STATE ROUTE 28 HIGHWAY TRANSPORTATION IMPROVEMENT DISTRICT

Basic Financial Statements
(with Report of Independent Auditor)

For the Fiscal Year Ended June 30, 2021

STATE ROUTE 28 HIGHWAY TRANSPORTATION IMPROVEMENT DISTRICT
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June 30, 2021

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Commissioners
State Route 28 Highway Transportation Improvement District
Dulles, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the State Route 28 Highway Transportation Improvement District (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2021, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 November 5, 2021, on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tysons Corner, Virginia
November 5, 2021

This section of the State Route 28 Highway Transportation Improvement District's (District) financial report presents a discussion and analysis of the District's financial performance for the fiscal year ended on June 30, 2021. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The District's deficit in net position was $137.41 million at June 30, 2021, as compared to a deficit in net position of $149.29 million at June 30, 2020.

- Operating revenues of $24.69 million exceeded operating expenses of $5.05 million in transportation services by $19.64 million for fiscal year 2021. After considering the net effect of non-operating revenues and expenses, which include investment earnings, interest expense, other charges, and accretion on capital appreciation bonds, the net decrease to the deficit in net position was $11.88 million.

- The District's cash and cash equivalents increased by $1.57 million during fiscal year 2021. The net cash provided by operating activities was $19.79 million; cash used in financing activities was $18.36 million; and cash provided by investing activities was $0.14 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of (1) the independent auditor's report, (2) this management's discussion and analysis, and (3) the financial statements of the District. The financial statements, which include notes to explain information in the financial statements and to provide more detailed data, report information about the District using the economic resources measurement focus and the accrual basis of accounting, which are similar to those used by private sector companies. The following required financial statements provide both short-term and long-term information about the District's overall financial status.

Statement of Net Position

The Statement of Net Position presents information on all the District's assets plus deferred outflows of resources less liabilities and deferred inflows of resources. The statement provides information about the nature and the amounts of investments in resources (assets), deferred loss on refunding of debt (deferred outflows of resources), the obligations to the District's creditors (liabilities), and the deferred gain on refunding of debt (deferred inflows of resources). It provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Statement of Revenues, Expenses, and Changes in Net Position

All the revenues and expenses for the fiscal year are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the results of the District's operations for the fiscal year and can be used to determine whether the District has successfully recovered all its expenses through its charges and other revenues.

Statement of Cash Flows

The Statement of Cash Flows reports all cash receipts, cash payments, and changes in cash from operating, investing, and financing activities. This statement provides information about all the sources and uses of cash and the net change in the balance of cash and cash equivalents for the fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT

Summary of Net Position

Net position may serve as a useful indicator of an entity's financial position. The following table presents a summary of the Statements of Net Position for the District as of June 30, 2021 and 2020:

	In Millions	
	2021	2020
Assets:		
Current assets	$ 42.25	$ 40.87
Restricted assets	23.34	23.31
Total assets	65.59	64.18
Deferred Outflows of Resources:	8.39	9.01
Liabilities:		
Current liabilities	14.57	14.51
Long-term liabilities	194.79	205.76
Total liabilities	209.36	220.27
Deferred Inflows of Resources:	2.03	2.21
Net Position:		
Restricted - debt service	18.91	18.89
Unrestricted deficit	(156.32)	(168.18)
Net position	$ (137.41)	$ (149.29)

The Commonwealth of Virginia (Commonwealth), in which the District resides, is responsible for maintaining the Route 28 Highway and holds title to this infrastructure. As such, the road infrastructure and related improvements which the District is financing are not reported as the District's capital assets, resulting in a deficit in unrestricted and total net position as of June 30, 2021 and 2020. This deficit will be addressed through future collections of special assessments. Refer to Footnote A.1 for further information.

