

**STATE ROUTE 28 HIGHWAY
TRANSPORTATION IMPROVEMENT DISTRICT**

**Basic Financial Statements
(with Report of Independent Auditor)**

For the Fiscal Year Ended June 30, 2024

STATE ROUTE 28 HIGHWAY TRANSPORTATION IMPROVEMENT DISTRICT
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June 30, 2024

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Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinion

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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 District'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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2024, 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 15, 2024

STATE ROUTE 28 HIGHWAY TRANSPORTATION IMPROVEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

(Unaudited)

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, 2024. 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 \$77.87 million at June 30, 2024, as compared to a deficit in net position of \$108.26 million at June 30, 2023.
- Operating revenues of \$31.94 million with no operating expenses in transportation services for fiscal year 2024. 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 \$30.39 million.
- The District's cash and cash equivalents increased by \$4.58 million during fiscal year 2024. The net cash provided by operating activities was \$31.01 million; cash used in financing activities was \$29.81 million; and cash provided by investing activities was \$3.38 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, 2024 and 2023:

	In Millions	
	2024	2023
Assets:		
Current and other assets	\$ 43.95	\$ 38.41
Restricted assets	23.32	23.32
Total assets	<u>67.27</u>	<u>61.73</u>
Deferred Outflows of Resources:	<u>7.58</u>	<u>8.25</u>
Liabilities:		
Current liabilities	15.33	15.35
Long-term liabilities	135.91	161.23
Total liabilities	<u>151.24</u>	<u>176.58</u>
Deferred Inflows of Resources:	<u>1.48</u>	<u>1.66</u>
Net Position:		
Restricted for debt service	18.89	18.89
Unrestricted deficit	(96.76)	(127.15)
Net position	<u>\$ (77.87)</u>	<u>\$ (108.26)</u>

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 at June 30, 2024 and 2023. This deficit will be addressed through future collections of special assessments. Refer to Note 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, 2024 and 2023:

	In Millions	
	2024	2023
Operating revenues (expenses):		
Charges for services	\$ 31.94	\$ 29.96
Transportation Service	-	-
Operating Income	31.94	29.96
Nonoperating revenues (expenses):		
Investment earnings	\$ 3.41	\$ 2.34
Interest and other charges on long-term debt	(4.96)	(6.04)
Net nonoperating expenses	(1.55)	(3.70)
Change in net position	30.39	26.26
Net position, beginning of year	(108.26)	(134.52)
Net position, end of year	\$ (77.87)	\$ (108.26)

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. In fiscal year 2022, the final remaining Tax District segments, phase V was completed and paid in full. No operating expenses occurred in FY24 and FY2023.

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. In February 2022, the EDA issued \$49,080,000 of transportation contract revenue refunding bonds, Series 2022A, on behalf of the State Route 28 Transportation Improvement District to current refund all the outstanding maturities of Series 2012 bonds. Refer to Note E for further information regarding the District's long-term liabilities. In December 2022, the District partially defeased Series 2012 Commonwealth Transportation Board Revenue Refunding Bonds obligation with principal amount of \$9.30 million. In October 2023, a cash defeasance executed by trustees resulted in the full redemption of the bond payable of Series 2012 CTB bond and partially defeased \$1.8 million and \$4.4 million outstanding bond payable of Series 2016A and 2016B respectively, utilizing \$12.6 million in funds from the project completion fund.

The following is a summary of the District's gross outstanding debt, net of premiums, as of June 30, 2024 and 2023.

	2024	2023
Loans Payable to Commonwealth of Virginia	\$ 22.31	\$ 35.46
Series 2016A Transportation Contract Revenue Bonds	41.25	43.03
Series 2016B Transportation Contract Revenue Bonds	37.62	42.44
Series 2022A Transportation Contract Revenue Bonds	42.24	45.89
Total outstanding debt	<u>\$ 143.42</u>	<u>\$ 166.82</u>

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 2024. Specifically, the following items are of particular interest to the District:

- The percentage increase in real property assessed value for fiscal year 2024 is 25.3 percent, which will impact the amount of charges for services.
- The assessment rate remained \$0.16 per \$100 of assessed fair market value in fiscal year 2024.

