 2016.

The Ballston Quarter \$44,160,000 Revenue Bonds, Series 2016A (the “Series 2016A Bonds”) and \$15,710,000 Revenue Bonds, Series 2016B (the “Series 2016B Bonds” and, collectively with the Series 2016A Bonds, the “2016 Bonds”), were issued pursuant to an Indenture of Trust (the “Original Indenture”) by and between the Authority and U.S. Bank, National Association (the “Trustee”), dated as of November 1, 2016. The Bonds are limited obligations payable from certain tax increment revenues pledged to the payment of the Bonds, and for the Series 2016B Bonds only, special assessments levied on the taxable parcels in the Ballston Quarter Community Development Authority District (the “District”). The County will apply its customary tax payment enforcement procedures to the collection of any delinquent payments of the taxes and assessments.

The Authority issued \$40,004,405 Revenue Bonds, Series 2024A consisting of the Authority’s \$15,199,000 Revenue Bonds, Series 2024 A-1 (the “2024A-1 Bonds”) and the Authority’s \$24,805,405 Revenue Bonds, Series 2024 A-2 (the “2024A-2 Bonds” and collectively with the Series 2024A-1 Bonds, the “Series 2024 Bonds”). The Series 2024 Bonds are being issued under the provisions of the Original Indenture and a Series 2024A Supplemental Trust Indenture dated as of February 1, 2024, between the Authority and Trustee (the “Supplemental Indenture” and together with the “Original Indenture”, the “Indentures”). The Series 2024 Bonds plus the accrued interest thereon are being issued in exchange for the Authority’s Series 2016A Bonds and a cash payment from the tending bondholders.

The District is located in a commercially-developed area on approximately 4.99 acres of land within Arlington County, Virginia, approximately four miles from Washington, DC. In addition to the parcels that comprise the District, there are also an additional three parcels on which the tax increment revenues are pledged to the Authority. The District includes the existing Ballston Common Mall and the adjacent residential building site, which was redeveloped and transitioned into an open, dynamic and outward-facing mixed-use development that includes approximately 359,300 gross square feet of retail, public plazas and mews, 3,088 parking spaces, and approximately 406 new residential units.

The powers of the Authority are exercised by a number of Board Members equal to the number of members of the County Board of Arlington County, Virginia (the “County Board”). The initial and

all subsequent members of the Authority's board shall be the then-current members of the County Board.

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of 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 financial position, and cash flows.

B. Measurement Focus and Basis of Accounting

The Authority's financial activity is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in total 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. The Authority does not maintain a capitalization threshold as all infrastructure assets are capitalized. Interest expense during the period of construction through June 30, 2019 was capitalized, net of investment earnings. Donated capital assets are recorded at their fair market value on the date they are donated. The Authority does not depreciate infrastructure improvements that will be donated upon completion/acquisition. Assets owned by the Authority will be depreciated using the straight-line depreciation method over the estimated useful life of the asset.

E. Net Position

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

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. For the Authority, these revenues are tax increment revenues and special assessments. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the Authority. All revenues and expenses not meeting this definition are reported as non-operating.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Income Taxes

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

I. 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.

J. Future Accounting Standards

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

NOTE 3—DEPOSITS AND INVESTMENTS

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

	<u>2025</u>	<u>2024</u>
Money market funds	\$ 2,607,006	\$ 2,312,271
Cash	<u>518,957</u>	<u>244,805</u>
Total cash and cash equivalents	<u>\$ 3,125,963</u>	<u>\$ 2,557,076</u>

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. Cash and cash equivalents are carried at cost, which approximates fair market value.

A. Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. There is no custodial credit risk to these accounts as the entire bank balance was covered by federal depository insurance or collateralized in accordance with the provisions under the Indenture.

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 investment of moneys in the Debt Service Reserve Fund must mature or be payable at the option of the Trustee not more than ten years 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 Indenture specifies the minimum rating of different types of cash equivalents and investments in order to address this risk. Investments in the money market funds at June 30, 2025 have met the specified ratings criteria.

