



HAMPTON ROADS PLANNING DISTRICT COMMISSION

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2024



ASSURANCE, TAX & ADVISORY SERVICES

HAMPTON ROADS PLANNING DISTRICT COMMISSION

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HAMPTON ROADS PLANNING DISTRICT COMMISSION

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Commission Board Members
Hampton Roads Planning District Commission

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Hampton Roads Planning District Commission (Commission), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission'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 the major fund of the Commission, as of June 30, 2024, and the respective changes in financial position 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 (*Government Auditing Standards*); 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 Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Commission'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 Commission'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 and the required supplementary information on pages 4-10 and 49-54, respectively, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying schedules listed in the table of contents as supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2024 on our consideration of the Commission'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 Commission'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 Commission's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
October 8, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hampton Roads Planning District Commission

Management's Discussion and Analysis

The following Management Discussion and Analysis (MD&A) of the Hampton Roads Planning District Commission's (Commission) activities and financial performance provides the reader with an introduction and overview to the financial statements of the Commission for the fiscal year ended June 30, 2024. The information contained in this MD&A should be considered in conjunction with the financial statements and various historic summaries of activities and financial performance included in the basic financial statements included in this audit.

In the fall of 2008, the Commission was reorganized to better reflect the efforts of the transportation staff in performing the planning, technical, and administrative duties of the regional Metropolitan Planning Organization in accordance with regulations as determined by the US Department of Transportation and the Virginia Department of Transportation. These duties were organized into a new and separate function entitled Hampton Roads Transportation Planning Organization (HRTPO). This new function has two memorandums of understanding between the HRTPO and the Commission. The first indicates the Commission "shall provide the planning and administrative staff to the HRTPO" and all duties thereof. The second indicates the HRTPO "desires the Commission serve as fiscal agent for the HRTPO" and all duties thereof. In this capacity, the Financial Statements of the Hampton Roads Planning District Commission include all the activities involved in administering the financial aspects of the Hampton Roads Transportation Planning Organization.

This report has two components - Management's Discussion and Analysis (this section) and the basic financial statements. This report also contains supplementary information and required supplementary information. The basic financial statements include both government-wide and fund financial statements and the notes to the financial statements. Government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the Commission's operations are considered to be governmental because the sources of funding include contributions from member jurisdictions and federal and state grants.

The government-wide and fund financial statements are distinguished as follows:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Commission's overall financial status.
- The remaining statements are governmental fund financial statements which are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since a governmental fund's focus is narrower than that of the government-wide financial statements reconciliation between the two methods is provided.

As required, the following tables present a summary of the long-term financial condition and operations of the Commission for the years ended June 30, 2024 and June 30, 2023. The *Summary Statements of Net Position* include the current assets, investments in capital assets, current and noncurrent liabilities, and deferred outflows and inflows of resources of the Commission. The *Summary Statements of Revenues, Expenses and Changes in Net Position* contain all of the years' revenues and expenses. The *Summary Statements of Changes in Net Position* further delineate the areas of fiduciary responsibility within the net position category.

The following table summarizes the Commission's Statements of Net Position:

**Summary Statements of Net Position
June 30, 2024 and 2023**

	2024	2023	Increase (Decrease)	% Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets	\$ 17,777,399	\$ 16,996,243	\$ 781,156	4.60%
Capital assets, net of accumulated depreciation and amortization	1,157,082	1,042,724	114,358	10.97%
Deferred outflows of resources - pension plan and OPEB	801,096	1,002,662	(201,566)	-20.10%
Total assets and deferred outflows of resources	19,735,577	19,041,629	693,948	3.64%
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current liabilities	11,152,947	10,081,611	1,071,336	10.63%
Noncurrent liabilities	6,453,634	6,755,977	(302,343)	-4.48%
Deferred inflows of resources - pension plan and OPEB	1,758,976	1,744,512	14,464	0.83%
Total liabilities and deferred inflows of resources	19,365,557	18,582,100	783,457	4.22%
NET POSITION				
Net investment in capital assets	1,010,586	961,071	49,515	5.15%
Unrestricted	(640,566)	(501,542)	(139,024)	27.72%
Net position	\$ 370,020	\$ 459,529	\$ (89,509)	-19.48%

The following table provides a summary of the Statement of Revenues, Expenses and Changes in Net Position:

Summary Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023	Increase (Decrease)	% Change
Program revenues:				
Local contributions	\$ 5,060,382	\$ 5,525,791	\$ (465,409)	-8.42%
Federal pass-through	10,487,749	8,534,893	1,952,856	22.88%
Commonwealth	3,718,002	880,776	2,837,226	322.13%
Total operating revenues	19,266,133	14,941,460	4,324,673	28.94%
Operating expenses:				
Indirect - general and administrative	1,846,107	1,604,403	241,704	15.07%
Direct Program Expense	388,470	275,669	112,801	40.92%
Personnel*	4,433,773	4,384,951	48,822	1.11%
Consultants	6,635,445	2,966,982	3,668,463	123.64%
Transportation pass-through services	400,316	370,742	29,574	7.98%
VATI pass-through	8,239,994	7,457,656	782,338	10.49%
Housing and Emergency Management pass-through	1,911,699	1,227,360	684,339	55.76%
Total operating expenses	23,855,804	18,287,763	5,568,041	30.45%
Operating loss	(4,589,671)	(3,346,303)	(1,243,368)	37.16%
Miscellaneous	3,986,720	3,058,260	928,460	30.36%
Use of money	513,442	396,137	117,305	29.61%
Change in net position	\$ (89,509)	\$ 108,094	\$ (197,603)	-182.81%

*The Personnel Category includes direct personnel expenses of \$4,486,115 from FY2024, as well as a \$28,533 decrease of long term OPEB liability, \$84,780 decrease of pension expense and an additional increase of \$60,971 for leave liability.

Financial Highlights

Statements of Net Position

This statement reports all short-term and long-term activity of the Commission, which significantly overstates the Commission's true liability due to the long-term estimates required by Governmental Accounting Standards Board (GASB). Net position, according to this statement, shows a decrease of \$89,509.

In order to conform with GASB Statements No. 68 and 75, as mandated by Government Accounting Standards, the Commission must record the total unfunded liabilities. These liabilities are primarily long-term liabilities, based on actuarial studies of the activity in the Virginia Retirement System. Therefore, actual results could differ substantially. It is important to note and recognize the ultimate settlement of the remaining liability will be paid primarily with future Commission resources. In November 2020, the Commission's board approved the recommended change to the Personnel Manual on health insurance for retirees and their spouses for employees hired on or after January 1, 2021. This revision will assist in reducing and managing the agency's liability for future employees.

Statements of Revenues, Expenses and Changes in Net Position

Operating revenues increased by \$4,324,673 due mostly to federal pass-through revenue received from the Department of Homeland Security, Environmental Protection Agency (EPA) and from state pass-thru revenue received for the GO Virginia grant.

Operating expenses increased by \$5,568,041 as a result of pass-through expenses for the Department of Homeland Security, Environmental Protection Agency (EPA) and the GO Virginia grant.

The basic financial statements of the Commission for the year ended June 30, 2024 indicate a \$89,509 decrease in net position (see the Summary Statements of Net Position).

Capital Assets
Summary Statements of Capital Assets
June 30, 2024 and 2023

	2024	2023	Increase (Decrease)	% Change
Capital assets not being depreciated or amortized:				
Land	\$ 80,621	\$ 80,621	\$ -	0.00%
Construction in progress	-	17,488	(17,488)	-100.00%
Capital assets being depreciated or amortized:				
Building and improvements	2,800,645	2,628,840	171,805	6.54%
Office furniture and equipment	628,793	628,793	-	0.00%
Software	58,294	-	58,294	100.00%
Automobiles	51,055	51,055	-	0.00%
Subscription assets	207,685	98,721	108,964	110.38%
Accumulated depreciation and amortization	(2,670,011)	(2,462,794)	(207,217)	8.41%
Capital assets, net	\$ 1,157,082	\$ 1,042,724	\$ 114,358	10.97%

To maintain the upkeep of the facility, the Commission's major capital outlays included the replacement of carpet, skylights and painting. In addition, the Commission also completed the cost associated with the development of the new website.