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, 2024

Assets

Current assets:

Cash and cash equivalents	\$ 38,426,723
Accounts receivable:	
County of Fairfax, VA	1,540
County of Loudoun, VA	5,250,520
Interest receivable	267,479
Prepaid fees	1,908

Restricted:

Cash and cash equivalents	23,317,298
Total current assets	<u>67,265,468</u>

Total assets	<u>67,265,468</u>
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Deferred Outflows of Resources

Deferred loss on refunding of debt	<u>7,580,076</u>
Total deferred outflows of resources	<u>7,580,076</u>

Liabilities

Current liabilities:

Accrued interest payable:	
Bonds payable	1,094,824
Loans payable to the Commonwealth	8,105,000
Bonds payable, net	<u>6,133,615</u>
Total current liabilities	<u>15,333,439</u>

Long-term liabilities:

Loans payable to the Commonwealth	14,200,284
Bonds payable, net	<u>121,706,758</u>
Total long-term liabilities	<u>135,907,042</u>

Total liabilities	<u>151,240,481</u>
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Deferred Inflows of Resources

Deferred gain on refunding of debt	<u>1,475,450</u>
Total deferred inflows of resources	<u>1,475,450</u>

Net Position

Restricted - debt service	18,892,292
Unrestricted deficit	<u>(96,762,679)</u>
Net position	<u>\$ (77,870,387)</u>

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, 2024

Operating revenues:

Charges for services - Special improvements assessments from:

County of Fairfax, VA	\$ 11,102,727
County of Loudoun, VA	20,834,769

Total operating revenues	<u>31,937,496</u>
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Operating expenses:

Transportation services - Improvements to State Route 28	-
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Operating income	<u>31,937,496</u>
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Nonoperating revenues (expenses):

Investment earnings	3,408,142
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Interest expense	(3,351,602)
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Accretion on capital appreciation bonds	(1,377,647)
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Other charges	<u>(227,920)</u>
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Total net nonoperating expenses	<u>(1,549,027)</u>
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Change in net position	30,388,469
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Net position, beginning of year	<u>(108,258,856)</u>
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Net position, end of year	<u><u>\$ (77,870,387)</u></u>
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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, 2024

Cash flows from operating activities:

Receipts from special improvements assessments from:

County of Fairfax, VA	\$	11,102,769
County of Loudoun, VA		19,902,232

Net cash provided by operating activities		31,005,001
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Cash flows from financing activities:

Principal payments on long-term debt	(18,745,000)
Interest payments on long-term debt	(4,801,979)
2016A & 2016B Bond Cash Defeasance	(6,163,958)
Other costs	(98,962)

Net cash used in financing activities	(29,809,899)
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Cash flows from investing activities:

Interest received	3,381,976
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Net cash provided by investing activities	3,381,976
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Net increase in cash and cash equivalents

4,577,078

Cash and cash equivalents, beginning of year	57,166,943
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Cash and cash equivalents, end of year	\$ 61,744,021
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Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 31,937,496
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Changes in assets and liabilities:

Increase in accounts receivable	(932,495)
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Total adjustments	(932,495)
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Net cash provided by operating activities	\$ 31,005,001
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Noncash investing, capital, and financing activities:

Accretion of capital appreciation bonds	\$ 1,377,647
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Amortization of bond premiums	\$ (1,778,790)
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Recognition of deferred loss and deferred gain	\$ 168,972
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See accompanying notes to the financial statements.

STATE ROUTE 28 HIGHWAY TRANSPORTATION IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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.

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 approximates 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.