Although state statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances, or money market mutual funds, the Indenture establishes stringent credit standards for these investments to minimize portfolio risk. All money held in the funds 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 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 Indenture establishes limitations on the holdings of non-US 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 money market funds totaling \$2,607,006 are valued using quoted market prices (Level 1 inputs).

NOTE 4—RECEIVABLES

Receivables at June 30, 2025, and 2024, consisted of tax increment revenues collected by and due from the County, and interest and dividends on investments. All receivables 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:

2025	Beginning Balance	Additions	Transfers	Ending Balance
Retail Horizontal A	\$ 26,892,704	\$ -	\$ -	\$ 26,892,704
Retail Horizontal B	3,207,122	-	-	3,207,122
Garage Improvements	5,964,928	-	-	5,964,928
Other Improvements - 30 Yr.	11,029,535	-	-	11,029,535
Other Improvements - 15 Yr.	186,441	-	-	186,441
Site Improvements 30 Year	2,715,655	-	-	2,715,655
Site Improvements 15 Year	432,082	-	-	432,082
Subtotal Capital Assets	50,428,467	-	-	50,428,467
Less: Accumulated Depreciation	(7,096,866)	(1,777,686)	-	(8,874,552)
Total Capital Assets	\$ 43,331,601	\$ (1,777,686)	\$ -	\$ 41,553,915

<u>2024</u>	Beginning Balance	Additions	Transfers	Ending Balance
Retail Horizontal A	\$ 26,892,704	\$ -	\$ -	\$ 26,892,704
Retail Horizontal B	3,207,122	-	-	3,207,122
Garage Improvements	5,964,928	-	-	5,964,928
Other Improvements - 30 Yr.	11,029,535	-	-	11,029,535
Other Improvements - 15 Yr.	186,441	-	-	186,441
Site Improvements 30 Year	2,715,655	-	-	2,715,655
Site Improvements 15 Year	432,082	-	-	432,082
Subtotal Capital Assets	50,428,467	-	-	50,428,467
Less: Accumulated Depreciation	(5,319,181)	(1,777,685)	-	(7,096,866)
Total Capital Assets	<u>\$ 45,109,286</u>	<u>\$ (1,777,685)</u>	<u>\$ -</u>	<u>\$ 43,331,601</u>

The improvements constructed in the District include various infrastructure improvements related to streetscapes, parking facilities, bridge renovations, building facades and open space areas within and serving the District. The proceeds of the Bonds are to be used primarily to fund the costs of these public improvements. Pursuant to the Development Agreement, the public improvements will be conveyed to the County, the Authority, or other such public entity upon completion.

As of June 30, 2022, it was determined that public improvements totaling \$50,428,467 were completed and owned by the Authority. The Authority is depreciating all assets using the straight-line method of depreciation over the estimated useful life of the assets.

NOTE 6—LONG-TERM OBLIGATIONS

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

	Balance July 1, 2024	Increase	Decrease	Balance June 30, 2025	Due in one year
<u>Series 2016A</u>					
Term 2026	\$ 760,000	\$ -	\$ 350,000	\$ 410,000	\$ 410,000
Term 2031	1,920,000	-	-	1,920,000	-
Term 2036	-	-	-	-	-
Term 2046	500,000	-	-	500,000	-
Total Series 2016A	3,180,000	-	350,000	2,830,000	410,000
Less: Unamortized discount	(458,720)	-	33,176	(425,544)	(32,696)
Net Series 2016A	2,721,280	-	383,176	2,404,456	377,304
<u>Series 2016B</u>					
Term 2031	1,525,000	-	110,000	1,415,000	145,000
Term 2036	2,535,000	-	-	2,535,000	-
Term 2046	11,480,000	-	-	11,480,000	-
Total Series 2016B	15,540,000	-	110,000	15,430,000	145,000
<u>Series 2024</u>					
Series 2024A-1	15,199,000	-	-	15,199,000	-
Loss on bond tender	(1,023,883)	-	(47,253)	(976,630)	(47,254)
Series 2024A-2	24,819,996	1,799,825	-	26,619,821	-
Total Series 2024	24,819,996	1,799,825	(47,253)	40,842,191	(47,254)
Total Bonds Payable	\$ 43,081,276	\$ 1,799,825	\$ 445,923	\$ 58,676,646	\$ 475,050