Summary of Revenues, Expenses, and Changes in Net Position

The following table summarizes the changes in net position for the District for the years ended June 30, 2021 and 2020:

	In Millions 2021	In Millions 2020
Operating revenues (expenses):		
Charges for services	$ 24.69	$ 24.01
Transportation service	(5.05)	(3.69)
Operating income	19.64	20.32
Nonoperating revenues (expenses):		
Investment earnings	0.12	1.12
Interest and other charges	(7.88)	(8.22)
Net nonoperating expenses	(7.76)	(7.10)
Change in net position	11.88	13.22
Net position, beginning of year	(149.29)	(162.51)
Net position, end of year	$ (137.41)	$ (149.29)

The District's operating revenues consist of charges to owners of taxable real estate zoned for commercial and industrial use and located in the District for making improvements to State Route 28. Operating expenses consist of the District's share of the cost of improvements to State Route 28. Refer to footnote A. Summary of Significant Accounting Policies, for further information.

LONG-TERM DEBT

The District was created as a Transportation Improvement District for the sole purpose of financing improvements to State Route 28. The Commonwealth has issued its revenue bonds to provide part of the funding to the District for these improvements and the District has agreed to make payments to the Commonwealth equal to the debt service on these bonds. In previous fiscal years, the Fairfax County Economic Development Authority (EDA) issued on behalf of the District (see Note E.2), $33.38 million of Transportation Contract Revenue Bonds (Route 28 Project) Series 2003, $57.41 million of Transportation Contract Revenue Bonds (Route 28 Project) Series 2004, $41.51 million of Transportation Contract Revenue Bonds (Route 28 Project) Series 2007A, and $51.51 million of Transportation Contract Revenue Bonds (Route 28 Project) Series 2008. In May 2012, the EDA issued $86.28 million of transportation contract revenue refunding bonds on behalf of the State Route 28 Transportation Improvement District to advance refund $29.29 million of outstanding Series 2003 bonds and $52.76 million of outstanding Series 2004 Bonds. In August 2016, the EDA issued $88.80 million of transportation contract revenue refunding bonds on behalf of the State Route 28 Transportation Improvement District to advance refund $41.51 million of outstanding Series 2007A bonds and $43.66 million of outstanding Series 2008 Bonds. Refer to footnote E for further information regarding the District's long-term liabilities.

The following is a summary of the District's gross outstanding debt, net of premiums, as of June 30, 2021 and 2020.

	2021	2020
Loans Payable to Commonwealth of Virginia	$ 57.26	$ 63.08
Series 2012 Transportation Contract Revenue Bonds	63.47	67.73
Series 2016A Transportation Contract Revenue Bonds	43.03	43.03
Series 2016B Transportation Contract Revenue Bonds	43.54	44.06
Total outstanding debt	$ 207.30	$ 217.90

ECONOMIC FACTORS

Economic factors, decisions, and conditions can have a significant effect on the financial position and changes in financial position for the District in fiscal year 2021. Specifically, the following items are of particular interest to the District:

- The percentage decrease in real property assessed value for fiscal year 2021 is 1.79 percent, which will impact the amount of charges for services.

- The assessment rate was $0.17 per $100 of assessed fair market value, a decrease of $0.01 from the assessment rate of $0.18 per $100 of assessed fair market value in fiscal year 2020. The maximum allowable rate is $0.20 per $100 of assessed fair market value.

- Phase V construction includes the Northbound 28 widening from Route 50 to McLearen Rd (Area 4), and the Northbound 28 widening from Dulles Toll Road (DTR) to Sterling Blvd in Loudoun County (Area 5) are estimated at approximately $38.9 million. Area 5 construction funding of $20 million was approved in June 2019 by the NVTA and the construction has begun. Area 4 construction funding of $18.9 million was approved by the Route 28 Commission on March 29, 2020. The construction for Area 4 began in December 2019 and was completed in December 2020 with estimated final costs of $17.6 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's customers, investors, and creditors with a general overview of the District's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the County of Fairfax, Virginia, Department of Finance, 12000 Government Center Parkway, Suite 214, Fairfax, Virginia, 22035, or the County of Loudoun, Virginia, Office of the Comptroller, 4th Floor, Post Office Box 7000, Leesburg, VA 20177.