The following table provides the Commission's Balance Sheets of the General Fund as of June 30, 2024, and 2023:

**Balance Sheets – General Fund
June 30, 2024 and 2023**

	General Fund		Increase	%
	2024	2023	(Decrease)	Change
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 8,534,871	\$ 9,842,257	\$ (1,307,386)	-13.28%
Due from other governments	9,145,175	7,068,085	2,077,090	29.39%
Other receivables	25,214	47,994	(22,780)	-47.46%
Prepaid items and deposits	72,139	37,907	34,232	90.31%
Total current assets	\$ 17,777,399	\$ 16,996,243	\$ 781,156	4.60%
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,917,499	\$ 622,860	\$ 2,294,639	368.40%
Contracts payable	3,888,060	5,180,750	(1,292,690)	-24.95%
Unearned revenue	3,619,502	3,653,056	(33,554)	-0.92%
Accrued payable	9,172	5,045	4,127	81.80%
Total liabilities	10,434,233	9,461,711	972,522	10.28%
Fund balances:				
Nonspendable	72,139	37,907	34,232	90.31%
Committed	2,892,660	3,451,736	(559,076)	-16.20%
Assigned	1,666,947	1,605,976	60,971	3.80%
Unassigned	2,711,420	2,438,913	272,507	11.17%
Total fund balances	7,343,166	7,534,532	(191,366)	-2.54%
Total liabilities and fund balances	\$ 17,777,399	\$ 16,996,243	\$ 781,156	4.60%

The *Balance Sheet – General Fund* reflects the current resources and short-term obligations of the Commission. This report is reported on a modified accrual basis.

The Committed amount of \$2,892,660 at the year-end reflects program revenues received but not yet expended, as well as several reserve accounts that were established to ensure funding would be available for future expenditures for capital improvements, equipment failures, and an increase in the indirect cost carry over.

The Assigned amount of \$1,666,947 reflects those funds that have been set aside for other postemployment benefits (OPEB) (\$1 million) and leave liabilities (\$666,947). Management has determined the full amount of the GASB 75 liability may never be realized and only a portion of these funds should be set aside for short-term cash management purposes. In November 2020, the Board approved the revisions to the Organization's Personnel Policies that will help in the reduction of these long-term liabilities for the future employees,

The Unassigned amount of \$2,711,420 reflects funds available for future Commission activities. It is important to note that the Commission utilizes the unassigned fund balance to support cash flow while the Commission awaits reimbursement of expenses from grant programs that fund a significant amount of the Commissions operations.

Requests for Information

This financial report is designed to provide our Commission members and residents with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to: Hampton Roads Planning District Commission, Chief Financial Officer, 723 Woodlake Drive, Chesapeake, Virginia 23320.

BASIC FINANCIAL STATEMENTS

HAMPTON ROADS PLANNING DISTRICT COMMISSION

STATEMENT OF NET POSITION

June 30, 2024

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,534,871
Due from other governments	9,145,175
Other receivables	25,214
Prepaid items and deposits	72,139
Capital and right-to-use subscription assets:	
Land	80,621
Building and improvements	2,800,645
Office furniture and equipment	628,793
Software	58,294
Automobiles	51,055
Right-to-use subscription assets	207,685
Less accumulated depreciation and amortization	(2,670,011)
Total assets	18,934,481
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	430,573
Other postemployment benefits	370,523
Total deferred outflows of resources	801,096
LIABILITIES	
Accounts payable	2,917,499
Contracts payable	3,888,060
Accrued payroll	9,172
Unearned revenue	3,619,502
Noncurrent liabilities:	
Due within one year:	
Compensated absences	666,947
Subscriptions liability	51,767
Due in more than one year:	
Subscriptions liability	94,729
Other postemployment benefits	4,319,676
Net pension liability	2,039,229
Total liabilities	17,606,581
DEFERRED INFLOWS OF RESOURCES	
Pension plan	288,609
Other postemployment benefits	1,470,367
Total deferred inflows of resources	1,758,976
NET POSITION	
Net investment in capital assets	1,010,586
Unrestricted	(640,566)
Total net position	\$ 370,020

HAMPTON ROADS PLANNING DISTRICT COMMISSION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

		Program Revenues	Net (Expense) Revenue and Change in Net Position
	Expenses	Operating Grants and Contributions	Governmental Activities
Functions/Programs:			
Governmental activities:			
Indirect - general and administrative	\$ 1,846,107	\$ 1,846,107	\$ -
Direct program expenses	388,470	388,470	-
Personnel	4,433,773	(155,898)	(4,589,671)
Consultants	6,635,445	6,635,445	-
Transportation pass-through services	400,316	400,316	-
VATI pass-through	8,239,994	8,239,994	-
Housing and Emergency Management pass-through	1,911,699	1,911,699	-
Total governmental activities	\$ 23,855,804	\$ 19,266,133	(4,589,671)
General revenues:			
Miscellaneous			3,986,720
Use of money - investment income			513,442
Total general revenues			4,500,162
Change in net position			(89,509)
Net position, beginning of year			459,529
Net position, end of year			\$ 370,020

HAMPTON ROADS PLANNING DISTRICT COMMISSION

BALANCE SHEET GOVERNMENTAL FUND June 30, 2024

	General Fund
ASSETS	
Cash and cash equivalents	\$ 8,534,871
Due from other governments	9,145,175
Other receivables	25,214
Prepaid items and deposits	72,139
Total assets	\$ 17,777,399
LIABILITIES	
Accounts payable	\$ 2,917,499
Contracts payable	3,888,060
Unearned revenue	3,619,502
Accrued payroll	9,172
Total liabilities	10,434,233
FUND BALANCE	
Nonspendable	72,139
Committed	2,892,660
Assigned	1,666,947
Unassigned	2,711,420
Total fund balance	7,343,166
Total liabilities and fund balance	\$ 17,777,399

HAMPTON ROADS PLANNING DISTRICT COMMISSION

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION

June 30, 2024

Total fund balance - governmental fund		\$	7,343,166
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental fund.			
Capital and right-to-use subscription assets	\$	3,827,093	
Less accumulated depreciation and amortization		<u>(2,670,011)</u>	
			1,157,082
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental fund until then.			
Pension plan		430,573	
Other postemployment benefits		<u>370,523</u>	
			801,096
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.			
Subscription liability		(146,496)	
Compensated absences		(666,947)	
Other postemployment benefits		(4,319,676)	
Net pension liability		<u>(2,039,229)</u>	
			(7,172,348)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental fund until then.			
Pension plan		(288,609)	
Other postemployment benefits		<u>(1,470,367)</u>	
			<u>(1,758,976)</u>
Net position of governmental activities		\$	<u>370,020</u>

HAMPTON ROADS PLANNING DISTRICT COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE GOVERNMENTAL FUND Year Ended June 30, 2024

	General Fund
Revenues:	
Intergovernmental:	
Local contributions	\$ 5,060,382
Federal pass-through	10,487,749
Commonwealth	3,718,002
Use of money - investment income	513,442
Miscellaneous	3,986,720
Total revenues	23,766,295
Expenditures:	
Current:	
Indirect - general and administrative	1,621,577
Direct program expenses	388,470
Personnel	4,486,115
Consultants	6,635,445
Transportation pass-through services	400,316
VATI pass-through	8,239,994
Housing and Emergency Management pass-through	1,911,699
Debt service:	
Principal	44,121
Interest	17,314
Capital outlay:	
Capital assets	212,610
Right-to-use subscription assets	108,964
Total expenditures	24,066,625
Deficiency of revenues under expenditures	(300,330)
Other Financing Sources:	
Issuance of subscription agreement	108,964
Total other financing sources	108,964
Net change in fund balance	(191,366)
Fund balance, beginning of year	7,534,532
Fund balance, end of year	\$ 7,343,166

HAMPTON ROADS PLANNING DISTRICT COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2024

Net change in fund balance - governmental fund		\$	(191,366)
Reconciliation of amounts reported for governmental activities in the Statement of Activities:			
The governmental fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.			
Expenditures for capital and right-to-use subscription assets	\$	321,575	
Less depreciation and amortization expense		<u>(207,217)</u>	
			114,358
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.			
Issuance of subscription agreements		(108,964)	
Principal payments on subscription agreements		<u>44,121</u>	
			(64,843)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
OPEB non-employer contributions from the Commonwealth			1,646
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.			
Compensated absences		(60,971)	
Other postemployment benefits		26,887	
Pension expense, net		<u>84,780</u>	
			<u>50,696</u>
Change in net position of governmental activities		\$	<u>(89,509)</u>

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

Hampton Roads Planning District Commission (Commission) is a regional planning agency authorized by the Virginia Area Development Act of 1968 and created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the town of Smithfield, the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg, and Virginia Beach, and the counties of Gloucester, Isle of Wight, James City, Southampton, Surry, and York. Revenues of the Commission are received primarily from local government (member) contributions and various state and federal grant programs.