	Balance July 1, 2023	Increase	Decrease	Balance June 30, 2024	Due in one year
<u>Series 2016A</u>					
Term 2026	\$ 1,535,000	\$ -	\$ 775,000	\$ 760,000	\$ 350,000
Term 2031	4,355,000	-	2,435,000	1,920,000	-
Term 2036	7,325,000	-	7,325,000	-	-
Term 2046	28,465,000	-	27,965,000	500,000	-
Total Series 2016A	41,680,000	-	38,500,000	3,180,000	350,000
Less: Unamortized discount	(492,360)	-	33,640	(458,720)	(33,176)
Net Series 2016A	41,187,640	-	38,533,640	2,721,280	316,824
<u>Series 2016B</u>					
Term 2031	1,610,000	-	85,000	1,525,000	110,000
Term 2036	2,535,000	-	-	2,535,000	-
Term 2046	11,480,000	-	-	11,480,000	-
Total Series 2016B	15,625,000	-	85,000	15,540,000	110,000
<u>Series 2024</u>					
Series 2024A-1	-	15,199,000	-	15,199,000	-
Loss on bond tender	-	(1,023,883)	-	(1,023,883)	-
Series 2024A-2	-	24,819,996	-	24,819,996	-
Total Series 2024	-	38,995,113	-	38,995,113	-
Total Bonds Payable	\$ 56,812,640	\$ 38,995,113	\$ 38,618,640	\$ 57,256,393	\$ 426,824

A. Special Obligation Bonds, Series 2016

On December 1, 2016, the Authority issued \$59,870,000 in Revenue Bonds Series 2016A and Series 2016B to finance the construction of public infrastructure improvements located within the District, to fund a reserve fund, to fund capitalized interest on the Bonds, to fund certain administrative expenses, and to pay costs relating to the issuance of the Bonds.

The Series 2016A Bonds are limited obligations of the Authority payable after payment of administrative expenses solely from and secured by a senior pledge of certain tax increment revenues collected by the County. The Series 2016B Bonds are limited obligations of the Authority payable solely from and secured by a subordinate pledge of tax increment revenues, and, to the extent tax increment revenues are insufficient to pay the debt service due on the Series 2016B Bonds, an exclusive pledge of special assessments imposed and collected at the request of the Authority by the County against the taxable real property in the District pursuant to the terms of the Special Assessment Agreement and the Rate and Method of Apportionment of Special Assessments. The Bonds are additionally secured by certain cash and investments held under the Indenture.

The Bonds were issued as follows:

Series 2016A Revenue Bonds:

- \$2,285,000 in 5.000% term bonds maturing on March 1, 2026
- \$4,530,000 in 5.125% term bonds maturing on March 1, 2031
- \$7,635,000 in 5.375% term bonds maturing on March 1, 2036
- \$29,710,000 in 5.500% term bonds maturing on March 1, 2046

Series 2016B Taxable Revenue Bonds:

- \$1,695,000 in 6.625% term bonds maturing on March 1, 2031
- \$2,535,000 in 6.875% term bonds maturing on March 1, 2036
- \$11,480,000 in 7.000% term bonds maturing on March 1, 2046

Interest on the Bonds is payable semiannually on March 1 and September 1 of each year. Principal payments on the Bonds are due each March 1 according to the mandatory sinking fund redemption schedule beginning March 1, 2022.

Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest payments totaled \$1,242,813 and \$2,303,738 for each of the fiscal years ended June 30, 2025, and 2024, respectively.

The Bonds are subject to optional redemption, special mandatory redemption, and mandatory sinking fund redemption.

B. Revenue Bonds, Series 2024A

On February 28, 2024, the Authority issued \$40,004,405 in Revenue Bonds Series 2024 A-1 (Current Interest Bonds) and Series 2024 A-2 Bonds (Convertible Capital Appreciation Bonds) pursuant to the Original Indenture as supplemented and amended by the Supplemental Indenture in exchange for a portion of the 2016A Bonds and to pay along with other available funds, the cost of issuing the Series 2024 Bonds and exchanging and redeeming the Series 2016A Bonds. The Series 2016A Bonds to be tendered by the tendering bondholders totaling \$38,500,000 will be referred to as the “Refunded 2016A Bonds”.

The Series 2024 Bonds are limited obligations payable after payment of administrative expenses solely from and secured by a senior pledge of the Tax Increment Revenues collected by the County and transferred by the County, subject to appropriation by the County Board, to the Authority pursuant to the terms of the Special Assessment Agreement. The Series 2024 Bonds are additionally secured by certain cash and investments from time to time to be accumulated and held in certain funds established under the Indenture, including the Series 2024 stabilization fund. The untendered 2016A Bonds are secured by a pledge of the tax increment revenues on a parity with the Series 2024 Bonds and are in addition secured by certain funds to be accumulated and held under the Indenture, including funds in the 2016A subaccount of the Debt Service Reserve Fund.

The Series 2024A-1 Bonds were issued at a 5.50% interest rate in the amount of \$15,199,000. Interest on the Series 2024A-1 Bonds is payable each March 1 and September 1, beginning on September 1, 2024.

Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest payments totaled \$842,911 for the fiscal year ended June 30, 2025.

The Series 2024A-2 Bonds were issued at a 7.125% interest rate in the amount of \$24,805,405. Interest on the Series 2024A-2 Bonds, will compound on each March 1 and September 1, beginning on March 1, 2024, according to the accretion schedule. As of June 30, 2025, the par value of the Series 2024A-2 Bonds is \$26,619,821. The Series 2024A-2 Bonds will be fully accreted as of September 1, 2029 (the “Conversion Date”) in the amount of \$36,478,000. After the Conversion Date, interest will be paid on each September 1 and March 1 beginning on March 1, 2030.

C. Optional Redemption

The 2016 Bonds may be redeemed at the option of the Authority prior to their respective maturities in whole or in part at any time on or after March 1, 2027, plus accrued interest to the redemption date at 100% of the redemption principal amount.

The Series 2024A-1 Bonds are not subject to optional redemption before maturity. The Series 2024A-2 Bonds are subject to redemption before maturity at the option of the Authority at any time, or from time to time, on or after March 1, 2040. The Authority shall give the Trustee written notice of its intention to exercise its option to redeem the Series 2024A-2 Bonds at least 45 days before the date fixed for redemption.

D. Special Mandatory Redemption

The Series 2016B Bonds are subject to special mandatory redemption as a whole or in part on any interest payment date at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date from amounts deposited in the 2016B Prepayment Subaccount from prepayments of special assessments, transfers from the 2016B Debt Service Reserve Fund pursuant to the Indenture, moneys remaining in the Taxable Bond Project Fund after completion of the improvements, or any amounts in the Net Proceeds Account which shall be transferred to the Redemption Account of the Bond Fund. Any amounts transferred from the Tax-Exempt Bond Project Fund shall be applied solely to the redemption of tax-exempt bonds (Series 2016A), and amounts transferred from the Taxable Bond Project Fund shall be applied solely to the redemption of Series 2016B Bonds.

