

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS,
REQUIRED SUPPLEMENTARY INFORMATION,
SUPPLEMENTAL SCHEDULES, AND AUDIT OF
FEDERAL AWARDS PERFORMED IN
ACCORDANCE WITH UNIFORM GUIDANCE

As of and for the Years Ended June 30, 2024 and 2023

And Reports of Independent Auditor

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

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CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
COMMISSION MEMBERS AND DIRECTORS (UNAUDITED)

Commission Members

Frederick T. Stant, III, – Chairman
Commonwealth Transportation Board

Thomas W. Meehan, Sr. – Vice Chairman
City of Newport News

Rev. Gregory L. Duncan, Sr. – Secretary/Treasurer
Accomack County

Mark C. Bundy, Sr.
Northampton County

George B. Clark, IV
City of Virginia Beach

S. Keith Colonna
Accomack County

Patrick E. Corbin
City of Chesapeake

Phillip R. Custis
Northampton County

Reeves W. Mahoney
City of Norfolk

Christine O. Snead
City of Hampton

Vacant
City of Portsmouth

Executive Director

Jeffrey B. Holland

Deputy Executive Director, Finance and Operations

Thomas R. Anderson, III

Deputy Executive Director, Infrastructure

Michael T. Crist, P.E.

Report of Independent Auditor

To the Board of Commissioners
Chesapeake Bay Bridge and Tunnel Commission
Cape Charles, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Chesapeake Bay Bridge and Tunnel District (the "District"), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2024 and 2023, and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions* (the "Specifications"), 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Investments and 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 audits 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Investments 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 Information

Management is responsible for the Introductory Section, the Budgetary Comparison Schedule, the Schedule of Insurance Policies, and the Schedule of Comparative Traffic and Revenues Statistics included in the annual report. Such other information does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the Introductory Section, the Budgetary Comparison Schedule, the Schedule of Insurance Policies, and the Schedule of Comparative Traffic and Revenues Statistics and consider whether a material inconsistency exists between such information and the basic financial statements, or the information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Virginia Beach, Virginia
October 21, 2024

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2024 AND 2023

Overview of the Financial Statements

The Chesapeake Bay Bridge and Tunnel District's (the "District") annual financial report for the fiscal years ended June 30, 2024 and 2023 provides long-term and short-term information about the District's overall financial status. The financial section of this report consists of four parts: management's discussion and analysis; basic financial statements, including notes to the basic financial statements; required supplementary information; and other information. Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities. The basic financial statements are the Statements of Net Position, as of June 30, 2024 and 2023, and the related statements of revenues, expenses, changes in net position and cash flows for the years then ended. The notes to the basic financial statements consist of information that is essential to a user's understanding of the basic financial statements. The basic financial statements are followed by required supplementary information and other information that provide the information augmenting the basic financial statements.

As it is considered a special-purpose government engaged only in business-type activities, the District follows enterprise fund reporting; accordingly, the basic financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of nonbridge-tunnel infrastructure assets is recognized in the statements of revenues, expenses, and changes in net position. All assets and deferred outflows of resources and liabilities and deferred inflows of resources resulting from the operation of the District are included in the Statements of Net Position.

Financial Highlights for Fiscal Years ended June 30, 2024 and 2023

- Toll revenues during fiscal year 2024 ("FY2024") were \$70,990,494 and were 5.5% more than fiscal year 2023 ("FY2023") toll revenues. During FY2024, 4,297,468 total revenue vehicles crossed the District's facility which is essentially flat with the prior year. The increase in toll revenues during FY2024 was due to an average toll rate increase of approximately 10% that was implemented as of January 1, 2024. The lack of growth in traffic volumes during FY2024 was precipitated by a downturn in traffic volumes during the peak travel season in July and August. Following back to back record years for tourism after the lifting of pandemic related travel restrictions, Virginia Beach and the Outer Banks of North Carolina experienced a slight downturn in volumes for the summer of 2023. Toll revenues during fiscal year 2023 ("FY2023") were \$67,268,583 and were 0.3% more than fiscal year 2022 ("FY2022") toll revenues. During FY2023, 4,300,882 total revenue vehicles crossed the District's facility. This represents a 0.5% increase in vehicular traffic over FY2022.
- Other operating revenues in FY2024 totaled \$1,355,822, which is a decrease of 2.0% from other revenues in FY2023. Other operating revenues in FY2023 totaled \$1,382,876 which is an increase of 0.2% from other revenues in FY2022.
- Operating expenses in FY2024, before District facility expenses, totaled \$18,340,339, which is an increase in operating expenses of 8.6% from FY2023. The increase in operating expenses during FY2024 is primarily attributable to an increase in salaries as a result of cost-of-living and merit increases, training costs for police academy attendees, and utility costs. Operating expenses in FY2023, before District facility expenses, totaled \$16,886,587, which is an increase in operating expenses of 8.4% from FY2022.
- Operating expenses in FY2024, before District facility expenses, were 4.9% less than the legally adopted budget for FY2024 operating expenses, before District facility expenses. Operating expenses in FY2023, before District facility expenses, were 4.4% less than the legally adopted budget for FY2023 operating expenses, before District facility expenses.
- Total net position at June 30, 2024 was \$890,026,361, a 7.6% increase over total net position at June 30, 2023. Total net position at June 30, 2023 was \$827,243,738, a 5.5% increase over total net position at June 30, 2022.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2024 AND 2023

Significant Events for Fiscal Year 2024

On November 1, 2023, the District utilized draws previously made in FY2023 on the outstanding Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and the Virginia Transportation Infrastructure Bank (VTIB) loan in the amounts of \$338,528,672 and \$48,663,510, respectively, to pay the principal amount due upon the maturity of the outstanding Series 2019 Bond Anticipation Notes (BAN).

As planned by the Commission to support the financing of the Parallel Thimble Shoal Tunnel Project (the "Project"), the District implemented a toll rate increase of approximately 10% effective January 1, 2024. This resulted in a decrease in traffic for FY2024 by 0.1%; however, revenues increased 5.5%.