In the fall of 2008, the Commission was reorganized to better reflect efforts of the transportation staff in performing the planning, technical, and administrative duties of the regional Metropolitan Planning Organization (MPO) in accordance with regulations as determined by the Federal Highway Administration and the Virginia Department of Transportation. These duties were organized into a new function entitled Hampton Roads Transportation Planning Organization (HRTPO). HRTPO has two Memorandums of Understanding with the Commission. The first addresses the concept that the Commission “shall provide the planning and administrative staff to HRTPO” and all duties thereof. The second addresses the concept that HRTPO “desires that the Commission serve as fiscal agent for HRTPO” and all duties thereof. In this capacity, the audited financial statements of the Commission cover all the activities involved in administering the financial aspects of HRTPO.

The Commission’s governing body is composed of various members appointed by each of the seventeen participating jurisdictions. These governmental entities have an ongoing financial responsibility to the Commission because its continued existence depends on the continued funding by the participants. The Commission is perpetual and no participating government has access to its resources or surpluses, nor is any participant liable for the Commission’s debt or deficits.

The Commission is not a component unit of any of the participating governments. There are no component units to be included in the Commission’s financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information of the governmental activities supported by intergovernmental revenues.

The government-wide Statement of Net Position reports net position as restricted when externally imposed constraints are in effect. Internally imposed designations of resources are not presented as restricted net position.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The government-wide Statement of Activities is designed to report the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include contributions that are restricted to meet the operational requirements of a particular function.

The fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. Given that governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented, which explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

Separate fund financial statements are provided for the governmental fund. In the fund financial statements, financial transactions and accounts of the Commission are organized on the basis of funds. The operation of the fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental fund is reported on a Balance Sheet and a Statement of Revenues, Expenditures and Change in Fund Balance (fund equity). Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented, which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements: Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues, consisting of contributions from participating jurisdictions and Federal and State funds from the Commonwealth of Virginia, are recognized in the period the funding is made available.

Governmental Fund Financial Statements: The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. The Commission considers revenues to be available if they are collected within 45 days after year end. Expenditures are recorded when a liability is incurred under the full accrual method of accounting. The individual Governmental Fund is:

General Fund: The General Fund is the primary operating fund of the Commission and is used to account for and report all revenues and expenditures applicable to the general operations of the Commission. Revenues are derived primarily from intergovernmental activities. The General Fund is considered a major fund for financial reporting purposes.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting

The Commission's annual budget is a management tool that assists users in analyzing financial activity for its June 30 fiscal year. The Commission's primary funding sources are federal and state grants and local subsidies, which have periods that may or may not coincide with the Commission's fiscal year. These grants and subsidies are normally for a twelve-month period; however, they may be awarded for periods shorter or longer than twelve months.

Because of the Commission's dependency on federal, state and local budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The Commission's annual budget differs from that of a local government due to the uncertain nature of grant awards from other entities.

The resultant annual budget is subject to constant change within the fiscal year due to:

- Increases/decreases in actual grant awards from those estimated;
- Unanticipated grant awards not included in the budget; and
- Expected grant awards that fail to materialize.

The Board formally approves the annual budget in April, before the subsequent fiscal year begins. Due to grant expirations and new awards, amendments are made throughout the year as necessary.

E. Other Significant Accounting Policies

1. Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less.

2. Investments

Investments are stated at fair value based on quoted market prices.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements using the consumption method.

4. Capital Assets

Capital assets include property and equipment and computer hardware with an individual cost of more than \$5,000 and an estimated useful life in excess of one year, excluding right-to-use subscription assets, which are stated at the present value of certain required payments. For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. Repairs and maintenance are charged to operations as incurred. Additions and betterments are capitalized. The costs of assets retired and accumulated depreciation are removed from the accounts.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

4. Capital Assets (Continued)

Depreciation and amortization of all exhaustible equipment, leasehold improvements and intangibles is charged as an expense against operations using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Office furniture and equipment	5 years
Software	5 years
Automobiles	5 years
Right-to-use subscription assets	Life of subscription

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as an expense. There were no impaired assets at year end.

5. Subscription Based Information Technology Arrangements (SBITAs)

The Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription Based Information Technology Arrangements (SBITAs)*, on July 1, 2022. Beginning adjustments to right-to-use subscription assets and subscription liabilities did not result in a change to beginning net position.

For new or modified contracts, the Commission determines where the contract is a SBITA. If a contract is determined to be, or contain, a SBITA with a non-cancellable term in excess of 12 months (including any options to extend or terminate the subscription when exercise is reasonably certain), the Commission records a right-to-use subscription asset and subscription liability which is calculated based on the value of the discounted future subscription payments over the term of the subscription. If the interest rate implicit in the subscription is not readily determinable, the Commission will use the applicable incremental borrowing rate in the calculation of the present value of the subscription payments.

The Commission recognizes a subscription liability and right-to-use subscription asset on the statement of net position. Subscriptions with an initial, non-cancellable term of 12 months or less are not recorded on the statement of net position and expense is recognized as incurred over the subscription term.

Subscription payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

6. Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (the Commission's retirement plan) is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's retirement plan and the additions to/deductions from the Commission's retirement plan's fiduciary net position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

7. Other Postemployment Benefits

The Commission administers a single-employer defined post-employment health care benefit plan (the Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, an actuarial valuation was performed as of July 1, 2023, using updated actuarial assumptions. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan.

8. Compensated Absences

The Commission's policy permits VRS Plan 1 and Plan 2 full-time employees to accumulate earned but unused vacation benefits, and VRS Hybrid employees Paid Time Off benefits, which are eligible for payment upon separation from the Commission's service up to twice the annual earnings, at the rate of pay at separation. The liability for such leave is reported as incurred in the government-wide statements. Vacation / Paid Time Off is granted to all full-time employees and is earned based upon the length of employment. The General Fund is responsible for paying the liability for compensated absence balances for employees.

Accumulated sick leave for VRS Plan 1 and Plan 2 employees accrues until employees leave the Commission and will be paid out depending on date of hire and years of service. All full-time regular employees with hire dates before July 1, 2001 are grandfathered under the previous sick leave policy for the sick leave balances as of June 30, 2001 and, at the time of separation, will be reimbursed for one-third of the balance of hours remaining at their rate of pay at separation.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

8. Compensated Absences (Continued)

Effective July 1, 2001, all regular full-time employees who participate in VRS Plan 1 and Plan 2 are eligible to receive payment of 25% of the sick leave unused balance, up to a maximum payout depending on their years of service, at the rate of pay at separation. Any employee who separates from the Commission with less than 5 years of service will not be reimbursed for any remaining sick leave balance. Over 5 but less than 10 years, maximum payout will be \$2,500; over 10 but less than 15 years, maximum payout will be \$3,500; over 15 but less than 20 years, maximum payout will be \$5,000; over 20 but less than 25 years, maximum payout will be \$6,500; and over 25 years of service maximum payout will be \$7,500.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The Commission currently has items related to the pension plan that qualify for reporting in this category and are discussed in detail in Note 7 and items related to other postemployment benefits discussed in detail in Notes 9 and 10.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Commission currently has items related to the pension plan and are discussed in detail in Note 7 and items related to other postemployment benefits discussed in detail in Notes 9 and 10.

