

**CENTRAL VIRGINIA
TRANSPORTATION AUTHORITY**

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2023



ASSURANCE, TAX & ADVISORY SERVICES

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

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INTRODUCTORY SECTION

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

Voting Members

Mayor Levar M. Stoney, CVTA Chair; *City of Richmond*
John H. Hodges, CVTA Vice Chair; *Town of Ashland*
Kevin P. Carroll, *Chesterfield County*
Frank J. Thornton, *Henrico County*
Byron M. Adkins, Sr., *Charles City County*
Neil Spoonhower, *Goochland County*
W. Canova Peterson IV, *Hanover County*
Patricia A. Paige, *New Kent County*
Michael W. Byerly, *Powhatan County*
Del. Roxann L. Robinson, *Virginia House of Delegates*
Sen. Ghazala F. Hashmi, *Senate of Virginia*
Carlos M. Brown, *Commonwealth Transportation Board*

Non-Voting Members

Perry J. Miller, *Capital Region Airport Commission*
Sheryl Adams, *Greater Richmond Transit Company*
Joi Taylor Dean, *Richmond Metropolitan Transportation Authority*
Jennifer DeBruhl, *Virginia Department of Rail and Public Transportation*
Stephen C. Brich, *Virginia Department of Transportation*
Stephen A. Edwards, *Virginia Port Authority*

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Authority Board Members
Central Virginia Transportation Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund and the budgetary comparison of the Central Virginia Transportation Authority (Authority) as of and for the year ended June 30, 2023, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2023, and the respective changes in financial position and budgetary comparison 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 (GAAS); 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. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS 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 GAAS 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, pages 4 to 7, 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 the consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023 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.

PBMares, LLP

Harrisonburg, Virginia
October 27, 2023

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the Central Virginia Transportation Authority's (the "Authority") Financial and Compliance Report presents our discussion and analysis of the Authority's financial performance as of and during the fiscal year ended June 30, 2023. Please read it in conjunction with the Authority's financial statements and accompanying notes that follow.

The Authority

The Authority, a political subdivision of the Commonwealth of Virginia, was created on July 1, 2020 pursuant to Chapter 37, Title 33.2, Code of Virginia. The Authority was created to fund transportation needs in the central Virginia region encompassed by Planning District 15 (the "District") and is comprised of the Town of Ashland, the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, and the City of Richmond. The following additional regional taxes were levied to support the Authority's mission: effective July 1, 2020, wholesale fuels tax of 7.6 cents per gallon of gasoline and 7.7 cents per gallon of diesel fuel and effective October 1, 2020, additional sales and use tax of 0.7%. The fuel tax rates would be indexed for inflation. The legislation stipulates that the additional levied taxes must be used to address transportation needs within the region and further stipulates the following disposition of funds: 50% of total revenues must be distributed to the locality of origin; 15% of revenue must be distributed to the Greater Richmond Transit Company for regional public transportation; and 35% of total revenues may be maintained for allocation to regionally significant projects. The Authority is also permitted to support general operating and administration expenses from the total revenues prior to distribution according to the formulas.

Financial Highlights

- Total net position increased by \$79,402,532 (66.1%) to a net position amount of \$199,504,121.
- Revenues increased \$11,155,009 (5.4%) to \$216,867,796.
- Expenses increased \$3,426,051 (2.6%) to \$137,465,264.

Overview of the Financial Statements

The Authority's annual report consists of two parts, management's discussion and analysis (this section, which is unaudited) and the audited financial statements. The governmental activities are reported through government-wide and governmental fund financial statements.

Government-wide Financial Statements. The government-wide financial statements provide readers with a broad view of the Authority's finances using the accrual basis of accounting in a manner similar to that of a private-sector business. The *Statement of Net Position* presents information on all assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The *Statement of Activities* presents information that shows how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will have actual cash flows in a future fiscal period.