Financial Analysis

Net Position

Net position is the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. As of June 30, 2024, net position was \$890,026,361, a 7.6% increase over net position at June 30, 2023. As of June 30, 2023, net position was \$827,243,738. Total assets and deferred outflows of resources decreased 15.8% to \$1,696,250,059 and total liabilities and deferred inflows of resources decreased 32.1% to \$806,223,698 during FY2024. Total assets and deferred outflows of resources increased 26.3% to \$2,014,497,738 and total liabilities and deferred inflows of resources increased 46.4% to \$1,187,254,000 during FY2023. The net position and increase in net position is an indicator of the district's financial health.

Summary of Net Position As of June 30, 2024, 2023, and 2022

	2024	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets	\$ 84,144,024	\$ 118,804,819	\$ 135,870,954
Restricted assets	262,616,233	671,313,932	359,780,288
Noncurrent investments	252,363,684	232,806,940	160,757,952
Long-term lease receivable, net	3,463,769	4,609,491	5,815,379
Capital assets	1,088,994,384	981,674,821	925,850,958
Bond insurance costs, net	2,071,037	2,183,329	2,295,622
Deferred outflows of resources	2,596,928	3,104,406	4,306,193
Total Assets and Deferred Outflows of Resources	1,696,250,059	2,014,497,738	1,594,677,346
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	42,404,797	420,468,821	31,570,896
Long-term debt, net of current portion	739,138,027	740,673,781	750,989,470
Net pension liability	13,774,988	13,051,028	10,380,686
RHIP OPEB liability	4,635,569	5,749,406	5,799,973
Net GLI OPEB liability	460,656	466,106	471,413
Deferred inflows of resources	5,809,661	6,844,858	11,712,848
Total Liabilities and Deferred Inflows of Resources	806,223,698	1,187,254,000	810,925,286
NET POSITION			
Net investment in capital assets	541,925,403	76,150,261	444,437,903
Restricted for debt service	36,278,906	422,885,892	65,239,135
Restricted for forfeited property	15,621	13,260	11,968
Unrestricted	311,806,431	328,194,325	274,063,054
Total Net Position	\$ 890,026,361	\$ 827,243,738	\$ 783,752,060

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2024 AND 2023

Current assets include unrestricted cash and investments that mature in less than 12 months and receivables due in less than 12 months. Restricted assets include cash and investments restricted for current debt service and debt service reserves as required by revenue bond covenants and cash and investments restricted for payment of construction of the Parallel Thimble Shoal Tunnel ("PTST"). Noncurrent investments are unrestricted investments that mature in more than 12 months. Long term lease receivables include lease payments due from lessees beyond 12 months in the future. Capital assets are the bridge and tunnel infrastructure assets, capitalized interest and financing expenses during construction periods, construction in progress for the PTST project, construction in progress for the Parallel Chesapeake Tunnel ("PCT") project and other capital assets, such as land, buildings, fleet vehicles, and equipment, net of depreciation. Bond insurance costs are the unamortized costs associated with revenue bonds issued by the District. Deferred outflows of resources represent a consumption of net position that is applicable to a future reporting period, specifically related to the District's pension, Retiree Health Insurance Plan ("RHIP") Other Postemployment Benefits ("OPEB") plan, and Group Life Insurance ("GLI") OPEB.

Current liabilities include accounts payable and accrued expenses, unearned revenues, bond principal that is due within 12 months, and bond interest due within 12 months. Long-term debt, net of current portion, is the principal amount of bonds payable that will mature after 12 months, net of unamortized discounts or premiums. Net GLI OPEB liability represents the District's proportionate share of the total liability for the GLI plan for retirees. Net pension liability represents the amount by which the District's total pension liability exceeds the pension plan's net position available for paying benefits. Retiree Health Insurance Plan ("RHIP") OPEB liability represents the District's total RHIP OPEB liability as the Chesapeake Bay Bridge and Tunnel Commission (the "Commission") has elected to fund the healthcare benefits for retirees on a "pay-as-you-go" basis. Deferred inflows of resources represent an acquisition of net assets that are applicable to a future reporting period, specifically related to the District's pension, RHIP OPEB plan, GLI OPEB plan, or lease receivables.

Unrestricted net position contains the revenue fund, reserve maintenance fund, and general fund net position. The reserve maintenance fund and general fund are expended to preserve the capital assets by planned and unplanned extraordinary maintenance projects. The general fund will be also utilized for current and future construction projects.

Net position restricted for debt service is current debt service due on July 1, 2024, 2023, and 2022, if applicable, and the debt service reserve assets restricted by bond covenants. Net position restricted for forfeited property represents assets lawfully seized by the District's police and restricted for expenses in accordance with the Virginia Department of Criminal Justice regulations.

Changes in Net Position

Net position increased \$62,782,623 during FY2024 versus an increase of \$43,491,678 during FY2023. The total operating revenues for FY2024 were \$72,346,316, 5.5% more than FY2023 operating revenues, which were \$68,651,459, 0.3% more than FY2022 operating revenues, which were \$68,464,926. The total operating expenses in FY2024, before District facility charges, were \$18,340,339, an increase of 8.6% from FY2023. The total operating expenses in FY2023, before District facility charges, were \$16,886,587, an increase of 8.4% from FY2022.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2024 AND 2023