10. Group Life Insurance

The VRS Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

11. Fund Equity

The Commission reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance classification includes amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact (corpus of a permanent fund).

Restricted fund balance classification includes amounts constrained to specific purposes by their providers (higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance classification includes amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraint.

Assigned fund balance classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

When fund balance resources are available for a specific purpose in more than one classification, the Commission will consider the use of restricted, committed or assigned funds prior to the use of unassigned fund balance as they are needed.

The unassigned fund balance is utilized to support cash flow while the Commission awaits reimbursement of expenses from grant programs.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

12. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Commission first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

13. Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

14. Subsequent Events

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through October 8, 2024, the date the financial statements were available to be issued.

Note 2. Cash and Cash Equivalents

At June 30, 2024, cash and cash equivalents consisted of the following, at cost, which approximates fair value:

Cash	\$ 811,827
Local Government Investment Pool (LGIP)	7,200,398
CDARS	<u>522,646</u>
Total	<u>\$ 8,534,871</u>

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Cash Equivalents (Continued)

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 (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.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers’ acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP).

Credit Risk

As required by state statutes, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s and Fitch Investor’s Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s or “Aa” by Moody’s Investors Service.

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 Commission is maintained in accounts collateralized in accordance with the 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.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Cash Equivalents (Continued)

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Commission’s portfolio will be invested in the securities of any one issuer with the exception of: (1) the U.S. government or Agencies thereof, (2) fully insured/collateralized certificates of deposit or repurchase agreements that are collateralized by the U.S. government or Agencies thereof, and (3) mutual funds whereby the portfolio is limited to U.S. government or Agency securities.

Interest Rate Risk

As of June 30, 2024, the Commission had the following investments:

		Investment Maturities (in years)
	Fair Value	Less Than 1 Year
CDARS	\$ 522,646	\$ 522,646
Local Government Investment Pool (LGIP)	7,200,398	7,200,398

The Commission is exposed to minimal interest rate risk since all investments had fixed interest rates and are short-term at June 30, 2024.

External Investment Pool

At June 30, 2024, the Commission had investments of \$7,200,398 in the LGIP. 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 of the *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 the 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 Standard & Poor’s. 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.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 3. Fair Value Measurement

The Commission categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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.

	Level 1	Level 2	Level 3
CDARS	\$ 522,646	\$ -	\$ -

Note 4. Due From Other Governments

At June 30, 2024, amounts due from other governments were as follows:

City of Chesapeake - Federal Home Loan	\$ 87,226
City of Portsmouth - Federal Home Loan	123,404
DCR Bay Grant	76,757
Department of Environmental Quality	59,090
Environmental Protection Agency (EPA)	181,944
GO Virginia	2,817,618
Hampton	51,060
HRTAC	1,016,176
HRSD	100,000
James City	14,687
National Fish & Wildlife Foundation	45,492
Newport News	57,549
Portsmouth	4,039
SE Crescent Reg Commission	1,366
Southside Network Authority	10,044
Suffolk	4,039
VATI - DHCD	3,270,614
Virginia Department of Emergency Management	264,911
Virginia Department of Housing and Community Development (DHCD)	17,704
Virginia Department of Rail and Public Transit	429,129
Virginia Department of Transportation	510,866
Other Localities (Norfolk & Virginia Beach)	1,460
Total	\$ 9,145,175

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

A summary of capital assets is as follows for the year ended June 30, 2024:

	Balance June 30, 2023	Additions	Transfers/ Deletions	Balance June 30, 2024
Capital assets not being depreciated or amortized:				
Land	\$ 80,621	\$ -	\$ -	\$ 80,621
Construction in progress	17,488	-	(17,488)	-
Total capital assets not being depreciated or amortized	98,109	-	(17,488)	80,621
Capital assets being depreciated or amortized:				
Building and improvements	2,628,840	171,805	-	2,800,645
Office furniture and equipment	628,793	-	-	628,793
Software	-	40,806	17,488	58,294
Automobiles	51,055	-	-	51,055
Right-to-use subscription assets	98,721	108,964	-	207,685
Total capital assets being depreciated or amortized	3,407,409	321,575	17,488	3,746,472
Less accumulated depreciation and amortization for:				
Building and improvements	(1,925,764)	(96,509)	-	(2,022,273)
Office furniture and equipment	(497,266)	(51,571)	-	(548,837)
Software	-	(3,886)	-	(3,886)
Automobiles	(20,076)	(6,759)	-	(26,835)
Right-to-use subscription assets	(19,688)	(48,492)	-	(68,180)
Total accumulated depreciation and amortization	(2,462,794)	(207,217)	-	(2,670,011)
Total capital assets being depreciated or amortized, net	944,615	114,358	17,488	1,076,461
Capital assets, net	\$ 1,042,724	\$ 114,358	\$ -	\$ 1,157,082

Depreciation and amortization were charged to Indirect – General and Administrative.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 6. Compensated Absences

The following is a summary of compensated absences activity of the Commission for the year ended June 30, 2024:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 605,976	\$ 723,540	\$ 662,569	\$ 666,947	\$ 666,947

Note 7. Pension Plan

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent Multiple-Employer Pension Plan
Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of the Commission are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	39
Inactive members:	
Vested	17
Non-vested	15
Active elsewhere in VRS	24
Total inactive members	56
Active members	38
Total	133

Contributions

The contributions requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.0% of their compensation toward their retirement.

The Commission's contractually required contribution rate for the year ended June 30, 2024 was 8.79% for Plan 1 and Plan 2, and 7.79% and 5.45% for the Hybrid Plan, of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were \$376,457 and \$349,716 for the years ended June 30, 2024 and 2023, respectively.

B. Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Commission, the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Commission's Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50 percent
Salary increases, including inflation	3.50 percent – 5.35 percent
Investment rate or return	6.75 percent, net of pension plan investment expense, including inflation
Mortality Rates:	15% of deaths are assumed to be service related.
– Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
– Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
– Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
– Beneficiaries and survivors:	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
– Mortality improvement:	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Entity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		** Expected arithmetic nominal return	8.25%

* The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022 actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2022	\$ 19,521,777	\$ 17,526,813	\$ 1,994,964
Changes for the year:			
Service cost	294,130	-	294,130
Interest	1,296,232	-	1,296,232
Difference between expected and actual experience	75,954	-	75,954
Contributions – employer	-	349,716	(349,716)
Contributions – employee	-	178,106	(178,106)
Net investment income	-	1,105,134	(1,105,134)
Benefit payments, including refunds of employee contributions	(1,224,939)	(1,224,939)	-
Administrative expense	-	(11,348)	11,348
Other changes	-	443	(443)
Net changes	441,377	397,112	44,265
Balances at June 30, 2023	\$ 19,963,154	\$ 17,923,925	\$ 2,039,229

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability of the Commission using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.75%) or one-percentage-point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Plan's net pension liability (asset)	\$ 4,684,746	\$ 2,039,229	\$ (69,121)

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the Commission recognized pension expense of \$291,655. At June 30, 2024, the Commission reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to measurement date	\$ 376,457	\$ -
Difference between expected and actual experience	54,116	-
Net difference between projected and actual earnings on plan investments	-	(288,609)
	<u>\$ 430,573</u>	<u>\$ (288,609)</u>

The \$376,457 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30,	Amount
2025	\$ (161,119)
2026	(338,163)
2027	253,983
2028	<u>10,806</u>
Total	<u><u>\$ (234,493)</u></u>

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

E. Pension Plan Data

Detailed information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 8. Deferred Compensation Plan

The Commission has a deferred compensation plan under which the participants may defer a portion of their annual compensation subject to limitations of Internal Revenue Code, Section 457. Any contributions made to the deferred compensation plan are not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to the plan are administered by a third-party administrator, ICMA Retirement Corporation. Total contributions to the plan were \$30,181 for the year ended June 30, 2024. The plan does not qualify to be reported as a Fiduciary Fund-type.