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Governmental Fund Financial Statements. The governmental fund financial statements reinforce the information provided in the government-wide financial statements by providing a narrower focus. The governmental fund financial statements, using the modified accrual basis of accounting, look at near-term inflows and outflows of spendable resources and the available balances of those resources at the end of the fiscal year. The *Balance Sheet* reports the Authority's fund balance as of the fiscal year end. Fund balance information is useful when evaluating the Authority's near-term financing requirements. The *Statement of Revenues, Expenditures and Changes in Fund Balance* is the statement of activities for the governmental fund. Consistent with the current financial resources measurement focus, the financial statement reports expenditures rather than expenses.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources which have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The Authority only reports governmental funds. The governmental funds of the Authority are divided into two funds: General and Special Revenue Fund.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and governmental fund financial statements.

Financial Analysis of the Authority

Government-wide financial analysis. The Authority's assets exceeded liabilities by \$199,504,121 during the current fiscal year. The Authority's net position increased by \$79,402,532 (66.1%) from the prior year (see Table 1).

Table 1
Condensed Summary of Net Position
As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets:		
Current and other assets	\$222,807,366	\$142,573,928
Liabilities:		
Due to other governments	<u>23,303,245</u>	<u>22,472,339</u>
Net position:		
Restricted	198,831,103	119,770,466
Unrestricted	<u>673,018</u>	<u>331,123</u>
Total net position	<u>\$199,504,121</u>	<u>\$120,101,589</u>

The largest post of the Authority's net position (99.7% at June 30, 2023) represents resources that are subject to external restrictions on how they may be used. The remaining balance (0.3% at June 30, 2023) is unrestricted net position.

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The Authority's total revenues increased from the prior year by \$11,155,009 (5.4%) to \$216,867,796. Approximately 73.4% of the Authority's revenues were sales and use tax, 23.9% were fuels tax and the remaining 2.7% were Commonwealth fund interest income and investment earnings. The Authority's total expenses increased from the prior year by \$3,426,051 (2.6%) to \$137,465,264. Approximately 76.6% of the Authority's expenses were distributions to the jurisdictions, 23.0% were distributions to GRTC, and the remaining 0.4% were general and administration costs and project costs (see Table 2).

Table 2
Condensed Summary of Changes in Net Position
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues:		
Intergovernmental revenue:		
Sales and use tax	\$159,175,280	\$156,211,652
Fuels tax	51,859,859	49,430,008
Commonwealth fund interest income	141,546	23,617
Investment earnings	<u>5,691,111</u>	<u>47,510</u>
Total revenues	<u>216,867,796</u>	<u>205,712,787</u>
Expenses:		
General and administration	380,676	356,782
Project Expenses	271,310	0
Jurisdictional distributions	105,240,983	102,832,639
GRTC distributions	<u>31,572,295</u>	<u>30,849,792</u>
Total expenses	<u>137,465,264</u>	<u>134,039,213</u>
Change in net position	79,402,532	71,673,574
Net position, beginning of year	<u>120,101,589</u>	<u>48,428,015</u>
Net position, end of year	<u>\$199,504,121</u>	<u>\$120,101,589</u>

The Authority's revenues increased by \$11,155,009 (5.4%) and total expenses increased by \$3,426,051 (2.6%) compared to prior fiscal year financial activity. Key elements contributing to these results are as follows:

- Sales and use tax increased \$2,963,628 (1.9%) from the prior year. The regional economy for the nine localities making up the CVTA footprint was healthy and growing over fiscal year 2023 and is reflected in these revenues.
- Fuels tax increased \$2,429,851 (4.9%) from the prior year. Revenues from fuel sales in the region grew due to increased consumer confidence and higher fuel prices.
- Investment earnings increased \$5,643,601 (11,878.8%) due to rising interest rates and increased cash balances due to the increase in the tax revenue.
- Jurisdictional distributions increased \$2,408,344 (2.3%) and GRTC distributions increased \$722,503 (2.3%) due to the Code mandated allocation percentages and the increase in tax revenue and Commonwealth fund interest income. Pursuant to the Code, after providing funding for annual general and administrative expenses, the Authority distributes the tax revenue as follows: 50% disbursed to the participating jurisdictions, 35% retained for regional projects and 15% disbursed to the Greater Richmond Transit Company.