STATE ROUTE 28 HIGHWAY TRANSPORTATION IMPROVEMENT DISTRICT
Statement of Net Position
June 30, 2021

Assets		
Current assets:		
Cash and cash equivalents	$	38,672,923
Accounts receivable:		
County of Fairfax, VA		1,025
County of Loudoun, VA		3,567,669
Interest receivable		4,064
Prepaid fees		1,908
Restricted:		
Cash and cash equivalents		23,335,975
Total current assets		65,583,564
Total assets		65,583,564
Deferred Outflows of Resources		
Deferred loss on refunding of debt		8,387,757
Total deferred outflows of resources		8,387,757
Liabilities		
Current liabilities:		
Accrued interest payable:		
Bonds payable		1,176,983
Loans payable to the Commonwealth		134,880
Loans payable to the Commonwealth		8,105,000
Bonds payable, net		5,152,621
Total current liabilities		14,569,484
Long-term liabilities:		
Loans payable to the Commonwealth		49,153,246
Bonds payable, net		145,633,512
Total long-term liabilities		194,786,758
Total liabilities		209,356,242
Deferred Inflows of Resources		
Deferred gain on refunding of debt		2,028,744
Total deferred inflows of resources		2,028,744
Net Position		
Restricted - debt service		18,910,969
Unrestricted deficit		(156,324,634)
Net position	$	(137,413,665)

See accompanying notes to the financial statements.

STATE ROUTE 28 HIGHWAY TRANSPORTATION IMPROVEMENT DISTRICT
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2021

Operating revenues:	
Charges for services - Special improvements assessments from:	
County of Fairfax, VA	$ 11,806,709
County of Loudoun, VA	12,884,819
Total operating revenues	24,691,528
Operating expenses:	
Transportation services - Improvements to State Route 28	5,047,415
Operating income	19,644,113
Nonoperating revenues (expenses):	
Investment earnings	120,729
Interest expense	(5,557,335)
Accretion on capital appreciation bonds	(2,286,623)
Other charges	(42,223)
Total net nonoperating expenses	(7,765,452)
Change in net position	11,878,661
Net position, beginning of year	(149,292,326)
Net position, end of year	$ (137,413,665)

See accompanying notes to the financial statements.

STATE ROUTE 28 HIGHWAY TRANSPORTATION IMPROVEMENT DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

Cash flows from operating activities:		
Receipts from special improvements assessments from:		
County of Fairfax, VA	$	11,805,684
County of Loudoun, VA		13,034,572
Payments to Virginia Department of Transportation		(5,047,415)
Net cash provided by operating activities		19,792,841
Cash flows from financing activities:		
Principal payments on long-term debt		(12,890,000)
Interest payments on long-term debt		(5,433,599)
Other costs		(42,223)
Net cash used in financing activities		(18,365,822)
Cash flows from investing activities:		
Interest received		143,463
Net cash provided by investing activities		143,463
Net increase in cash and cash equivalents		1,570,482
Cash and cash equivalents, beginning of year		60,438,416
Cash and cash equivalents, end of year	$	62,008,898
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	19,644,113
Changes in assets and liabilities:		
Decrease in accounts receivable		148,728
Total adjustments		148,728
Net cash provided by operating activities	$	19,792,841
Noncash investing, capital, and financing activities:		
Accretion of capital appreciation bonds	$	2,286,623
Amortization of bond premiums	$	(263,639)
Amortization of deferred loss and deferred gain	$	433,912

See accompanying notes to the financial statements.