Note 9. Other Postemployment Benefits (OPEB) Plan

A. General Information about the OPEB Plan

Plan description. The Commission provides non-pension post-retirement medical insurance benefits to individuals who are at least 50 years of age, have completed 20 full years of continuous service to the Commission, and retire under the Virginia Retirement System through a single employer defined benefit OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan is closed to new participants.

Benefits provided. The Commission provides medical, vision, and dental benefits for retirees and their spouse. The benefit terms provide for the same coverage options as active employees for employee-only medical, vision, and dental plans until age 65. The Commission contributes an amount equal to the current active employee or employee/spouse premium. For retirees and spouses who are age 65 or older, the Commission contributes an amount equal to the current premium for the program plan designed to complement Medicare coverage.

Employees Covered by Benefit Terms

Employees covered by the benefit terms as of June 30, 2024:

Inactive employees or beneficiaries currently receiving benefits	28
Active eligible employees	43
Total	71

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (OPEB) Plan (Continued)

B. Total OPEB Liability

The Commission's total OPEB liability of \$4,125,147 was measured as of June 30, 2024 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs. The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.5%
Inflation Rate	2.50%
Discount Rate	3.93%
Healthcare Cost Trend Rates	6.5% decreasing 0.5% per year to an ultimate rate of 5.0% for 2022 and later years

The discount rate was based on the Bond Buyer General Obligation 20 - Bond Municipal Index.

Mortality rates were based on the RP-2014 Mortality Fully Generational using Projection Scale BB-2020. The census was also updated to reflect the current population.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actual experience study for the period.

	Total OPEB Liability
Balance at June 30, 2023	<u>\$ 4,502,916</u>
Changes for the year:	
Service cost	117,597
Interest	166,523
Economic/demographic gains or losses	(97,271)
Changes of assumptions	(447,146)
Benefit payments, including refunds of employee contributions	<u>(117,472)</u>
Net changes	<u>(377,769)</u>
Balance at June 30, 2024	<u><u>\$ 4,125,147</u></u>

The entry age normal actuarial cost method is unchanged from the prior OPEB valuation. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (OPEB) Plan (Continued)

B. Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in Discount Rate

The following presents the total OPEB liability of the Commission, calculated using the discount rate of 3.65%, as well as what Commission's total OPEB liability would be if it were calculated using a discount rate that is 1- percentage-point lower (2.93%) or 1-percentage-point higher (4.93%) than the current discount rate:

Discount Rate Sensitivity – Total OPEB Liability at End of Period:

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB liability	\$ 4,736,493	\$ 4,125,147	\$ 3,623,479

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Commission, as well as the Commission's total OPEB liability would be if it were calculated using healthcare costs trend rates that are 1-percent-points lower or 1-percent-point higher than the current healthcare trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 3,517,618	\$ 4,125,147	\$ 4,894,224

C. OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2024, the Commission recognized OPEB expense of \$(8,725). The Commission also reported deferred inflows and outflows of resources related to OPEB from the following source at June 30, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 213,134	\$ (194,185)
Changes of assumptions	106,522	(1,236,642)
Total	\$ 319,656	\$ (1,430,827)

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 9. Other Postemployment Benefits (OPEB) Plan (Continued)

C. OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ (177,373)
2026	(177,373)
2027	(172,502)
2028	(185,703)
2029	(234,307)
Thereafter	<u>(163,913)</u>
	<u><u>\$ (1,111,171)</u></u>

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program

A. Plan Description

All full-time, salaried permanent employees of the Commission are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

A. Plan Description (Continued)

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS	
Eligible Employees The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.	
Benefit Amounts The benefits payable under the GLI Program have several components. <ul style="list-style-type: none">• Natural Death Benefit: The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• Accidental Death Benefit: The accidental death benefit is double the natural death benefit.• Other Benefit Provisions: In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">○ Accidental dismemberment benefit○ Seatbelt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option	
Reduction in Benefit Amounts The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.	
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 as of June 30, 2024.	

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

B. Contributions

The contribution requirements for the GLI Program are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the Commission were \$22,125 and \$20,635 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. The Commission's proportionate share of \$1,646 is reflected in the Statement of Activities.

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2024, the Commission reported a liability of \$194,529 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was 0.01622% as compared to 0.01581% at June 30, 2022.

For the year ended June 30, 2024, the participating employer recognized GLI OPEB expense of \$17,808. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,429	\$ (5,905)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(7,817)
Change in assumptions	4,158	(13,478)
Changes in proportionate share	5,155	(12,340)
Employer contributions subsequent to the measurement date	22,125	-
Total	\$ 50,867	\$ (39,540)

The \$22,125 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2025	\$ (3,814)
2026	(10,746)
2027	1,136
2028	(150)
2029	2,776
	\$ (10,798)

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
Salary increases, including inflation:	
Locality – general employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

– Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.
– Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.
– Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.
– Beneficiaries and survivors:	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.
– Mortality improvement:	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees (Continued)

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted termination rates to better fit experience at age and service decrement through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,907,052
Plan fiduciary net position	2,707,739
GLI net OPEB liability	\$ 1,199,313
Plan fiduciary net position as a percentage of the total GLI OPEB liability	69.30%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

F. Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Entity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
		Inflation	2.50%
		** Expected arithmetic nominal return	8.25%

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the rate contributed by the Commission for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

H. Sensitivity of the Commission's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the Commission's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Plan's net pension liability	\$ 288,352	\$ 194,529	\$ 118,672

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 11. Committed Fund Balance

Committed Fund Balance is available for the following purposes:

Stormwater	\$	242,002
Regional Water (H2O)		654,028
Regional Wastewater Program		259,725
Solid Waste Special Contracts Local		40,000
Capital building replacement reserve		597,356
Network servers/software reserve		226,534
Equipment reserve		200,000
Hampton Roads Clean Systems		28,911
Building operations and maintenance reserve		98,214
Vehicle replacement reserve		80,000
GIS reserve		200,000
HRLFP Admin		4,241
Miscellaneous Housing Grants		26,452
Local Government Contracts		18,925
Municipal Construction Std		196,631
Overflow or Underflow of Indirect Costs		(36,890)
SHRDSB STAFF		3,355
SPARC Grant		6,492
VAPDC Grant		12,143
Metro Medical Response		34,541
		<hr/>
	\$	2,892,660
		<hr/>

Note 12. Subscription Liabilities

The Commission is the user of certain subscription based information technology products. Right-to-use subscription assets are reported with other capital assets and subscription liabilities are reported with current and noncurrent liabilities on the statement of net position. Key estimates and judgements related to subscription liabilities include the determination of the applicable discount rate, subscription term, subscription payments, and residual value guarantees or other provisions as follows:

Discount Rate	When readily available or determinable, the Commission uses the interest rate charged by the vendor. If not readily available or determinable, the Commission uses its estimated incremental borrowing rate.
Subscription Term	The subscription term includes the non-cancellable period of the subscription arrangement.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 12. Subscription Liabilities (Continued)

A summary of changes in subscription liabilities for the Commission is as follows:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024	Amounts Due Within One Year
Subscription liabilities	\$ 81,653	\$ 108,964	\$ (44,121)	\$ 146,496	\$ 51,767

Summaries of future principal and interest maturities of subscription liabilities as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 51,767	\$ 9,669	\$ 61,436
2026	54,545	6,890	61,435
2027	19,045	3,891	22,936
2028	21,139	1,796	22,935
Total subscription liabilities	\$ 146,496	\$ 22,246	\$ 168,742

Note 13. Commitments and Subsequent Events

On July 1, 2022, the Commission entered into a three-year agreement with a vendor for the construction of broadband in the City of Suffolk, Isle of Wight County, and Southampton County for a total amount of \$21,120,053.