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Governmental fund financial analysis. As previously noted, the focus of the governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation would typically be presented to explain the differences. However, for the fiscal year ended June 30, 2023, there were no reconciling differences between the governmental fund and the government-wide financial activity. During the current year, fund balance increased by \$79,402,532 (66.1%) to \$199,504,121, revenue increased by \$11,155,009 (5.4%) to \$216,867,796 and expenditures increased by \$3,426,051 (2.6%) to \$137,465,264 (see Tables 1 and 2 above).

Requests for Information

The purpose of this financial report is to provide interested parties with a general overview of the Authority's finances. If you have any questions about this report or need additional financial information, contact Central Virginia Transportation Authority, 424 Hull Street, Suite 300, Richmond, VA 23224.

BASIC FINANCIAL STATEMENTS

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities
ASSETS	
Cash, cash equivalents, and investments	\$ 776,170
Restricted:	
Cash, cash equivalents, and investments	185,323,562
Due from other governments	35,275,051
Accrued interest receivable	1,432,583
Total assets	<u>222,807,366</u>
LIABILITIES	
Due to other governments	<u>23,303,245</u>
Total liabilities	<u>23,303,245</u>
NET POSITION	
Restricted	198,831,103
Unrestricted	673,018
Total net position	<u><u>\$ 199,504,121</u></u>

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

		Net (Expense) Revenue and Change in Net Position
	Expenses	Governmental Activities
Functions/Programs		
Governmental activities:		
General and administration	\$ 380,676	\$ (380,676)
Jurisdictional distributions	105,240,983	(105,240,983)
Project cost distributions	271,310	(271,310)
GRTC distributions	31,572,295	(31,572,295)
Total governmental activities	\$ 137,465,264	(137,465,264)
General revenues:		
Intergovernmental revenue:		
Sales and use tax		159,175,280
Fuels tax		51,859,859
Commonwealth fund interest income		141,546
Investment earnings		5,691,111
Total general revenues		216,867,796
Change in net position		79,402,532
Net Position, beginning of year		120,101,589
Net Position, end of year		\$ 199,504,121

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2023

	General Fund	Special Revenue Funds			Total Governmental Funds
		Local Distribution Fund	Regional Revenue Fund	GRTC Fund	
ASSETS					
Cash, cash equivalents, and investments	\$ 776,170	\$ -	\$ -	\$ -	\$ 776,170
Restricted cash, cash equivalents, and investments	-	-	185,323,562	-	185,323,562
Restricted due from other governments	-	17,637,525	12,346,268	5,291,258	35,275,051
Restricted accrued interest receivable	-	-	1,432,583	-	1,432,583
Total assets	\$ 776,170	\$ 17,637,525	\$ 199,102,413	\$ 5,291,258	\$ 222,807,366
LIABILITIES					
Due to other governments	\$ 103,152	\$ 17,637,525	\$ 271,310	\$ 5,291,258	\$ 23,303,245
Total liabilities	103,152	17,637,525	271,310	5,291,258	23,303,245
FUND BALANCES					
Restricted	-	-	198,831,103	-	198,831,103
Unassigned	673,018	-	-	-	673,018
Total fund balances	673,018	-	198,831,103	-	199,504,121
Total liabilities and fund balances	\$ 776,170	\$ 17,637,525	\$ 199,102,413	\$ 5,291,258	\$ 222,807,366

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS Year Ended June 30, 2023

	General Fund	Special Revenue Funds			Total Governmental Funds
		Local Distribution Fund	Regional Revenue Fund	GRTC Fund	
Revenues					
Intergovernmental:					
Sales and use tax	\$ -	\$ 79,849,464	\$ 55,528,071	\$ 23,797,745	\$ 159,175,280
Fuels tax	-	26,015,233	18,091,238	7,753,388	51,859,859
Commonwealth fund interest income	-	71,006	49,378	21,162	141,546
Investment earnings	27,851	-	5,663,260	-	5,691,111
Total revenues	27,851	105,935,703	79,331,947	31,572,295	216,867,796
Expenditures					
Current:					
General and administration	380,676	-	-	-	380,676
Jurisdictional distributions	-	105,240,983	-	-	105,240,983
Project cost distributions	-	-	271,310	-	271,310
GRTC distributions	-	-	-	31,572,295	31,572,295
Total expenditures	380,676	105,240,983	271,310	31,572,295	137,465,264
Excess (deficiency) of revenues over (under) expenditures	(352,825)	694,720	79,060,637	-	79,402,532
Other Financing Sources (Uses)					
Transfers in	694,720	-	-	-	694,720
Transfers out	-	(694,720)	-	-	(694,720)
Total other financing sources (uses), net	694,720	(694,720)	-	-	-
Net change in fund balances	341,895	-	79,060,637	-	79,402,532
Fund Balances, beginning of year	331,123	-	119,770,466	-	120,101,589
Fund Balances, end of year	\$ 673,018	\$ -	\$ 198,831,103	\$ -	\$ 199,504,121