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, 2024 are summarized as follows:

Investment Type	Valuation	Weighted Average Maturity (Days)
Cash and cash equivalent:		
Money market funds (measured at amortized cost)	\$ 157	31.0
State Non-Arbitrage Program (measured at amortized cost)	61,743,864	43.0
Total	<u>\$ 61,744,021</u>	

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, 2024, 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)	\$ 157	AAAm
State Non-Arbitrage Program (measured at amortized cost)	61,743,864	AAAm
Total	<u>\$ 61,744,021</u>	

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. Withdrawals may be made at any time without limitation or restriction, except that the SNAP Program may suspend the right of withdrawal or postpone the date of payment if determined that there is an emergency that makes the sale of the investment fund's securities or determination of its net asset value reasonably practical.

The percentage of total investments for each investment type as of June 30, 2024, is as follows:

Investment Type	Valuation	% of Total
Money market funds (measured at amortized cost)	\$ 157	0.0%
State Non-Arbitrage Program (measured at amortized cost)	61,743,864	100.0%
Total	<u>\$ 61,744,021</u>	<u>100.0%</u>

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

The District's investments including money market funds, which have a remaining maturity at the time of purchase of one year or less, and the State non-arbitrage investment pool are stated at amortized cost, which approximates fair value.

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, 2024, 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	\$ 23,317,298
Total assets restricted for debt service	23,317,298
Less related debt	(4,425,006)
Total restricted net position	<u>\$ 18,892,292</u>

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 2024, the assessment rate was \$0.16 per \$100 of assessed fair market value, which was decreased 1 cent from the fiscal year 2023 rate.

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, 2024, are as follows:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Loan Payable to the Commonwealth:					
Series 2002 Revenue Bonds	\$ 29,032,637	\$ 1,377,647	\$ (8,105,000)	\$ 22,305,284	\$ 8,105,000
Series 2012 Revenue Bonds	6,425,000	-	(6,425,000)	-	-
Bonds Payable:					
Series 2016A Revenue Bonds	43,035,000	-	(1,780,000)	41,255,000	-
Series 2016B Revenue Bonds	42,440,000	-	(4,820,000)	37,620,000	595,000
Premium on Series 2016 Revenue Bonds	400,259	-	(92,130)	308,129	26,563
Series 2022A Revenue Bonds	45,885,000	-	(3,650,000)	42,235,000	3,830,000
Premium/Discount on Series 2022A Bonds	8,108,904	-	(1,686,660)	6,422,244	1,682,052
Total	<u>\$ 175,326,800</u>	<u>\$ 1,377,647</u>	<u>\$ (26,558,790)</u>	<u>\$ 150,145,657</u>	<u>\$ 14,238,615</u>

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, 2024, the outstanding Series 2002 Bonds have accreted values as follows:

Fiscal Year	Accreted Value
2025	\$ 7,809,127
2026	7,429,408
2027	7,066,749
Total	<u>\$ 22,305,284</u>

In October 2023, the \$6.4 million outstanding Series 2012 bond was fully redeemed by a cash defeasance.

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.

In February 2022, the EDA issued \$49.08 million of transportation contract revenue refunding Series 2022A bonds on behalf of the District to advance refund \$63.47 million of outstanding Series 2012. The outstanding bonds bear interest rates from 4.00% to 5.00% and have a final maturity of April 1, 2033.

The District's outstanding Series 2016A, Series 2016B and Series 2022A Bonds (collectively, "EDA Bonds") have principal and related interest to maturity as of June 30, 2024, as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 4,425,000	\$ 4,379,294	\$ 8,804,294
2026	4,635,000	4,163,994	8,798,994
2027	4,220,000	3,938,344	8,158,344
2028	4,435,000	3,727,344	8,162,344
2029	4,655,000	3,505,593	8,160,593
2030-2034	47,175,000	13,582,219	60,757,219
2035-2037	51,565,000	3,105,675	54,670,675
Total	\$ 121,110,000	\$ 36,402,463	\$ 157,512,463

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.