**Summary of Statements of Revenues, Expenses, and Changes in Net Position
During FY2024, FY2023, and FY2022**

	2024	2023	2022
Operating Revenues:			
Tolls	\$ 70,990,494	\$ 67,268,583	\$ 67,085,006
Other	1,355,822	1,382,876	1,379,920
Total Operating Revenues	<u>72,346,316</u>	<u>68,651,459</u>	<u>68,464,926</u>
Operating expenses before District facility expenses	18,340,339	16,886,587	15,574,399
District facility expenses	4,525,544	4,509,408	3,664,754
Total Operating Expenses	<u>22,865,883</u>	<u>21,395,995</u>	<u>19,239,153</u>
Operating Income	49,480,433	47,255,464	49,225,773
Net nonoperating expenses	13,302,190	(3,763,786)	(35,575,875)
Increase in net position	62,782,623	43,491,678	13,649,898
Total net position, beginning of year	827,243,738	783,752,060	770,102,162
Total net position, end of year	<u>\$ 890,026,361</u>	<u>\$ 827,243,738</u>	<u>\$ 783,752,060</u>

There are many variables that affect the District's vehicular traffic and resulting revenues. In evaluating FY2024 traffic compared to FY2023, the total traffic figure reflects almost no change in the overall results. An approximate 10% toll rate increase implemented on January 1, 2024 resulted in an increase in toll revenues of 5.5% for the full fiscal year. Due to leap year and an early Easter holiday, February and March represented all-time record highs for traffic volumes and due to the toll rate increase every month from January to June represented an all-time high for toll revenues. In evaluating FY2023 traffic compared to FY2022, the total traffic figure reflects a 0.5% increase in the overall results.

**Comparison of Toll Revenues and Vehicular Traffic
During FY2024, FY 2023, and FY2022**

	2024	2023	2022	Percentage Change	
				2024 vs. 2023	2023 vs. 2022
Toll revenues	<u>\$ 70,990,494</u>	<u>\$ 67,268,583</u>	<u>\$ 67,085,006</u>	5.5 %	0.3 %
Vehicular Traffic:					
Cars and light trucks	3,884,600	3,893,096	3,877,954	(0.2)	0.4
Heavy trucks	404,733	400,169	392,464	1.1	2.0
Busses	<u>8,135</u>	<u>7,617</u>	<u>6,989</u>	6.8	9.0
Total Vehicles	<u>4,297,468</u>	<u>4,300,882</u>	<u>4,277,407</u>	(0.1)	0.5

Operating expenses, before District facility charges, for FY2024 increased 8.6% from FY2023 expenses and were 4.9% less than the budgeted expenses. The FY2024 increase in operating expenses can be attributed primarily to an increase in salaries as a result of cost-of-living and merit increases, training costs for police academy attendees, and utility costs. Operating expenses, before District facility charges, for FY2023 increased 8.4% from FY2022 expenses and were 4.4% less than the budgeted expenses. The FY2023 increase in operating expenses can be attributed primarily to an increase in salaries derived from a cost-of-living increase and an increase in health insurance costs and pension expenses.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2024 AND 2023

Facility expenses for FY2024 increased 0.4% when compared to FY2023. Facility expenses for FY2023 increased 23.0% when compared to FY2022. District facility expenses primarily include preservation expenses for bridge and tunnel assets. Preservation expenses are predominantly large complex repairs and renovations that may take more than one year to complete. Depending on the nature of the preservation projects, the amount of preservation expense can vary greatly from year to year. The bridge and tunnel preservation expenses increased by 3.3% in FY2024. The start of a pile jacket demonstration project and the continuation of the steel repair project on the North Channel Bridge are the main drivers for the increase in preservation expenses between FY2023 and FY2024. Preservation of bridge and tunnel assets has been, and continues to be, a primary goal of the Commission. Refer to the Capital Asset section for more information regarding preservation expenses.

Net non-operating revenues in FY2024 total \$13,302,190 as compared to net non-operating expenses of \$3,763,786 in FY2023. This change is primarily the result of a sharp increase of \$11,559,881 in the gain on the change in fair value of investments as well as an increase in interest income of \$5,821,045. The increase in interest income is a result of the overall interest rate environment being much higher than it has been in recent years. The increase in the gain on fair value of investments is largely a result of the unrealized losses in prior periods being recovered as investments were held to maturity in the General Fund and the Parallel Tunnel Project Funds.

The change in fair value of investments is inversely related to the overall change in interest rates. The District invests its assets with the purpose of holding investments until maturity unless there is an infrequent need to liquidate a portion for cash management purposes. Therefore, the change in fair value is considered to be a "book entry" gain or loss and not a cash value or maturity gain or loss.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2024, the District has \$1,088,994,384 invested in capital assets, net of accumulated depreciation. Capital assets include bridge and tunnel assets, capitalized interest and financing expenses, construction in progress on the parallel tunnel projects and miscellaneous capital assets. The bridges, trestles, approach roads, Fisherman Island Causeway, tunnels, portal islands with all attached improvements, toll plaza infrastructure and the rest area facility, and site-wide utilities are classified as bridge and tunnel assets. Capitalized interest and financing expenses are the amounts that were funded from the 1960 revenue bond issue to pay debt service and associated costs of the bonds during construction until the opening of the Chesapeake Bay Bridge and Tunnel in 1964. Other capital assets include all other capitalized assets such as land, buildings, fleet vehicles, and equipment.

In accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), the District has elected to utilize the modified approach to infrastructure reporting on both bridge and tunnel assets and capitalized interest and financing expenses. Rather than reporting depreciation on any bridge and tunnel assets or capitalized interest, the District reports, as preservation expense, the costs incurred for maintaining bridge and tunnel assets in generally good condition on the statements of revenues, expenses, and changes in net position. U.S. GAAP requires governmental entities that utilize the modified approach for infrastructure reporting must have their governing board set a policy for the condition levels at which modified approach assets will be maintained. The Commission's policy is to maintain 90% of its bridge and tunnel assets at a maintenance-rating program ("MRP") condition level of "good" or better. U.S. GAAP also requires that the condition levels for the current and prior two fiscal years be disclosed in the notes to the basic financial statements.