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND Year Ended June 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues				
Investment earnings	\$ -	\$ -	\$ 27,851	\$ 27,851
Total revenues	-	-	27,851	27,851
Expenditures				
Current:				
General and administration	773,831	773,831	380,676	(393,155)
Total expenditures	773,831	773,831	380,676	(393,155)
Deficiency of revenues under expenditures	(773,831)	(773,831)	(352,825)	421,006
Other Financing Sources				
Transfer in	773,831	773,831	694,720	(79,111)
Total other financing sources	773,831	773,831	694,720	(79,111)
Net change in fund balance	-	-	341,895	341,895
Fund Balance, beginning of year	-	-	331,123	331,123
Fund Balance, end of year	\$ -	\$ -	\$ 673,018	\$ 673,018

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of the Authority and its Activities

The Central Virginia Transportation Authority (the Authority), a political subdivision of the Commonwealth of Virginia, was created on July 1, 2020 pursuant to the Central Virginia Transportation Authority Act, Chapter 37, Title 33.2-3702, of the *Code of Virginia*. The Authority was created to fund transportation needs in the central Virginia region encompassed by Planning District 15 (the District) and is comprised of the Town of Ashland, the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, and the City of Richmond.

The Authority consists of eighteen members comprised of the chief elected officer, or his/her designee, of each of the nine jurisdictions encompassed by the District, a member of the House of Delegates appointed by the Speaker of the House, a member of the Senate appointed by the Senate Committee on Rules, and a member of the Commonwealth Transportation Board appointed by the Governor. In addition, non-voting members include the Director of the Virginia Department of Rail and Public Transportation, the Commissioner of the Virginia Department of Transportation, the Executive Director of the Virginia Port Authority, the Chief Executive Officer of the Greater Richmond Transit Company (the GRTC), the Chief Executive Officer of the Capital Region Airport Commission, and the Chief Executive Officer of the Richmond Metropolitan Transportation Authority.

The Authority is responsible for long-range transportation project planning, prioritization, and funding for regional transportation projects. Funding for the projects will be provided by the imposition of an additional regional sales and use tax and a wholesale gas tax on gasoline and diesel fuel. The fuel tax rates would be indexed for inflation.

Note 2. Summary of Significant Accounting Policies

A. Financial Reporting Model

The financial statements presented for the Authority are prepared in accordance with accounting principles generally accepted in the United States of America (the GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (the GASB). GAAP sets the reporting model requirements for the annual financial reports of state and local governments. The Authority's Annual Financial Report includes:

- Management's Discussion and Analysis (the MD&A) (unaudited) – MD&A is required supplementary information that introduces the financial statements and provides an analytical overview of the Authority's activities for the year. It describes the decisions or conditions that are expected to have a significant effect on financial positions or results of operation.
- Financial Statements – The financial statements include both government-wide and governmental fund statements and related notes. The notes are an integral part of the financial statements and communicate information that is essential for fair presentation of the financial statements that is not displayed on the face of the statements.

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements include both government-wide and governmental fund financial statements.

Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities and reflect a full economic resources measurement focus and the accrual basis of accounting. The Statement of Net Position reports information about all assets and liabilities of the Authority, both current and long-term. The Statement of Activities measures the Authority's operations over the past year. All changes in revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Intergovernmental revenues, consisting of taxes and interest income, are used to offset net expenses.

The governmental fund financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures and Change in Fund Balances and are prepared using the current financial resources measurement and the modified accrual basis of accounting. Revenues are recorded when both measurable and available and are considered available if received within 60 days after the end of the accounting period. Expenditures are recognized when the liability is incurred. The Balance Sheet measures only current assets and liabilities. The Statement of Revenues, Expenditures and Change in Fund Balances reports only on the Authority's near-term inflows and outflows of spendable resources for the year.