The Series 2024A-1 Bonds are subject to special mandatory redemption before maturity, on each March 1 on or after the “Series 2024A-1 Special Mandatory Redemption Commencement Date”, from any moneys on deposit in the Series 2024A Special Mandatory Redemption Account, as a whole or in part in increments of \$100,000 and any integral multiple of \$1,000 in excess thereof, upon payment of a redemption price equal to 100% of the principal amount of the Series 2024A-1 Bonds to be redeemed, plus interest accrued to the date fixed for redemption. The “Special Mandatory Redemption Commencement Date” is the first day of the month following the month in which the

amounts in the Series 2016A Debt Service Reserve Fund are equal to or greater than the Debt Service Fund Requirement.

The Series 2024A-2 Bonds are subject to special mandatory redemption before maturity, on each March 1 on or after the “Series 2024A-2 Special Mandatory Redemption Commencement Date”, from any moneys on deposit in the Series 2024 Special Mandatory Redemption Account, as a whole or in part in increments that will have a final accreted value of \$100,000 and any integral multiple of \$1,000 in excess thereof, upon payment of a redemption price equal to 100% of the accreted value as of the date fixed for redemption of the Series 2024A-2 Bonds to be redeemed plus interest accrued to the date fixed for redemption. The Special Mandatory Redemption Commencement Date is the first day of the month following the month in which the Series 2024A-1 Bonds are no longer outstanding. There were no special mandatory redemptions made in the fiscal years ended June 30, 2025, and 2024.

E. Mandatory Sinking Fund Redemption

The 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:

Year Ending June 30:	<u>Series 2016A</u>		<u>Series 2016B</u>	
	Principal	Interest	Principal	Interest
2026	\$ 410,000	\$ 146,400	\$ 145,000	\$ 1,071,625
2027	295,000	125,900	175,000	1,062,019
2028	335,000	110,781	210,000	1,050,425
2029	380,000	93,613	255,000	1,036,513
2030	430,000	74,138	290,000	1,019,619
2031-2035	480,000	162,100	2,240,000	4,735,931
2036-2040	160,000	125,125	3,960,000	3,742,806
2041-2045	270,000	67,375	6,470,000	2,033,150
2046-2050	70,000	3,850	1,685,000	117,950
Total	<u>\$ 2,830,000</u>	<u>\$ 909,282</u>	<u>\$15,430,000</u>	<u>\$ 15,870,038</u>

Year Ending June 30:	<u>Series 2024 A-1</u>		<u>Series 2024 A-2</u>	
	Principal	Interest	Principal	Interest
2026	\$ -	\$ 835,946	\$ -	\$ -
2027	-	835,946	-	-
2028	-	835,946	-	-
2029	-	835,946	-	-
2030	-	835,946	-	1,299,529
2031-2035	1,798,000	4,074,292	-	12,995,290
2036-2040	4,502,000	3,233,068	-	12,995,290
2041-2045	7,090,000	1,735,254	-	12,995,290
2046-2050	1,809,000	99,496	5,431,920	12,190,022
2051-2055	-	-	9,276,016	8,339,312
2056-2059	-	-	10,097,468	2,735,716
	<u>\$ 15,199,000</u>	<u>\$13,321,840</u>	<u>\$24,805,404</u>	<u>\$ 63,550,449</u>

Year Ending June 30:	Total Bonds Payable	
	Principal	Interest
2026	\$ 555,000	\$ 2,053,971
2027	470,000	2,023,865
2028	545,000	1,997,152
2029	635,000	1,966,072
2030	720,000	3,229,232
2031-2035	4,518,000	21,967,613
2036-2040	8,622,000	20,096,289
2041-2045	13,830,000	16,831,069
2046-2050	8,995,920	12,411,318
2051-2055	9,276,016	8,339,312
2056-2059	10,097,468	2,735,716
Total	<u>\$ 58,264,404</u>	<u>\$ 93,651,609</u>

NOTE 7—REVENUES

The Series 2024 Bonds and 2016 Bonds (collectively “The Bonds”) are limited obligations of the Authority payable solely from and secured by a pledge of certain tax increment revenues pledged to the payment of the Bonds, and, for the Series 2016B Bonds only, special assessments levied on the taxable parcels in the District. The Rate and Method of Apportionment of Special Assessment for the Authority adopted by the County sets forth the methodology applied in the calculation and collection of the special assessments. The County’s payment to the Authority of tax increment revenues and special assessments is subject to appropriation by the County Board.