STATE ROUTE 28 HIGHWAY TRANSPORTATION IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State Route 28 Highway Transportation Improvement District (District) was created pursuant to the Multicounty Transportation Improvement Districts Act (Section 15.2-463 of the Code of Virginia) (Act) on December 21, 1987, by resolutions of the Boards of Supervisors (Boards) of the County of Fairfax, Virginia and the County of Loudoun, Virginia (Counties), following the receipt of a joint petition from a group of owners of land along State Route 28 (Route 28) on October 17, 1987, for the purpose of undertaking improvements to Route 28, a north-south State Highway, which passes through the Counties. The District's boundaries encompass approximately 14,800 acres of land, approximately 14 miles in length, located generally along Route 28 in the Counties.

The District is governed by a Commission of nine members, composed of four of the elected members of the Boards of each of the Counties and the Chairman of the Commonwealth of Virginia Transportation Board or his or her designee. The Chairman of the Commission is elected by its members.

The District has no taxing power. As empowered by the Act and as petitioned by the landowners, the Counties have agreed, subject to annual action by their respective Boards, to levy, collect and remit to the District a limited ad valorem tax on taxable real estate zoned for commercial and industrial use and located in the District (Special Improvements Assessments) to fund the improvements to Route 28.

As of June 30, 2021, there have been five major improvement projects undertaken.

- Phase I, which widened Route 28 from two to six lanes, began in 1988 and completed in July 1991 under a construction contract with the Virginia Department of Transportation (VDOT), with costs being shared by the District and VDOT in the ratio of 75/25. Construction funding was provided to the District via a loan from the Commonwealth from the proceeds of its sale of certain transportation contract revenue bonds.

- Phase II, which added six urban (grade-separated) interchanges along Route 28, began in 2002 and completed in September 2007 under a construction contract with VDOT. Construction funding was provided to the District via (1) a loan from the Commonwealth of Virginia from the proceeds of its sale of certain transportation contract revenue bonds, and (2) the sale of transportation contract revenue bonds by the Fairfax County Economic Development Authority (EDA) on behalf of the District.

- Phase III, which constructed four additional interchanges, was completed in December 2014. Construction funding was provided to the District through the sale of transportation contract revenue bonds by the EDA on behalf of the District. The final payment for the completed interchanges was made in June 2019.

- Phase IV, which is an 8-lane widening project that covers the Route 28 Tax District widening segment from Route 50 to Sterling Boulevard, includes the approved Northern

Virginia Transportation Authority funding of $66.20 million, and covers the construction costs for three widening segments along with widening the Route 28 bridges over the Dulles Airport Access Road and Toll Road, and the design and right of way acquisition for the remaining two segments of NB route 28 widening. The Mill/Overlay/Restriping work was completed in conjunction with the three widening segments in summer 2017, and the Right-of -Way acquisition was completed in spring 2019.

- Phase V, which is the final remaining Tax District segments that includes the Northbound 28 widening from Route 50 to McLearen Rd (Area 4), and the Northbound 28 widening from Dulles Toll Road (DTR) to Sterling Blvd in Loudoun County (Area 5) are estimated at approximately $38.9 million. Area 5 construction funding of $20 million was approved in January 2019 by the NVTA. Construction for Area 5 was completed in June 2020. Final expenditures for Area 5 were $18.2 million. Area 4 construction funding of $18.9 million was approved by the Route 28 Commission in March 2019. The construction for Area 4 began in December 2019 and was completed in December 2020. Final expenditures for Area 4 are estimated at approximately $17.6 million.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to government units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

1. Measurement Focus and Basis of Accounting

The District plans to recover all the costs of providing improvements to Route 28 from the receipt of the Special Improvement Assessments and contributions, if any, from the Counties. Accordingly, the District is considered a special-purpose government engaged in business-type activities. The District prepares the financial statements using an economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Special Improvements Assessments are recorded as charges for services when they are due to the District (that is, when they are collected by the Counties) without regard to the year levied. The District defines operating revenues and expenses as being those that are directly related to the improvements to Route 28. These Route 28 improvements become the property of VDOT and, accordingly, are not reported as capital assets by the District. Nonoperating revenues and expenses are those related to investments and debt.