On July 2, 2024, the Commission entered into an agreement for a total of \$285,000 with a vendor for disaster recovery planning for 16 localities beginning June 1, 2024 through April 30, 2025.

On July 24, 2024, the Commission entered into an agreement with a vendor totaling \$484,224 for support services for Climate Pollution Reduction Grant Plans with a 39-month period of performance from July 1, 2024 to September 30, 2027.

On August 16, 2024, the Commission entered into a \$620,717 construction contract for the Regional Building parking lot water quality retrofit project to be completed over a 120-day period commencing August 26, 2024.

In 2019, the Commission entered into agreements with two vendors to provide water quality monitoring. The original agreements stipulated a six-year period commencing on March 1, 2019 for a total commitment of \$2,805,012 (\$467,502 annually). The agreements were amended in 2024 to shorten the original period from six to five years and to set forth new terms effective July 1, 2024. The amended agreements set forth an additional five-year performance period with a total commitment of \$3,351,000 (\$670,200 annually).

The Commission entered into various agreements for services related to regional and environmental planning and analysis beginning July 1, 2024. All agreements are annual and constitute the fourth and final contract renewals.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 14. Risk Management

The Commission 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. These risks are covered by insurance purchased from Virginia Risk Sharing Association, a group insurance pool in the Commonwealth of Virginia. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded insurance coverage for the past three years.

Note 15. Pending GASB Statements

At June 30, 2024, GASB had issued statements not yet implemented by the Commission. The statements which might impact the Commission are as follows:

GASB Statement No. 101, *Compensated Absences*, is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement No. 101 will be effective for its fiscal year ended June 30, 2025.

GASB Statement No. 102, *Certain Risk Disclosures*, is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. That objective is achieved by requiring governments to disclose information about concentrations and constraints that could make them vulnerable to a heightened possibility of loss or harm. The requirements of Statement 102 will be effective for the Commission beginning with its year ending June 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*, is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of Statement 103 will be effective for the Commission beginning with its year ending June 30, 2026.

Management has not yet determined the effect these statements will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS – MEDICAL INSURANCE

	Fiscal Year June 30,						
	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	\$ 117,597	\$ 138,244	\$ 205,557	\$ 223,922	\$ 209,589	\$ 172,706	\$ 183,756
Interest	166,523	155,997	120,851	117,833	161,603	158,143	142,540
Economic/demographic gains or losses	(97,271)	-	(170,947)	-	486,379	-	-
Changes of assumptions	(447,146)	(5,192)	(1,172,639)	45,330	(49,477)	249,912	(238,589)
Benefit payments, including refunds of employee contributions	(117,472)	(108,238)	(99,757)	(111,227)	(104,202)	(69,625)	(56,217)
Net change in total OPEB liability	(377,769)	180,811	(1,116,935)	275,858	703,892	511,136	31,490
Total OPEB liability - beginning	4,502,916	4,322,105	5,439,040	5,163,182	4,459,290	3,948,154	3,916,664
Total OPEB liability - ending	\$ 4,125,147	\$ 4,502,916	\$ 4,322,105	\$ 5,439,040	\$ 5,163,182	\$ 4,459,290	\$ 3,948,154
Covered payroll	\$ 4,163,210	\$ 3,451,685	\$ 3,451,685	\$ 3,537,263	\$ 3,340,832	\$ 3,277,400	\$ 3,277,400
Total OPEB liability as a percentage of covered payroll	99.09%	130.46%	125.22%	153.76%	154.55%	136.06%	120.47%

Notes to Schedule:

- (1) **Changes of benefit terms:** There have been no changes to the benefit terms since the prior actuarial valuation.
- (2) **Changes of assumptions:** Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

2024	3.93%
------	-------
- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM Measurement Dates of June 30

	Fiscal Year June 30,						
	2023	2022	2021	2020	2019	2018	2017
Employer's proportion of the net GLI OPEB liability	0.016222%	0.01581%	0.01644%	0.01703%	0.01724%	0.01750%	0.01674%
Employer's proportionate share of the net GLI OPEB liability	\$ 194,529	\$ 190,368	\$ 191,407	\$ 284,203	\$ 280,541	\$ 266,000	\$ 252,000
Employer's covered payroll	\$ 3,821,197	\$ 3,438,283	\$ 3,663,974	\$ 3,504,988	\$ 3,362,825	\$ 3,327,692	\$ 3,072,592
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	5.09%	5.54%	5.22%	8.11%	8.34%	7.99%	8.20%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

Notes to Schedule:

- (1) **Changes of benefit terms:** There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.
- (2) **Changes of assumptions:** The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumption as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers – General Employees:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through nine years of service.
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.
- (4) The amounts presented have a measurement date of the previous fiscal year end.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF COMMISSION CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,							
	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution (CRC)	\$ 22,125	\$ 20,635	\$ 18,567	\$ 18,334	\$ 18,226	\$ 17,576	\$ 17,304	\$ 16,056
Contributions in relation to the CRC	22,125	20,635	18,567	18,334	18,226	17,576	17,304	16,056
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 4,097,234	\$ 3,821,197	\$ 3,438,283	\$ 3,663,974	\$ 3,504,988	\$ 3,362,825	\$ 3,327,692	\$ 3,072,592
Contributions as a percentage of covered payroll	0.54%	0.54%	0.54%	0.50%	0.52%	0.52%	0.52%	0.52%

Note to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF CHANGES IN THE COMMISSION'S NET PENSION LIABILITY AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Pension Liability:										
Service cost	\$ 303,385	\$ 302,119	\$ 266,726	\$ 288,132	\$ 283,162	\$ 286,684	\$ 297,679	\$ 299,192	\$ 290,020	\$ 294,130
Interest	996,091	1,028,029	1,065,600	1,103,655	1,091,855	1,096,302	1,125,948	1,168,624	1,265,415	1,296,232
Changes of assumptions	-	-	-	(69,002)	-	469,111	-	702,983	-	-
Differences between expected and actual experience	-	188,230	161,736	(596,411)	(350,033)	214,889	312,531	92,605	60,802	75,954
Benefit payments, including refunds to employee contributions	(733,051)	(953,367)	(1,009,943)	(890,898)	(898,975)	(1,023,940)	(1,071,523)	(1,136,332)	(1,102,643)	(1,224,939)
Net change in total pension liability	566,425	565,011	484,119	(164,524)	126,009	1,043,046	664,635	1,127,072	513,594	441,377
Total pension liability - beginning	14,596,390	15,162,815	15,727,826	16,211,945	16,047,421	16,173,430	17,216,476	17,881,111	19,008,183	19,521,777
Total pension liability - ending (a)	\$ 15,162,815	\$ 15,727,826	\$ 16,211,945	\$ 16,047,421	\$ 16,173,430	\$ 17,216,476	\$ 17,881,111	\$ 19,008,183	\$ 19,521,777	\$ 19,963,154
Plan Fiduciary Net Position:										
Contributions - employer	\$ 265,987	\$ 258,101	\$ 275,830	\$ 268,149	\$ 285,539	\$ 213,565	\$ 216,313	\$ 274,749	\$ 281,886	\$ 349,716
Contributions - employee	168,862	146,515	156,320	159,783	160,469	161,125	165,729	159,882	163,028	178,106
Net investment income	1,878,198	608,113	223,589	1,595,776	1,056,019	976,157	288,956	3,997,545	(9,603)	1,105,134
Benefit payments, including refunds to employee contributions	(733,051)	(953,367)	(1,009,943)	(890,898)	(898,975)	(1,023,940)	(1,071,523)	(1,136,332)	(1,102,643)	(1,224,939)
Administrative expense	(10,281)	(8,751)	(8,723)	(9,475)	(9,305)	(10,126)	(10,232)	(10,353)	(11,443)	(11,348)
Other	99	(126)	(98)	(1,409)	(932)	(612)	(336)	374	412	443
Net change in plan fiduciary net position	1,569,814	50,485	(363,025)	1,121,926	592,815	316,169	(411,093)	3,285,865	(678,363)	397,112
Plan fiduciary net position - beginning	12,042,220	13,612,034	13,662,519	13,299,494	14,421,420	15,014,235	15,330,404	14,919,311	18,205,176	17,526,813
Plan fiduciary net position - ending (b)	\$ 13,612,034	\$ 13,662,519	\$ 13,299,494	\$ 14,421,420	\$ 15,014,235	\$ 15,330,404	\$ 14,919,311	\$ 18,205,176	\$ 17,526,813	\$ 17,923,925
Commission's net pension liability - ending (a) - (b)	\$ 1,550,781	\$ 2,065,307	\$ 2,912,451	\$ 1,626,001	\$ 1,159,195	\$ 1,886,072	\$ 2,961,800	\$ 803,007	\$ 1,994,964	\$ 2,039,229
Plan fiduciary net position as a percentage of the total pension liability	89.77%	86.87%	84.67%	89.87%	92.83%	89.04%	83.44%	95.78%	89.78%	89.79%
Covered payroll	\$ 3,133,501	\$ 3,217,577	\$ 3,072,592	\$ 3,327,692	\$ 3,362,825	\$ 3,504,988	\$ 3,663,974	\$ 3,438,283	\$ 3,808,396	\$ 4,097,234
Commission's net pension liability as a percentage of covered payroll	49.49%	64.19%	78.04%	49.61%	34.47%	53.81%	80.84%	23.35%	52.38%	49.77%