The modified approach to infrastructure reporting highlights the District's proactive maintenance efforts by disclosing the results of the annual condition level assessments performed by the District's consulting engineers at Jacobs Engineering, Inc. The District's utilization of the modified approach for infrastructure reporting makes it an industry leader within the Commonwealth of Virginia.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2024 AND 2023

Jacobs Engineering, Inc. has inspected the bridge and tunnel assets and has determined that in FY2024, FY2023, and FY2022, the overall infrastructure condition level is "good" (Level 7) or better. As shown in the following table, the facility's infrastructure condition level stayed approximately the same from FY2022 to FY2024. The tunnels, portal islands, and original trestles have an overall condition level of 7; however, Jacobs Engineering, Inc. assigned some components of the original trestles a condition level of 4 and the portal island and tunnels, which includes the ventilation buildings, a condition level of 6. Extraordinary reserve maintenance projects are planned to address the maintenance requirements for all these components.

The following two tables detail the condition level of bridge and tunnel assets for the last three years and they derive percentages in different ways. Trestles and bridges that have an MRP numeric condition level are described as a percentage of lane miles. All other bridge and tunnel assets that have an MRP numeric condition level are described as a percentage of that specific bridge and tunnel asset.

Percentage of Lane Miles at an MRP Condition Level 7 or Better

Bridge and Tunnel Assets	2024	2023	2022
Original bridges	100 %	100 %	100 %
Parallel crossing bridges	100	100	100
Original trestles	84	84	84
Parallel crossing trestles	100	100	100

Percentage of Capital Assets at an MRP Condition Level 7 or Better

Bridge and Tunnel Assets	2024	2023	2022
Approach roads	100 %	100 %	100 %
Fisherman Island Causeway	100	100	100
Tunnels	88	88	88
Portal islands	89	89	89
Toll plaza infrastructure	100	100	100
Sitewide utilities	100	100	100

Preservation expenses for FY2024 totaled \$2,388,139 and were 3.3% more than FY2023 preservation expenses. Preservation expenses for FY2024 included the pile jacket demonstration project, the underwater inspection of the facility, the design of the elevator replacement project for the tunnel ventilation buildings and the steel repair project on North Channel Bridge. Preservation expenses for FY2023 totaled \$2,312,898 and were 42.5% more than FY2022 preservation expenses. Preservations expenses for FY2023 included the underwater inspection of the facility, the replacement of the Thimble Shoal Tunnel light fixtures with LED, the installation of video cameras on the trestles and the steel repair project on North Channel Bridge.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2024 AND 2023

The budgeted preservation expenses for FY2025 are summarized by asset cluster in the table that follows. During a given fiscal year, there may be no preservation expenses budgeted for one or more of the classifications of bridge and tunnel assets. This would be an indication that the District assesses that there is no need for preservation work on this classification of bridge and tunnel assets to be able to maintain it at a "good" condition level or better.

Bridge and tunnel assets:

Original bridges	\$ 225,000
Parallel crossing bridges	317,635
Original trestles	1,905,822
Parallel crossing trestles	1,598,205
Approach roads	90,000
Fisherman Island causeway	75,000
Tunnels	3,692,049
Portal islands	101,500
Toll plaza infrastructure	37,837
Sitewide utilities	1,185,659
	<u>\$ 9,228,707</u>

The District has elected to continue to use the traditional approach or depreciation method for miscellaneous capital assets, such as buildings, fleet vehicles, and equipment that are depreciable. Depreciation expense was \$543,612 and \$636,758 for FY2024 and FY2023, respectively, for nonbridge-tunnel assets that are classified as miscellaneous capital assets on the statements of net position. For FY2024, capital asset purchases in the amount of \$1,424,193 were added to miscellaneous capital assets. For FY2023, capital asset purchases in the amount of \$554,762 were added to miscellaneous capital assets.

Insurance expenses increased 7.9% to \$1,551,524 in FY2024 from \$1,437,921 in FY2023. The District secured a one-year program starting April 1, 2024 via ACE American Insurance Company that offers favorable rates through March 31, 2025.

Long-Term Debt (Bonds Payable)

The District had previously incurred its prior bonds under its 1991 General Revenue Bond Resolution, adopted by the Commission on November 21, 1991, as amended and supplemented (the "1991 Resolution"). To finance the costs of the Parallel Thimble Shoal Tunnel Project, the Commission determined that the prior bonds would be redeemed or defeased and the 1991 Resolution would be terminated so that a new general bond resolution could be issued. The District redeemed the Series 2010A and Series 2011A bonds in the amounts of \$30,000,000 and \$5,850,000, respectively, and terminated the interest rate swap associated therewith on November 1, 2016. Concurrent with the issuance of the Series 2016 Bonds on November 10, 2016, the District contributed additional money from the General Fund in combination with funds released from the 1991 Resolution to fund the defeasance of the outstanding amount of \$44,405,000 for the Series 1998 Bonds, which were non-callable.

On October 24, 2016, the Commission adopted and approved the 2016 General Revenue Bond Resolution (the "2016 Resolution") along with three Supplemental Resolutions authorizing the issuance of \$321,515,000 First Tier General Resolution Revenue Bonds, Series 2016 (the "Series 2016 Bonds"), a loan from the United States Department of Transportation under the TIFIA Loan in the amount of up to \$338,528,672, plus capitalized interest, and a loan from the VTIB Loan in the amount of up to \$50,000,000, plus capitalized interest.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2024 AND 2023

On August 13, 2019, the District issued First Tier General Resolution Revenue Bond Anticipation Notes, Series 2019 (the "Series 2019 BAN") in the aggregate principal amount of \$378,140,000 pursuant to its General Revenue Bond Resolution, adopted by the Commission on October 24, 2016 and its Fourth Supplemental Resolution, adopted by the Commission on July 9, 2019. The Series 2019 BANs matured on November 1, 2023. The proceeds of the Series 2019 BANs were used to provide funds to pay capitalized interest on the Series 2019 BANs, finance a portion of the costs of the Parallel Thimble Shoal Tunnel Project, and pay certain costs of issuing the Series 2019 BANs. The Series 2019 BANs were issued in anticipation of the proceeds to be received by the District from disbursements requisitioned by the District in accordance with the terms of the TIFIA Loan Agreement and the VTIB Loan Agreement.