2. Cash and Cash Equivalents

Cash and cash equivalents are set aside with fiscal agents and/or trustees in accordance with contractual obligations. Cash equivalents are highly liquid investments that are readily convertible into known amounts of cash and that mature within three months of the dates of acquisition. These investments are reported at fair value using quoted market prices. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost, which approximate fair value.

3. Restricted Assets

Restricted assets are liquid assets which have third-party limitations on their use. Bond proceeds set aside in reserve funds are restricted for future debt service. Amounts available for road improvements and special assessments collected and due to the District are considered unrestricted. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Tax Status

The District is not subject to federal, state, or local income taxes, and, accordingly, no provision for income taxes is made.

B. CASH AND INVESTMENTS

1. Deposit and Investment Policy

The District maintains an investment policy, the overall objectives of which are the protection of investment principal; providing needed liquidity; the maximization of the investment of available funds; and conformity with reporting, disclosure, and legal requirements. The District, in compliance with its policy and the Code of Virginia, is authorized to purchase the following types of investments:

a. Obligations of the U.S. Government and certain of its agencies with a maximum maturity of five years

b. Obligations of U.S. Government-sponsored enterprises with a maximum maturity of five years

c. Bankers' acceptances with a maximum maturity of one year

d. Investments pursuant to the Government Non-Arbitrage Investment Act, Chapter 47, Title 2.2, Code of Virginia, 1950, as amended, such as the Virginia State Non-Arbitrage Program

e. Negotiable and non-negotiable certificates of deposit or time deposits meeting certain criteria with a maximum maturity of three years

f. Federal Deposit Insurance Corporation-insured certificates of deposit with a maximum maturity of three years

g. Repurchase agreements with banks acting as principal or agent, collateralized by U.S. Treasury or agency securities, with a maximum maturity of one month

h. Certain money market mutual funds registered under the Securities Act of the Commonwealth of Virginia or the Federal Investment Company Act of 1940, as amended, provided the investments of such funds are restricted to investments otherwise permitted by law for political subdivisions

i. Commercial paper, with a maturity of 270 days or less, issued by corporations organized and operating under the laws of the U.S. or any state thereof including paper issued by banks and bank holding companies

j. Bank demand deposits as specified in the Virginia Security for Public Deposits Act

k. Corporate notes issued by U.S. corporations meeting certain criteria with a maximum maturity of three years

l. Local Government Investment Pool (LGIP) – Daily Liquidity fund and Bond fund investments

2. Interest Rate Risk

To the extent practicable, it is the District's policy to coordinate the maturity of invested and reinvested monies in a manner that they shall mature or be subject to redemption not later than the respective dates the monies will be required for the purposes intended. The specific maturity dates of the District's cash, cash equivalents and investments as of June 30, 2021, are summarized as follows:

Investment Type	Valuation	Weighted Average Maturity (Days)
Cash and cash equivalent:		
Money market funds (measured at amortized cost)	$ 62,008,898	1.0

3. Credit Risk

The District's policy is to minimize the risk of loss due to the failure of an issuer or other counterparty to an investment to fulfill its obligations. Also, new investments shall not be made in securities that are listed on Moody's Investors Service (Moody's) Watchlist, Standard & Poor's Corporation (S&P) Credit Watch, or Fitch Watch with a negative short-term rating. The policy specifies the following acceptable credit ratings for specific types of investments:

a. U.S. government agencies, government sponsored enterprise instruments, and non-negotiable certificates of deposit have no minimum credit rating requirement.

b. Money market mutual funds must be rated AAA by S&P and Moody's.

c. Bankers' acceptances must have a minimum rating of A-1 by S&P and P-1 by Moody's.

d. Negotiable certificates of deposit and time deposits must be rated at least A-1 by S&P and P-1 by Moody's if less than one year or AA by S&P if greater than one year.

e. Prime quality commercial paper must be rated at least two of the following: A-1 by S&P, P-1 by Moody's, F-1 by Fitch, or D-1 by Duff and Phelps, Inc.

f. Corporate notes must be rated at least two of the following: Aa by Moody's, AA by S&P, or AA by Fitch.

g. Supranationals must be rated AAA by S&P and Moody's.

h. LGIP daily liquidity fund must have a rating of at least A-1 by S&P, P-1 by Moody's, F-1 by Fitch, and D-1 by Duff or Phelps, Inc.

i. LGIP bond fund must have a rating of AAA by S&P and Moody's.