A. Tax Increment Revenues

Tax increment revenues equal a portion of the real property tax revenues, local sales tax revenues, and meals tax revenues as specified in the Special Assessment Agreement dated November 1, 2016. Tax increment revenues will be paid by the County to the Trustee on behalf of the Authority, not less frequently than semi-annually, and not later than February 1 and August 1 of each year. Tax increment revenues are pledged first to payment of the Series 2016A Bonds, Series 2024 A-1 and 2024 A-2 Bonds, and subordinately to the Series 2016B Bonds.

Tax increment revenues of \$1,949,064 and \$2,083,653 were collected by the County as of June 30, 2025, and 2024, respectively, and remitted to the Authority.

B. Special Assessments

Annual special assessments will be determined in accordance with the Rate and Method of Apportionment of Special Assessment and, generally, are equal to annual debt service less any other amounts available for the payment of such debt service. Special assessments, which secure the Series 2016B Bonds only, will be collected only to the extent tax increment revenues are not sufficient to pay debt service on the Series 2016B Bonds. Unless prepaid, the special assessments are payable in installments at the same time that general real estate taxes are paid in the County, currently June 15th

and October 5th of each tax year. The Authority will furnish an annual report to the County each March 1, calculating the annual installment required for the upcoming tax year. 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 assessments including assessment of penalties and interest. In addition, the County has elected to pursue foreclosure proceedings on the first anniversary of the date on which any delinquent special assessments come due pursuant to Virginia Code § 58.1-3965.

The annual installments of the special assessments billed to property owners for fiscal years 2025 and 2024 were equal to \$1,095,913 and \$1,145,000, respectively. All annual installments have been collected and remitted to the Authority.

NOTE 8—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 ended June 30, 2025, and 2024.

NOTE 9—DRAW ON RESERVE FUND

Due to a shortfall in actual tax increment revenues collected, draws were made on the Series 2016A Debt Service Reserve Fund totaling \$4,340,939 through March 1, 2024.

After the Series 2024 Bonds were issued, the requirement for the debt service reserve was updated to total \$556,400. In 2025, there was a replenishment of the reserve fund totaling \$296,499. As of June 30, 2025, there was a surplus of funds totaling \$1,795.

NOTE 10— SUBSEQUENT EVENTS

A. Revenues Received

Tax increment revenues in the amount of \$1,069,400 were received in September 2025. Special assessment revenues of \$570,134 have been received by the County for tax year 2025. There are no current delinquencies of special assessments.

B. Surplus on Reserve Fund

As of September 30, 2025, the surplus in the Series 2016A Debt Service Reserve Fund is \$5,450 due to replenishment of the fund from a \$86,256 deposit on May 7, 2025, from excess funds.

C. Debt Service Payments Series A Bonds

On March 1, 2026, Series 2016A Revenue Bonds CUSIP 058696AA3 matured. A payment to principal of \$410,000 and a payment to interest of \$146,400 was paid.

NOTE 11—CONTINGENT LIABILITIES

There are no claims or lawsuits pending against the Authority.

NOTE 12—EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 26, 2026, the date which the financial statements were available to be issued.

VI. COMPLIANCE



THE NICHOLS GROUP, P.A.
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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
Ballston Quarter 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 Ballston Quarter Community Development Authority (Authority) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 26, 2026.

Report on Internal Control over Financial Reporting

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

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

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.


Report on Compliance and Other Matters

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

Purpose of This Report

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

Sincerely

The Nichols Group

The Nichols Group, PA
Fleming Island, Florida

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