On December 27, 2022, the District received a draw on the outstanding TIFIA loan and the VTIB loan in the amounts of \$338,528,672 and \$48,663,510, respectively. The funds from the two draws were utilized to purchase a Federal Home Loan Bank Note investment that matured on the same date as the maturity of the Series 2019 BANs. The District earned approximately \$8.9 million in additional interest income as a result of this transaction.

On November 1, 2023, the District paid the outstanding principal amount of the Series 2019 BANs on their maturity date as planned.

The amount of outstanding bonds payable that mature between July 1, 2025 and July 1, 2055 is \$710,117,528, net of unamortized bond premium of \$29,020,499. All the bonds payable are backed by the pledge of toll revenues. The underlying credit rating on the Series 2016 Bonds and the TIFIA Loan is Baa2 and BBB by Moody's Investors Service and Standard & Poor's Global Ratings, respectively. The VTIB Loan is unrated.

As of June 30, 2024, the District's outstanding debt portfolio is entirely composed of fixed-rate debt.

The Commission is required to maintain its General Resolution Toll Rate Covenant Ratio, as defined, at a level not less than 150% of the principal and interest requirement of all First Tier Bonds then outstanding; not less than 125% of the principal and interest requirement of all First and Second Tier Bonds then outstanding; not less than 125% of the principal and interest requirement of all First, Second, and Subordinate Tier Bonds then outstanding; and 110% of all required deposits under the resolution. For FY2024, the toll rate covenant ratio for First Tier Bonds was 436%, the toll rate covenant ratio for Subordinate Tier Bonds was 292% and the toll rate covenant ratio for all required deposits was 291%. There was no debt service requirement for Second Tier bonds as of June 30, 2024.

Contacting the District's Financial Management

This financial report is designed to provide the bondholders, customers, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, address your request to the Executive Director or the Deputy Executive Director – Finance and Operations, 32386 Lankford Highway, Cape Charles, Virginia 23310.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

STATEMENTS OF NET POSITION

JUNE 30, 2024 AND 2023

	2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash (Note 3)	\$ 1,448,702	\$ 1,274,398
Investments (Notes 3 and 11)	77,774,258	112,667,197
Accounts receivable and accrued interest receivable, net	2,726,940	2,730,678
Lease receivable (Note 14)	1,053,846	1,093,429
Prepaid expenses and other assets	1,140,278	1,039,117
Total Current Assets	84,144,024	118,804,819
Restricted Assets:		
Cash (Note 3)	34,492	32,131
Investments (Notes 3 and 11)	260,757,096	671,209,871
Accrued interest receivable	1,824,645	71,930
Total Restricted Assets	262,616,233	671,313,932
Investments (Notes 3 and 11)	252,363,684	232,806,940
Long-term lease receivable (Note 14)	3,463,769	4,609,491
Capital Assets (Note 4):		
Bridge and tunnel facilities	422,370,201	422,370,201
Construction in progress – Parallel Thimble Shoal Tunnel	652,690,890	546,251,908
Construction in progress – Parallel Chesapeake Tunnel	3,476,500	3,476,500
Land	5,232,907	5,232,907
Miscellaneous capital assets, net of accumulated depreciation	5,223,886	4,343,305
Total Capital Assets, net	1,088,994,384	981,674,821
Bond insurance costs, net of accumulated amortization	2,071,037	2,183,329
Deferred Outflows of Resources:		
Pension (Note 6)	1,945,385	2,047,240
RHIP OPEB (Note 9)	539,534	951,385
GLI OPEB (Note 10)	112,009	105,781
Total Deferred Outflows of Resources	2,596,928	3,104,406
Total Assets and Deferred Outflows of Resources	\$ 1,696,250,059	\$ 2,014,497,738

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

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 29,641,773	\$ 15,722,218
Current portion of long-term debt (Note 5)	-	382,598,029
Accrued interest	12,030,635	21,470,729
Unearned revenues	<u>732,389</u>	<u>677,845</u>
Total Current Liabilities	<u>42,404,797</u>	<u>420,468,821</u>
Long-Term Liabilities:		
Long-term debt, net of current portion (Note 5)	739,138,027	740,673,781
Net pension liability (Note 6)	13,774,988	13,051,028
Total other postemployment benefits liability (Note 9)	4,635,569	5,749,406
Net group life insurance other postemployment benefits liability (Note 10)	<u>460,656</u>	<u>466,106</u>
Total Long-Term Liabilities	<u>758,009,240</u>	<u>759,940,321</u>
Deferred Inflows of Resources:		
Pension (Note 6)	748,163	1,408,036
RHIP OPEB (Note 9)	917,478	181,945
GLI OPEB (Note 10)	94,364	129,141
Lease receivable (Note 14)	<u>4,049,656</u>	<u>5,125,736</u>
Total Deferred Inflows of Resources	<u>5,809,661</u>	<u>6,844,858</u>
Total Liabilities and Deferred Inflows of Resources	<u>806,223,698</u>	<u>1,187,254,000</u>
Net Position:		
Net investment in capital assets	541,925,403	76,150,261
Restricted for debt service	36,278,906	422,885,892
Restricted for forfeited property	15,621	13,260
Unrestricted	<u>311,806,431</u>	<u>328,194,325</u>
Total Net Position	<u>890,026,361</u>	<u>827,243,738</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 1,696,250,059</u></u>	<u><u>\$ 2,014,497,738</u></u>