As of June 30, 2021, the District had investments in the following issuers with the following credit quality ratings:

Investment Type	Valuation	S&P Credit Rating
Money market funds (measured at amortized cost)	$ 62,008,898	AAA

4. Concentration of Credit Risk

The District's investment policy sets the following limits for the types of securities held in its investment portfolio:

Negotiable certificates of deposit	40%
Bankers' acceptances and bank notes	35%
Commercial paper	35%
Repurchase agreements	30%
Mutual funds	30%
LGIP - Daily liquidity	30%
LGIP - Bond fund	25%
Corporate notes	25%
Non-negotiable certificates of deposit	25%
Insured certificates of deposit	15%
Bank demand deposits	10%
Supranationals	10%

The policy does not limit the amount of investment it may own in U.S. Treasury obligations, U.S. government agency securities, instruments of U.S. government sponsored enterprises, or the State Non-Arbitrage program (SNAP).

The SNAP Program provides comprehensive investment management, accounting, and arbitrage calculation services for the proceeds of tax-exempt financings of Virginia governments. The Treasury Board has hired a program/investment manager, rebate calculation agent, central depository, custodian bank, and legal counsel to manage the program and provide services to Investors.

The percentage of total investments for each investment type as of June 30, 2021, is as follows:

Investment Type		Valuation	% of Total
Money market funds (measured at amortized cost)	$	1	0.0%
State Non-Arbitrage Program (measured at amortized cost)		62,008,897	100.0%
Total	$	62,008,898	100.0%

5. Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the District may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act (the Act), all the District's deposits are covered by federal depository insurance or collateralized in accordance with the Act, which provides for the pooling of collateral pledged by financial institutions with a qualified escrow agent to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts are assessed on a pro rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying governments of compliance by participating financial institutions. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance, therefore, funds deposited in accordance with the requirements of the Act are considered to be fully collateralized.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are insured or registered, or are securities held by the District or its agent in the District's name.

6. Fair Value Measurement

Route 28 District's investments are reported at fair value, except for money market funds that have a remaining maturity at the time of purchase of one year or less. These are carried at amortized cost, which approximates fair value. The fair value of all investments is determined annually and is based on current market prices.

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the source and type of information used to determine the fair value of the asset. Level 1 information is quoted prices in accessible active markets, Level 2 would utilize information that is observable, either directly or indirectly from a source other than an active market, and Level 3 includes unobservable information to arrive at the valuation.

C. RESTRICTED ASSETS AND RESTRICTED NET POSITION

As of June 30, 2021, the District has assets and net position that are restricted for the payment of debt service, as follows:

Assets restricted for debt service:		
Cash and cash equivalents	$	23,335,975
Total assets restricted for debt service		23,335,975
Less related debt		(4,425,006)
Total restricted net position	$	18,910,969

D. SPECIAL IMPROVEMENTS ASSESSMENTS

Under the amended and restated District Contract, dated as of August 30, 2002, by and among the District and the Counties, the Counties have agreed to levy and collect Special Improvements Assessments on taxable real estate and taxable leasehold interests zoned for commercial or industrial use or used for such purposes in the District. The Counties' respective obligations to levy, collect, and remit to the Fiscal Agent the proceeds are contingent upon the levy and appropriation of the Special Improvements Assessments for each fiscal year by their respective Boards.