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF COMMISSION CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$ 258,101	\$ 275,830	\$ 268,149	\$ 285,539	\$ 213,565	\$ 216,313	\$ 274,749	\$ 281,886	\$ 349,716	\$ 376,457
Contributions in relation to the actuarially determined contribution	258,101	275,830	268,149	285,539	213,565	216,313	274,749	281,886	349,716	376,457
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 3,133,501	\$ 3,217,577	\$ 3,072,592	\$ 3,327,692	\$ 3,362,826	\$ 3,504,988	\$ 3,663,974	\$ 3,438,283	\$ 3,808,396	\$ 4,097,234
Contributions as a percentage of covered payroll	8.24%	8.52%	8.73%	8.58%	6.35%	6.17%	7.50%	8.20%	9.18%	9.19%

HAMPTON ROADS PLANNING DISTRICT COMMISSION

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
VIRGINIA RETIREMENT SYSTEM**

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2022 valuation were based on results of an actuarial experience study for the period July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

SUPPLEMENTARY INFORMATION

HAMPTON ROADS PLANNING DISTRICT COMMISSION

Schedule 1

CHANGE IN FUND BALANCE
Year Ended June 30, 2024

	General Fund	5303 FTA 20.5	VDOT Transit	VDOT SPR 20.2	VDOT PL 20.2	All Other Grants	Total
Support and revenue:							
Support:							
Direct federal grants	\$ -	\$ 624,954	\$ -	\$ 57,976	\$ 1,868,529	\$ 7,616,037	\$ 10,167,496
Pass-through federal contributions	-	320,253	-	-	-	-	320,253
State grants	165,943	78,119	-	-	233,566	3,200,342	3,677,970
Pass-through state	-	40,032	-	-	-	-	40,032
Revenue:							
Match/local subsidy	3,232,991	78,119	-	14,493	233,566	1,461,181	5,020,350
HRT/WATA/Suffolk match	-	40,032	-	-	-	-	40,032
Investment income	513,442	-	-	-	-	-	513,442
Miscellaneous	1,991,626	-	-	-	-	1,995,094	3,986,720
Total support and revenue	5,904,002	1,181,509	-	72,469	2,335,661	14,272,654	23,766,295
Expenses:							
Direct personnel:							
Salaries	1,520,117	443,308	-	36,444	1,130,176	317,779	3,447,824
Change in Compensated Absences	(56,638)	-	-	-	-	-	(56,638)
Adjustment for FICA on Leave	(4,333)	-	-	-	-	-	(4,333)
Fringe benefits -Exhibit B - Fringes	486,544	142,496	-	11,150	363,904	95,168	1,099,262
Total direct personnel	1,945,690	585,804	-	47,594	1,494,080	412,947	4,486,115
Direct operating:							
Travel	22,890	-	-	-	19,397	11,139	53,426
Education and training	10,494	-	-	500	8,304	55	19,353
Printing and reproduction	5,148	-	-	-	4,565	198	9,911
Advertising/Audit	4,579	-	-	-	5,338	80	9,997
Supplies	13,632	-	-	-	816	-	14,448
Consultants/contractual	2,927,534	-	-	-	181,550	3,526,361	6,635,445
Legal services	70,139	-	-	-	69,419	-	139,558
Telephone	1,250	-	-	-	1,200	-	2,450
Postage	1,359	-	-	-	341	217	1,917
Recruitment	7,429	-	-	-	440	-	7,869
Dues/subscriptions/memberships/data/publication	16,551	-	-	-	7,548	-	24,099
Software	(5,743)	-	-	8,500	23,803	-	26,560
Special meetings	24,020	-	-	-	16,065	-	40,085
Debt Service - Principal expense	44,121	-	-	-	-	-	44,121
Debt Service - Interest expense	17,314	-	-	-	-	-	17,314
Miscellaneous	15,496	-	-	-	-	2,202	17,698
Office equipment	16,639	-	-	-	4,460	-	21,099
Capital outlay	212,610	-	-	-	-	-	212,610
Capital outlay (SBITA)	108,964	-	-	-	-	-	108,964
Pass-through	-	400,316	-	-	-	10,151,693	10,552,009
Total direct operating	3,514,426	400,316	-	9,000	343,246	13,691,945	17,958,933
Indirect:							
Under/Overage of Indirect Cost	312,612	-	-	-	-	-	312,612
Other - Exhibit C - Indirect Expense (Fixed - Applied)	668,849	195,389	-	15,875	498,335	137,734	1,516,182
Total Indirect Cost	981,461	195,389	-	15,875	498,335	137,734	1,828,794
Total direct and indirect	6,441,577	1,181,509	-	72,469	2,335,661	14,242,626	24,273,842
Depreciation & Amortization - not allocated	(158,725)	-	-	-	-	-	(158,725)
Amortization of subscription assets	(48,492)	-	-	-	-	-	(48,492)
Total expenses	6,234,360	1,181,509	-	72,469	2,335,661	14,242,626	24,066,625
Other financing sources:							
Issuance of subscription agreement	108,964	-	-	-	-	-	108,964
Total other financing sources	108,964	-	-	-	-	-	108,964
Net Change in Fund Balance	\$ (221,394)	\$ -	\$ -	\$ -	\$ -	\$ 30,028	\$ (191,366)

FRINGE BENEFITS**Year Ended June 30, 2024**

Employer contributions - FICA	\$ 307,610
Employer contributions - Health Insurance	564,406
Employer contributions - Life & Disability Insurance	65,976
Employer contributions - Retirement	406,638
Gym Membership	940
Unemployment Compensation Insurance	<u>1,559</u>
 Total Fringe Benefits	 1,347,129
 Indirect Fringe	 <u>(247,867)</u>
Total Fringe Benefits on CFR 200	<u>\$ 1,099,262</u>

INDIRECT EXPENSES
Year Ended June 30, 2024

Miscellaneous Income	\$ 2,781
Total Revenue	2,781
Salaries	773,608
Employee benefits	247,867
Office supplies/software	60,610
Contractual/Temporary Services	227,837
Office equipment rental & maintenance	10,785
Office equipment	38,319
Office rental/maintenance	93,031
Insurance	13,649
Telephone	8,688
Travel	14,211
Postage	1,016
Recruitment	1,510
Special meetings	13,811
Dues, subscriptions, membership, data, publication	12,473
Copying cost & Printing & Presentation	9,128
Auditing/Advertising	57,819
Miscellaneous/storage	15,998
Interest expense/bank service/fed excise2	7,310
Depreciation expense	158,725
Amortization expense	48,492
Vehicle maintenance	2,939
Professional education/training/seminars	13,749
Total Indirect Cost Report	1,828,794
Under/Overage of Indirect Cost	(312,612)
Fixed Indirect Cost Expenses Applied	\$ 1,516,182