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

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Operating Revenues:		
Tolls	\$ 70,990,494	\$ 67,268,583
Other	1,355,822	1,382,876
Total Operating Revenues	<u>72,346,316</u>	<u>68,651,459</u>
Operating Expenses:		
Administration	606,299	424,528
Finance	987,350	946,552
Operations	5,471,070	4,819,436
Maintenance and tunnel operations	4,657,717	4,518,019
General	5,088,910	4,639,461
Consultants	654,309	773,236
Utilities	874,684	765,355
Total Operating Expenses Before District Facility Expenses	<u>18,340,339</u>	<u>16,886,587</u>
District Facility Expenses:		
Insurance	1,551,524	1,437,921
Depreciation (Note 4)	543,612	636,758
Bridge and tunnel preservation	2,388,139	2,312,898
Other	42,269	121,831
Total District Facility Expenses	<u>4,525,544</u>	<u>4,509,408</u>
Total Operating and District Facility Expenses	<u>22,865,883</u>	<u>21,395,995</u>
Operating Income	<u>49,480,433</u>	<u>47,255,464</u>
Nonoperating Revenues (Expenses):		
Change in fair value of investments (Note 3)	22,725,321	11,165,440
Interest income	15,076,998	9,255,953
Interest expense	(24,527,363)	(24,173,272)
Gain on asset disposal	26,549	4,000
Other expenses, net	685	(15,907)
Net Nonoperating Revenues (Expenses)	<u>13,302,190</u>	<u>(3,763,786)</u>
Change in net position	62,782,623	43,491,678
Total net position, beginning of year	<u>827,243,738</u>	<u>783,752,060</u>
Total net position, end of year	<u><u>\$ 890,026,361</u></u>	<u><u>\$ 827,243,738</u></u>

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

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash flows from operating activities:		
Toll collections from customers	\$ 69,997,756	\$ 66,886,847
Scrip sales	288,420	237,040
Leasing revenues	1,533,157	1,134,710
Payments to employees for services and employee benefits	(15,168,874)	(14,295,484)
Payments to suppliers and consultants	(6,861,171)	(5,696,460)
Other	810,917	(997,328)
Net cash flows from operating activities	50,600,205	47,269,325
Cash flows from investing activities:		
Purchases of investments	(1,390,062,032)	(1,942,470,872)
Interest income	13,165,584	8,889,455
Sales and maturities of investments	1,838,576,323	1,588,138,144
Net cash flows from investing activities	461,679,875	(345,443,273)
Cash flows from capital and related financing activities:		
Capitalized expenditures	(94,141,702)	(54,641,481)
Forfeited assets	686	-
Bond proceeds	-	387,192,182
Debt principal repayments	(378,140,000)	-
Disposal of capital assets	26,549	4,000
TIFIA loan servicing fee	-	(16,000)
Interest paid	(39,848,948)	(34,887,031)
Net cash flows from capital and related financing activities	(512,103,415)	297,651,670
Net change in cash and restricted cash	176,665	(522,278)
Cash and restricted cash, beginning of year	1,306,529	1,828,807
Cash and restricted cash, end of year	\$ 1,483,194	\$ 1,306,529
Cash and restricted cash are presented in the accompanying Statements of Net Position as follows:		
Cash	\$ 1,448,702	\$ 1,274,398
Restricted cash	34,492	32,131
	\$ 1,483,194	\$ 1,306,529

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

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 49,480,433	\$ 47,255,464
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	543,612	636,758
Changes in operating assets and liabilities:		
Accounts receivable	162,436	(1,008,847)
Lease receivable	1,185,305	1,070,761
Prepaid expenses and other assets	(101,161)	(30,135)
Accounts payable and accrued expenses	198,082	525,030
Deferred inflows related to lease receivable	(1,076,080)	(1,202,304)
Pension liabilities and related deferred outflows and inflows	290,385	339,364
RHIP OPEB liabilities and related deferred outflows and inflows	(90,896)	(135,517)
GLI OPEB liabilities and related deferred outflows and inflows	(46,455)	(53,278)
Unearned revenues	54,544	(127,971)
Net cash flows from operating activities	<u>\$ 50,600,205</u>	<u>\$ 47,269,325</u>

Supplemental disclosure of noncash capital and related financing activities:

The District incurred noncash expenses including the amortization of bond premiums and bond insurance costs that totaled \$5,881,490 and \$14,797,549 in 2024 and 2023, respectively.

The District incurred noncash capital expenditures in the amount of \$25,679,976 and \$11,958,503 that are included in accounts payable as of June 30, 2024 and 2023, respectively.

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

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 1—Organization and summary of operations

The Chesapeake Bay Bridge and Tunnel District (the “District”) was created as a political subdivision of the Commonwealth of Virginia by Chapter 693 of the Acts of Virginia of 1954. Chapter 693 was subsequently amended by the following Chapters of the Acts of Virginia: Chapters 462 and 714 of the 1956 Session, Chapter 24 of the 1959 Extra Session, Chapters 228 and 605 of the 1962 Session, Chapter 348 of the 1964 Session, Chapter 203 of the 1990 Session, Chapter 548 of the 1998 Session, Chapters 238 and 705 of the 2000 Session, and Chapters 270 and 297 of the 2005 Session, (collectively, the “Acts”). All such Acts have been codified into Title 33.2 Code of Virginia, Chapter 22. The District comprises the area, all within the Commonwealth of Virginia, in Accomack and Northampton Counties, the Cities of Virginia Beach, Hampton, Newport News, Chesapeake, Norfolk, and Portsmouth, and the area of the Chesapeake Bay between these subdivisions.

By the Acts, the Chesapeake Bay Bridge and Tunnel Commission (the “Commission”) was created as the governing body of the District. These Acts authorized the Commission to acquire, establish, construct, maintain, repair, and operate a project comprising public ferry service over and across the waters between any two points within the boundaries of the District, where such public ferry services would form a connecting link in the system of state highways.

Under the Acts, the Commission was also authorized to establish, construct, maintain, repair, and operate a bridge or tunnel or a bridge and tunnel project from any point within the boundaries of the District to a point in the County of Northampton, including such approaches and approach highways as the Commission deemed necessary to facilitate the flow of traffic in the vicinity of such project or to connect such project with the highway system or other facilities in the state.