The taxes are due for payment by the relevant landowners in the Counties based on the respective tax collection schedules in the Counties. For the County of Fairfax, half of the payment is due on July 28 and the other half is due on December 5. For the County of Loudoun, half of the payment is due on June 5 and the other half is due on December 5.

The maximum limit on the Special Improvements Assessments during the term of this contract is $0.20 per $100 of assessed fair market value of any real estate and taxable leasehold interests of property within the District which is zoned for commercial or industrial use or used for such purpose. For fiscal year 2021, the assessment rate was $0.17 per $100 of assessed fair market value, a decrease of $0.01 from the assessment rate of $0.18 per $100 of assessed fair market value in fiscal year 2020. Prior to fiscal year 2021, the rate had not changed since the 2009 fiscal year.

Any financial obligation of the Counties arising under or related to this Contract is limited to the annual payment to the Fiscal Agent for all Special Improvements Assessments actually collected by the Counties after reasonable efforts consistent with those undertaken by the Counties to assess, levy, and collect real estate tax levies generally.

E. LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2021, are as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Loan Payable to the Commonwealth:					
Series 2002 Revenue Bonds	$ 47,356,623	$ 2,286,623	$ (8,105,000)	$ 41,538,246	$ 8,105,000
Series 2012 Revenue Bonds	15,720,000	-	-	15,720,000	-
Bonds Payable:					
Series 2012 Revenue Bonds	67,730,000	-	(4,260,000)	63,470,000	4,435,000
Premium on Series 2012 Revenue Bonds	279,958	-	(144,288)	135,670	67,980
Series 2016A Revenue Bonds	43,035,000	-	-	43,035,000	-
Series 2016B Revenue Bonds	44,060,000	-	(525,000)	43,535,000	540,000
Premium on Series 2016 Revenue Bonds	729,814	-	(119,351)	610,463	109,641
Total	$ 218,911,395	$ 2,286,623	$ (13,153,639)	$ 208,044,379	$ 13,257,621

1. Loans Payable to the Commonwealth of Virginia

In 1988, on behalf of the District, the Commonwealth of Virginia issued approximately $138 million of Series 1988 Transportation Contract Revenue Bonds (Route 28 Project) to primarily finance Phase I of the project. In 1992, the Commonwealth of Virginia issued $111.68 million Series 1992 Transportation Contract Revenue Refunding Bonds (Route 28 Project) to refund the outstanding Series 1988 Bonds. In October 2002, the Commonwealth of Virginia issued $83.82 million of Series 2002 Transportation Contract Revenue Refunding Bonds (Route 28 Project) to refund the outstanding Series 1992 Bonds and $36.82 million of Series 2002 Transportation Contract Revenue Bonds (Route 28 Project) to finance a portion of the costs associated with Phase II of the project. The Series 2002 Revenue Bonds are capital appreciation bonds and are carried at accreted value.

In June 2012, the Commonwealth of Virginia issued $50.62 million of transportation contract revenue refunding bonds on behalf of the State Route 28 Transportation Improvement District to advance refund $38.39 million of outstanding Series 2002 bond Current Interest Bonds and $15.92 million of outstanding Series CAB 2002 Bonds.

As of June 30, 2021, the outstanding Series 2002 Bonds have accreted values as follows:

Fiscal Year	Accreted Value
2022	$ 7,815,408
2023	7,437,026
2024	7,074,328
2025	6,727,879
2026	6,398,857
2027	6,084,748
Total	$ 41,538,246

As of June 30, 2021, the outstanding Series 2012 Bonds bear interest rates ranging from 3.00% to 4.00% and have principal and related interest to maturity as follows:

Fiscal Year	Principal	Interest	Total
2022	$ -	$ 539,519	$ 539,519
2023	-	539,519	539,519
2024	-	539,519	539,519
2025	-	539,519	539,519
2026	-	539,519	539,519
2027-2031	12,345,000	2,125,743	14,470,743
2032	3,375,000	105,468	3,480,468
Total	$ 15,720,000	$ 4,928,806	$ 20,648,806

As the District is responsible, under the related documents and subject to annual appropriation, to make payments to a trustee sufficient to pay principal and interest on the Bonds, the related transactions, including the liability for the Bonds, have been recorded in the District's financial statements as a loan payable to the Commonwealth.