Because government-wide and governmental fund financial statements are designed to present information from different perspectives, the governmental fund financial statements include a summary reconciliation between the governmental fund and government-wide statements. During the current fiscal year, there are no reconciling items to report.

The activities of the Authority and all financial resources are accounted for in the following major governmental funds:

- General Fund – The General Fund is the general operating fund and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund for financial reporting purposes.
- Special Revenue Funds – Special revenue funds account for and report the proceeds of specific revenue sources restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Authority has three special revenue funds:
 - Local Distribution Fund – The Local Distribution Fund accounts for 50% of the intergovernmental revenue that is distributed to the member jurisdictions on a pro rata basis.
 - Regional Revenue Fund – The Regional Revenue Fund accounts for the 35% of the intergovernmental revenue and investment earnings to be used for regional transportation projects prioritized by the Authority.
 - GRTC Fund – The GRTC Fund accounts for the 15% of the intergovernmental revenue that is distributed to GRTC.

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

C. Budgeting

The Authority adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables the Authority to determine the annual transfer required from the Special Revenue Fund to fund its general and administrative activities. Annually, the Authority will determine the disposition of any unspent balances remaining in the General Fund at year-end.

D. Other Significant Accounting Policies

1. Cash and Cash Equivalents

The Authority considers all highly liquid investments with an original maturity of less than three months when purchased to be cash equivalents.

2. Investment Policy

The Authority follows a deposit and investment policy in accordance with the Commonwealth of Virginia statutes. Investments with a maturity date of greater than one year from the date of purchase are stated at fair value and money market investments with a maturity date of one year or less from the date of purchase are stated at amortized cost, which approximates fair value, in accordance with GAAP. Deposit and investment instruments include Commonwealth of Virginia Local Government Investment Pool (the LGIP) and Virginia Investment Pool Fund (the VIP). Investments are generally on deposit with banks and savings and loan institutions and are collateralized under the provisions of the Virginia Security for Public Deposits Act, Section 2.1-359 et seq.

3. Restricted Assets

Certain cash, cash equivalents, investments, amounts due from other governments, and accrued interest receivable classified as restricted assets on the Statement of Net Position are comprised of intergovernmental deposits and receivables that shall be used solely for regional transportation projects benefiting the member jurisdictions.

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

D. Other Significant Accounting Policies (Continued)

4. Fund Equity

The Authority, in accordance with GAAP, categorizes its governmental fund balances using the following guidance:

Nonspendable fund balance classification includes amounts that are not in spendable form or are legally required to be maintained intact.

Restricted fund balance classification includes amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

Committed fund balance classification includes amounts constrained to specific purposes by formal action of the Authority that identifies the specific circumstances under which resources can be expended. Committed fund balance can only be modified by action of the Authority.

Assigned fund balance classification includes amounts constrained by the Authority's plans, or intent, to use the amounts for specific purposes but does not meet the criteria to be classified as either restricted or committed. Assignments generally only exist temporarily, and additional action does not normally have to be taken for the removal of an assignment.

Unassigned fund balance classification includes the residual balance of the General Fund that has not been restricted, committed, or assigned for specific purposes within the General Fund.

As of June 30, 2023, the Regional Revenue Fund balance includes \$199,831,103 classified as restricted fund balance for regional transportation projects per the *Code of Virginia*. When fund balance resources are available for use in more than one classification, the Authority will consider the use of restricted, committed, or assigned resources first, and then unrestricted resources, as they are needed.

5. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by laws or regulations of other governments. The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

D. Other Significant Accounting Policies (Continued)

6. Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures/expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates.

7. Interfund Transfers

Transactions among the Authority's funds that would be treated as revenues and expenditures/expenses if they involved organizations external to the Authority are accounted for as revenues and expenditures/expenses in funds involved.