The Chesapeake Bay Bridge and Tunnel (the “Bridge-Tunnel”) is a 20-mile, four-lane trestle and bridge and two-lane tunnel crossing at the mouth of the Chesapeake Bay between the City of Virginia Beach and Northampton County on the Eastern Shore of Virginia. The Bridge-Tunnel consists principally of low-level trestles, four bridges, two tunnels, approach highways, and an earth-fill causeway. The Bridge-Tunnel is designated as part of U.S. Route 13, the main north-south highway on Virginia’s Eastern Shore and the only direct link between Virginia’s Eastern Shore and the metropolitan area of South Hampton Roads, Virginia.

The District sold a revenue bond issue of \$200,000,000 (the “1960 Bonds”) under a Trust Indenture dated July 1, 1960, and constructed the two-lane bridge and tunnel project. The project was opened to traffic on April 15, 1964. The Commission discontinued ferry service following the opening of the two-lane bridge and tunnel project.

On April 15, 1964, the Bridge-Tunnel opened as a two-lane facility. A three-staged parallel crossing project began in 1995. Stage 1 of this project was completed in April 1999. This stage included construction of parallel trestles, bridges, roadways, and rehabilitation of the original two-lane facility. Stage 2 has been ongoing since 2013 and will consist of construction of an additional two-lane tunnel under Thimble Shoal Channel. In FY2021, the District began the preliminary work for Stage 3 which will complete the parallel crossing with construction of an additional two-lane tunnel under Chesapeake Channel.

The District is accounted for under the economic resources measurement focus and the accrual basis of accounting as a special-purpose government engaged in business-type activities, which follows enterprise fund reporting. Special-purpose governments engaged in business-type activities are used to account for the ongoing activities that are financed and operated similar to those often found in the private sector. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the District’s ongoing operations. Operating revenues include revenue from toll collection, recognized when travelers cross the bridge and tunnel, and lease income. Operating expenses include District facility and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Summary of significant accounting policies

Cash and Investments – Cash includes cash on hand and various checking accounts. In accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), the District reports its investment securities at fair market value. Fair market value is determined as of the statements of net position date. The fair value is based on either quotations obtained from national security exchanges or on the basis of quotations provided by a pricing service, which uses information with respect to transactions on bonds, quotations from bond dealers, market transactions in comparable securities, and various relationships between securities.

Restricted Assets – In accordance with applicable covenants of certain bond issues, cash, investments, and accrued interest receivables have been appropriately restricted. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, and then unrestricted resources, as they are needed.

Capital Assets – The bridge and tunnel assets and construction in progress are stated at cost and include previously capitalized interest. In accordance with GAAP, the District does not capitalize interest during construction projects. No provision for depreciation or obsolescence of the Bridge-Tunnel facilities is provided as the District has adopted the modified approach to account for these assets. All other assets, excluding bridges and tunnel assets, are being depreciated straight-line over their estimated useful lives of three years up to fifty years.

Net Position – Net position is classified into four different components: net investment in capital assets, restricted for debt service, restricted for forfeited property, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position restricted for debt service is reported when constraints are placed on the use of assets either externally by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislations. Net position restricted for forfeited property represents assets lawfully seized by the District’s police and restricted for expenditures in accordance with the Virginia Department of Criminal Justice regulations. Unrestricted net position contains the revenue fund, reserve maintenance fund, and the general fund net position. The reserve maintenance fund and general fund are expended to preserve the capital assets by planned and unplanned extraordinary maintenance projects. The general fund will also be used for current and future construction projects.

Management’s Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows cash flow resources and liabilities and deferred inflows cash flow resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition – Toll revenues represent the tolls collected, net of any deductions such as credit card fees, E-ZPass fees, and medical and educational toll discounts. Revenues are recognized when earned.

Accounts Receivable – A significant portion of the District’s toll revenues are collected electronically via credit card, debit card, or E-ZPass. E-ZPass allows tolls to be paid from a prepaid account between a participating group of toll agencies throughout the northeastern and mid-Atlantic United States. The payment of the tolls is governed by a reciprocal agreement between the participating agencies. Electronic toll payment via all three methods is usually received within one to three days following the toll charge. The lagged toll payment is recorded as a receivable on the District’s statement of net position. In management’s estimate, an allowance for doubtful account is unnecessary given the reliability of payment under the reciprocal agreement.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

Pensions – The Virginia Retirement System (“VRS”) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District’s Retirement Plan, and the additions to/deductions from the District’s Retirement Plan’s net fiduciary position have been determined on the same basis as they were reported by 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.

Postemployment Benefits Other than Pensions (“OPEB”) – District employees participate in two postemployment benefits other than pensions (other postemployment benefits or OPEB) plans:

The Chesapeake Bay Bridge and Tunnel District Retiree Health Insurance Plan (“RHIP”) is a single employer, defined benefit plan that provides health, vision, and dental benefit plans for eligible members through a self-funded plan administered by the District. For purposes of measuring the net RHIP OPEB liability, deferred outflows of resources and deferred inflows of resources related to RHIP OPEB and RHIP OPEB expense, information about the fiduciary net position of the RHIP and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the RHIP. For this purpose, the RHIP recognizes benefit payments when due and payable in accordance with the benefit terms.

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 group life insurance 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 VRS GLI Program OPEB and the additions to/deductions from the VRS GLI Program OPEB’s net fiduciary 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.

Deferred Outflows and Inflows of Resources – Deferred outflows of resources are defined as a consumption of net position by the District that is applicable to a future reporting period. Similarly, deferred inflows of resources are defined as an acquisition of net positions by the District that is applicable to a future reporting period. The pension and OPEB deferred inflows and outflows related to the difference between expected and actual experience, changes in assumptions, and changes in proportionate share are recognized using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB through the plans. The pension and OPEB deferred inflows and outflows related to investment experience are recognized using a systematic and rational method over a closed five-year period. The pension and OPEB deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the net pension and OPEB liabilities in the subsequent fiscal year. The deferred inflows from leases are recognized as lease revenue by using straight-line amortization over the life of the lease.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

Compensated Absences – All salaried full-time employees earn leave upon starting a full-time position. The amount and type of leave earned is based upon the employee's date of hire, years of service and status as a Plan 1, Plan 2, or Hybrid Plan member in the Virginia Retirement System. The value of compensated leave is expensed as employees earn the right to these benefits.