Per the bond agreement, upon the occurrence of any event of default, Trustees may proceed to protect and enforce its rights and rights of the Bond Holders under the Master Indenture, the Bond Acts and the Bonds by such suits, actions, or proceedings provided, that any monetary remedies under the Master Indenture will be limited to amounts, if any, from the Board's Trust Estate, including but limited to civil actions to recover monetary damages. The acceleration clause allows the lender, upon default, to accelerate payment of the entire unpaid Bond principal and interest.

2. Transportation Contract Revenue Bonds

In March 2007, the EDA issued $41.51 million of Transportation Contract Revenue Bonds (Route 28 Project) Series 2007A on behalf of the District for the purpose of financing a portion of the costs of the construction of certain improvements to Route 28 in the Counties. The outstanding bonds bear interest rates from 4.25% to 4.50% and have a final maturity of April 1, 2037.

In July 2008, the EDA issued $51.51 million of Transportation Contract Revenue Bonds (Route 28 Project) Series 2008 on behalf of the District for the purpose of financing a portion of the costs of the construction of certain improvements to Route 28 in the Counties. The outstanding bonds bear interest rates from 4.25% to 5.00% and have a final maturity of April 1, 2037.

In May 2012, the EDA issued $86.28 million of transportation contract revenue refunding bonds on behalf of the State Route 28 Transportation Improvement District to advance refund $29.29 million of outstanding Series 2003 bonds and $52.76 million of outstanding Series 2004 Bonds. The outstanding bonds bear interest rates from 2.00% to 4.00% and have a final maturity of April 1, 2033.

In August 2016, the EDA issued $43.04 million of transportation contract revenue refunding Series 2016A bonds on behalf of the District to advance refund $41.51 million of outstanding Series 2007A bonds and $45.76 million of transportation contract revenue refunding Series 2016B to partially refund $43.66 million of outstanding Series 2008 Bonds, leaving $3.60 million of the outstanding principal of the Series 2008 bonds unrefunded. The outstanding bonds bear interest rates from 2.88% to 4.00% and have a final maturity of April 1, 2037.

The District's outstanding Series 2012, Series 2016A and Series 2016B Bonds (collectively, "EDA Bonds") have principal and related interest to maturity as of June 30, 2021, as follows:

Fiscal Year	Principal	Interest	Total
2022	$ 4,975,000	$ 4,707,931	$ 9,682,931
2023	5,165,000	4,514,331	9,679,331
2024	5,280,000	4,393,956	9,673,956
2025	5,450,000	4,229,906	9,679,906
2026	5,615,000	4,060,456	9,675,456
2027-2031	30,905,000	17,486,456	48,391,456
2032-2036	74,320,000	10,068,431	84,388,431
2037	18,330,000	549,900	18,879,900
Total	$ 150,040,000	$ 50,011,367	$ 200,051,367

The EDA Bonds are payable primarily from the collection of Special Improvements Assessments levied by the Counties in the District. The EDA Bonds are also secured by a Reserve Account. Each County has agreed to cure one-half of any deficiencies in the Reserve Account. The Reserve Account requirement is equal to the maximum amount of principal and interest scheduled to become due on the outstanding EDA bonds in any fiscal year and is secured by a surety bond.

Per the bond agreement, upon the occurrence of any event of default, Trustees may proceed to protect and enforce its rights and rights of the Bond Holders under the Master Indenture, the Bond Acts and the Bonds by such suits, actions, or proceedings provided, that any monetary remedies under the Master Indenture will be limited to amounts, if any, from the Board's Trust Estate, including but limited to civil actions to recover monetary damages. The acceleration clause allows the lender, upon default, to accelerate payment of the entire unpaid Bond principal and interest.