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

Federal Granting Agency/Recipient State Agency/ Grant Program/Grant Number or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Expenditures
DEPARTMENT OF TRANSPORTATION (DOT)				
Pass-through payments:				
Virginia Department of Rail and Public Transit:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	1459	\$ 400,316	\$ 945,207
Virginia Department of Transportation:				
Highway Planning and Construction (Federal-Aid Highway Program)				
PL Federal Aid Urban systems (FAUS) Program	20.205	UPC108963	-	1,868,529
SP&R Federal Aid Urban Systems (FAUS)	20.205	UPC109127	-	57,976
Total Highway Planning and Construction (Federal-Aid Highway Program)			-	1,926,505
Total Department of Transportation			400,316	2,871,712
DEPARTMENT OF COMMERCE (DOC)				
Pass-through payments:				
Virginia Department of Environmental Quality (DEQ):				
VCZMP MPPDC FY23 Working Waterfronts (NA23NOS4190255)	11.419	413679101	-	591
VCZMP TA FY22 (NA22NOS4190187)	11.419	413644300	-	33,709
VCZMP TA FY23 (NA23NOS4190255)	11.419	413674300	-	54,481
CZM 309 FY23 RAD (NA23NOS4190255)	11.419	413679104	-	2,105
Total Department of Commerce			-	90,886
ENVIRONMENTAL PROTECTION AGENCY (EPA)				
Pass-through payments:				
Virginia Department of Environmental Quality (DEQ):				
Bay Watershed PDC Local Implementation (ph. 6)	66.964	CB96346801-2 (17324)	-	34,930
Bay Watershed PDC Local Implementation (ph. 7)	66.964	CB96346801-2 (CTR022683)	-	36,069
Total Virginia Department of Environmental Quality			-	70,999
Pass-through payments:				
Environmental Protection Agency (EPA):				
Climate Pollution Reduction Grant	66.046	95317901	-	261,411
Total Department of Environmental Protection Agency			-	332,410
NATIONAL FISH & WILDLIFE FOUNDATION				
Pass-through payments:				
National Fish & Wildlife Foundation (NFWF)				
FWF Small Watershed Technical Assistance	66.466	CB-96397501	-	107,109
Total National Fish & Wildlife Foundation			-	107,109
SOUTHEAST CRESCENT REGIONAL COMMISSION (SCRC)				
Pass-through payments:				
Southeast Crescent Regional Commission (SCRC)				
LDD 2023 Capacity Building Cooperative Program	90.705	LDD23VA045	-	1,366
Total National Fish & Wildlife Foundation			-	1,366

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

Federal Granting Agency/Recipient State Agency/ Grant Program/Grant Number or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Pass-through payments:				
Virginia Department of Housing and Community Development:				
Home Investment Partnership Program	14.239	16676	\$ -	\$ 3,000
	14.239	16776	-	1,831
	14.239	16676	-	14,500
	14.239	16718	-	14,500
	14.239	16776	-	14,500
Total Home Investment Partnership Program			-	48,331
City of Chesapeake				
Home Investment Partnership Program	14.239	Not provided	-	3,456
	14.239	16776	-	26,813
	14.239	Not provided	-	10,826
	14.239	Not provided	-	26,856
	14.239	Not provided	-	26,981
	14.239	Not provided	-	27,286
	14.239	Not provided	-	26,824
	14.239	Not provided	-	5,583
	14.239	Not provided	-	27,137
	14.239	Not provided	-	250
	14.239	Not provided	-	27,120
Total Home Investment Partnership Program			-	209,132
City of Portsmouth				
Home Investment Partnership Program	14.239	1810	-	30,545
	14.239	1809	-	30,539
	14.239	Not provided	-	250
	14.239	1822	-	30,540
	14.239	Not provided	-	250
	14.239	Not provided	-	250
	14.239	1825	-	30,378
	14.239	Not provided	-	30,539
	14.239	Not provided	-	525
	14.239	Not provided	-	30,551
	14.239	Not provided	-	30,583
Total Home Investment Partnership Program			-	214,950
Total Department of Housing and Urban Development			-	472,413

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

Federal Granting Agency/Recipient State Agency/ Grant Program/Grant Number or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Expenditures
DEPARTMENT OF DEFENSE:				
Pass-through payments:				
Virginia Economic Development Partnership (VEDP) - Office of Economic Adjustment:				
Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation:				
MIR - Military Installation Resilience	12.003	HQ00052110012	\$ -	\$ 223,099
Total Department of Defense			-	223,099
DEPARTMENT OF HOMELAND SECURITY:				
Pass-through payments:				
Virginia Department of Emergency Management:				
Homeland Security Grant Program	97.047	PDMC-PL-03-VA-2019-003	-	3,186
	97.067	11	-	289,055
	97.067	14	-	285
	97.067	15	-	60,000
	97.067	5	-	74,579
	97.067	6	-	17,366
	97.067	7	-	300,000
	97.067	8	-	272,140
	97.067	10	-	111,401
	97.067	17	-	99,874
	97.067	70	-	86,100
	97.067	79	-	867
	97.067	6	-	12,800
	97.067	8	-	17,699
Total Department of Homeland Security			-	1,345,352
United States Department of the Treasury (TREAS)				
Pass-through payments:				
Coronavirus State and Local Fiscal Recovery Funds				
Virginia Telecommunication Initiative (VATI)				
COVID-19 VA Telecommunication Initiative- 2022	21.027	VATISF#2022-022	-	1,736
COVID-19 VA Telecommunication Initiative (VATI) Pass Through	21.027	VATISF#2022-022	5,035,389	5,035,389
COVID-19 VA Telecommunication Initiative- 2	21.027	VATISF#2022-022	-	6,277
Total US Department of the Treasury			5,035,389	5,043,402
Total expenditures of federal awards			\$ 5,435,705	\$ 10,487,749

HAMPTON ROADS PLANNING DISTRICT COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2024

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Hampton Roads Planning District Commission (the Commission) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position or changes in net position of the Commission.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the federal government is classified as direct payments on the Schedule.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the federal government is classified as pass-through payments on the Schedule.

Major Programs – The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the Commission were determined using a risk-based approach in accordance with Uniform Guidance.

Federal Assistance Listing – The Federal Assistance Listing is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (Federal Assistance Listing Number), which is reflected in the Schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Commission has elected to apply an indirect cost recovery rate approved by the Virginia Department of Transportation and has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

**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**

Honorable Commission Board Members
Hampton Roads Planning District Commission

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 (*Government Auditing Standards*); 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 and the major fund of the Hampton Roads Planning District Commission (Commission), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 8, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 Commission'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 considered 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 Commission'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 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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
October 8, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Commission Board Members
Hampton Roads Planning District Commission

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hampton Roads Planning District Commission's (the Commission) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Commission's major federal programs for the year ended June 30, 2024. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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 (*Government Auditing Standards*); and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Commission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
October 8, 2024

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	<u>✓</u> No
Significant deficiency(ies) identified?	_____ Yes	<u>✓</u> None Reported
Noncompliance material to financial statements noted?	_____ Yes	<u>✓</u> No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	<u>✓</u> No
Significant deficiency(ies) identified?	_____ Yes	<u>✓</u> None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

_____ Yes ✓ No

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction (Federal-Aid Highway Program)
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds – Virginia Telecommunication Initiative (VATI)

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ✓ Yes _____ No

Section II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

MEMBER
JURISDICTIONS

CHESAPEAKE

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HAMPTON

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NEWPORT NEWS

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SMITHFIELD

SOUTHAMPTON

SUFFOLK

SURRY

VIRGINIA BEACH

WILLIAMSBURG

YORK

HAMPTON ROADS PLANNING DISTRICT COMMISSION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2024

No matters were reported during the prior year audit.