Transactions, which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

8. Administrative Functions

The Authority has entered a Memorandum of Understanding Regarding Fiscal Services with the City of Richmond, a Memorandum of Understanding with the Richmond Regional Planning District Commission (PlanRVA), and a Fiscal Agent Agreement with Chesterfield County. The City of Richmond has agreed to assist the Authority with ensuring financial statements are completed in accordance with GAAP and serves as Authority contact for the annual audit process. PlanRVA has agreed to provide support services for the Authority which includes coordination of monthly meetings; ensuring compliance with the state statutes; completion of programmatic tasks related to the mission and function of the Authority, such as regional project prioritization and compliance reports; and additional technical assistance, planning, outreach or other support needed by the Authority. Chesterfield has agreed to receive, manage, and distribute revenues transferred to the Authority in accordance with the Authority's financial policies and procedures.

9. Subsequent Events

The Authority has evaluated subsequent events through October 27, 2023, the date on which the financial statements were available to be issued.

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments

As of June 30, 2023, the fair value of the Authority's deposits and investments, with their respective credit ratings, was as follows:

Investment Type	Fair Value	Credit Rating
Demand deposits	\$ 1,100,000	N/A
Treasury bills	9,748,670	N/A
Corporate notes	9,997,760	AA
Certificates of deposit	49,856,225	A1
VIP - Stable NAV Liquidity Pool	68,238,512	AAAm
LGIP	47,158,565	AAAm
	<u>\$ 186,099,732</u>	

A. Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks, and savings institutions, holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

B. Investments

The *Code of Virginia* Sec. 2.2-4501 et seq. authorizes the Authority to invest in obligations of the United States or its agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of other states and their political subdivisions; obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, negotiable certificates of deposits, bank notes, and corporate bonds rated AA or better by Standard & Poor's Rating Services (S&P), and Aa or better by Moody's Investors Services, Inc. (Moody's), and a maturity of no more than five years; bankers' acceptances, overnight term and open repurchase agreements; money market mutual funds; the State Treasurer's LGIP; and the VIP.

C. External Investment Pools

As of June 30, 2023, the Authority had investments of \$47,158,565 in the LGIP for governmental activities. The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an "AAAm" rating by S&P. LGIP is managed in accordance with GASB Statement No. 79. The portfolio securities are valued by the amortized cost method, and, on a weekly basis, this valuation is compared to current market to monitor any variance and the maturity is less than one year. Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

C. External Investment Pools (Continued)

The Authority had investments of \$68,238,512 in the VIP Stable NAV Liquidity Pool at June 30, 2023. This pooled investment was created during fiscal year 2017 specifically to offer local governments an investment option with a stable net asset value, while providing daily liquidity and a competitive yield. The VIP seeks to maintain a constant net asset value per share of \$1. The Stable NAV pool is rated AAAM by S&P. VIP Stable NAV is managed in accordance with GASB Statement No. 79. The portfolio securities are valued by the amortized cost method, and on a daily basis this valuation is compared to current market to monitor any variance and the maturity is less than one year. Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

D. Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of a failure of a depository financial institution, deposits may not be recovered. All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (Act), Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similarly to depository insurance. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act.

For investments, custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. However, the Authority requires all securities purchased to be properly and clearly labeled as an asset of the Authority, and held in safekeeping by a third-party custodial bank or institution in compliance with Section 2.2-4515 of the *Code of Virginia*. Therefore, the Authority has no custodial risk.

E. Concentration of Credit Risk

The Authority is to adhere to the investment policy of the fiscal agent with regards to the authorized investments, use of authorized brokers, and use of authorized investments pools, maturities and diversification. The fiscal agent's policy establishes limitations on total portfolio composition by institution in order to control concentration of credit risk as follows:

Money market funds	10% maximum
Corporate notes	15% maximum
Repurchase agreements	15% maximum
Commercial paper	25% maximum
Certificate of deposit – commercial banks	45% maximum
LGIP	100% maximum
VIP	100% maximum
U.S. Treasuries and agencies	100% maximum
Commercial paper per issue	5% maximum

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (Continued)

E. Concentration of Credit Risk (Continued)

As of June 30, 2023, the Authority's portfolio, excluding demand deposits is as follows:

Issuer	% of portfolio
Treasury bills	5.27%
Corporate Notes	5.40%
Certificates of Deposit	26.95%
VIP - Stable NAV Liquidity Pool	36.89%
LGIP	25.49%

F. Interest Rate Risk

As a means of limiting exposures to fair value losses arising from rising interest rates, the policy limits the investment of operating funds to investments with a stated maturity of no more than 2.5 years from the date of purchase.

As of June 30, 2023, the Authority had the following deposits and investments:

	Investment Maturity (in years)	
	Fair Value	Less than 1 year
Treasury bills	\$ 9,748,670	\$ 9,748,670
Corporate notes	9,997,760	9,997,760
Certificates of deposit	49,856,225	49,856,225
	<u>\$ 69,602,655</u>	<u>\$ 69,602,655</u>

Note 4. Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described below.

Level 1	Valuation based on quoted prices in active markets for identical assets or liabilities.
Level 2	Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.
Level 3	Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value Measurement (Continued)

The Authority has the following recurring fair value measurement as of June 30, 2023:

- Treasury bills of \$9,748,670 are valued using significant other observable inputs (Level 1 inputs)
- Certificates of deposit of \$49,856,225 are valued using significant other observable inputs (Level 2 inputs)
- Corporate notes of \$9,997,760 are valued using significant other observable inputs (Level 2 inputs)

The inputs or methodology used for valuing securities is not necessarily an indication of the risk associated with investing in those securities. The investments maintained by the Authority are held in external investment pools, which are exempt from the fair value disclosure.

Note 5. Due To/From Other Governments

At June 30, 2023, due from other governments consisted of the following:

	Local Distribution Fund	Regional Revenue Fund	GRTC Fund	Total
Commonwealth of Virginia:				
Sales and use tax	\$ 13,087,386	\$ 9,161,170	\$ 3,926,216	\$ 26,174,772
Fuels tax	4,550,139	3,185,098	1,365,042	9,100,279
Total	\$ 17,637,525	\$ 12,346,268	\$ 5,291,258	\$ 35,275,051

Amounts due to other governments as of June 30, 2023 consisted of the following:

	General Fund	Local Distribution Fund	Regional Revenue Fund	GRTC Fund	Total
Charles City County	\$ -	\$ 98,378	\$ -	\$ -	\$ 98,378
Chesterfield County	-	4,891,917	271,310	-	5,163,227
Goochland County	-	469,195	-	-	469,195
Hanover County	-	2,473,205	-	-	2,473,205
Town of Ashland	-	58,624	-	-	58,624
Henrico County	-	5,598,470	-	-	5,598,470
New Kent County	-	447,456	-	-	447,456
Powhatan County	-	409,101	-	-	409,101
City of Richmond	-	3,191,179	-	-	3,191,179
Plan RVA	103,152	-	-	-	103,152
Greater Richmond Transit Company	-	-	-	5,291,258	5,291,258
	\$ 103,152	\$ 17,637,525	\$ 271,310	\$ 5,291,258	\$ 23,303,245

CENTRAL VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 6. Intergovernmental Revenues, Commonwealth of Virginia

Effective October 1, 2020, sections 58.1-603.1 and 58.1-601.01 of the *Code of Virginia* authorized an additional 0.7% sales and use tax and effective July 1, 2020, section 58.1-2295 of the *Code of Virginia* authorized a wholesale fuels tax of 7.6 cents per gallon on gasoline and 7.7 cents per gallon on diesel fuel to be levied and imposed in each of the member jurisdictions. The revenue generated and collected pursuant to the additional tax authorized by the Code, is collected and deposited in the Central Virginia Transportation Fund monthly by the Commonwealth. The Commonwealth distributes balances from the Fund to the Authority as soon as practicable to fund transportation projects in the District.

Note 7. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To reduce insurance costs and the need for self-insurance, the Authority has joined with other Commonwealth of Virginia political subdivisions in the VML Insurance Programs. The Authority has coverage with the VML Insurance Programs. Each Program member jointly and severally agrees to assume, pay and discharge any liability. The Authority pays VML the contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Program and claims and awards are to be paid.

COMPLIANCE SECTION

**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 Honorable Authority Board Members
Central Virginia Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the budgetary comparison of the Central Virginia Transportation Authority (Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 27, 2023.

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 a material misstatement of the Authority'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 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
October 27, 2023