Salaried full-time employees participating in the VRS as Plan 1 or Plan 2 members earn annual leave and sick leave hours per pay period based on full years of continuous service to the District as shown in the table below. VSR Plan 1 and Plan 2 members hired prior to July 1, 2008 earn 5 sick leave hours per pay period or 3 sick leave hours per pay period if hired after July 1, 2008. An employee may be paid for unused annual leave and sick leave when the employee separates from District service by resignation, retirement, death or termination. The maximum that an employee may be paid for annual leave upon separation is the lesser of the amount of unused annual leave that the employee has accrued, or the applicable maximum as shown in the table below. Sick leave may be accrued without limitation. Employees with less than 5 years of continuous District service are not entitled to payment for unused sick leave. Employees with 5 or more years of continuous District service are paid for up to 25% of their sick leave balance up to a maximum of \$7,500.

Years of Service	Annual Leave Hours Per Pay Period	Sick Leave Hours Per Pay Period	Maximum Accrued Annual Leave
Less than 5	4	3, 5	192
5 - 9	5	3, 5	240
10 - 14	6	3, 5	288
15 - 19	7	3, 5	288
20 - 24	8	3, 5	336
25 or more	9	3, 5	336

Salaried full-time employees participating in the Virginia Retirement System as Hybrid members earn paid time off ("PTO") leave which employees can use for any purpose. Employees earn PTO leave hours per pay period based on full years of continuous service to the District as shown in the table below. An employee may be paid for unused PTO leave when the employee separates from District service by resignation, retirement, death, or termination. The maximum that an employee may be paid for PTO leave upon separation is the lesser of the amount of unused PTO leave the employee has accrued or the applicable maximum as shown in the table below.

Years of Service	PTO Leave Hours Per Pay Period	Maximum Accrued PTO Leave
Less than 10	7	336
10 - 19	8	384
20 or more	9	432

Leases - The District is the lessor on four leases to which the new statement applied. A lease receivable and an offsetting deferred inflow of resources was recognized for the present value of the lease payments expected to be received during the lease term. Interest income is recognized on the lease receivable at the District's incremental borrowing rate of 1.6%. For more information, please see Note 14.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 2—Summary of significant accounting policies (continued)

Subscription-Based Information Technology Arrangements – The District implemented GASB Statement 96, *Subscription-Based Information Technology Arrangements* (“SBITA”), effective July 1, 2022, which provided requirements on the accounting and financial reporting for SBITAs for government end users (governments). This Statement (1) defined a SBITA; (2) established that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provided the capitalization criteria for outlays other than subscription payments, included implementation costs of a SBITA; and (4) required note disclosures regarding a SBITA. Upon review, the District concluded that SBITAs are immaterial and do not warrant disclosure.

Note 3—Cash deposits and investments

Deposits – The carrying value of the District’s deposits (unrestricted and restricted) was \$1,483,194 and \$1,306,529 at June 30, 2024 and 2023, respectively. The entire bank balance was covered for both fiscal years by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (“VSPD Act”). In accordance with the VSPD Act, the District’s depository institution pledged collateral in the form of federal agency obligations with a market value equal to 110% of the District’s deposits with a third-party trustee in the name of the Treasurer of the Commonwealth of Virginia. In the event the banking institution fails, the Treasurer will take possession of the collateral, liquidate it, and reimburse the District up to the value of its deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the VSPD Act and for notifying local governments of compliance by banks.

Investments – The District is authorized to invest in obligations of the United States or agencies thereof; obligations of any state or territory of the United States and any political subdivision thereof; obligations permitted by the laws of the Commonwealth of Virginia; repurchase agreements with respect to the foregoing obligations; certificates of deposit, time deposits, or interest in money market portfolios issued by any bank, banking association, savings and loan association, or trust company insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation; commercial paper; shares in one or more open-ended investment funds provided that the funds are registered under the State Securities Act or the Federal Investment Company Act; bankers’ acceptances; and units representing beneficial interests in investment pools created pursuant to the Government Non-Arbitrage Investment Act of the Commonwealth of Virginia.

Credit Risk – Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As required by state statute, 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 (“S&P”), and Fitch Investors 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 S&P’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated “AA” by S&P’s and “Aa” by Moody’s Investors Service.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 3—Cash deposits and investments (continued)

The District's investment securities using the S&P's credit quality ratings scale are presented below:

June 30, 2024 Investment Type	Standard & Poor's Credit Rating							Total
	AAA	AA+	AA	AA-	A-1+	A-1	A+	
U.S. treasuries	\$ -	\$ 357,731,132	\$ -	\$ -	\$ 4,287,668	\$ -	\$ -	\$ 362,018,800
U.S. agencies	-	70,444,117	-	-	-	-	-	70,444,117
Federal agency								
mortgage-backed	-	370,214	-	-	-	-	-	370,214
commercial-backed	-	33,739,349	-	-	-	-	-	33,739,349
Corporate notes	4,736,688	3,228,134	1,686,208	7,493,666	-	-	2,348,751	19,493,447
	<u>\$ 4,736,688</u>	<u>\$ 465,512,946</u>	<u>\$ 1,686,208</u>	<u>\$ 7,493,666</u>	<u>\$ 4,287,668</u>	<u>\$ -</u>	<u>\$ 2,348,751</u>	<u>\$ 486,065,927</u>

June 30, 2023 Investment Type	Standard & Poor's Credit Rating							Total
	AAA	AA+	AA	AA-	A-1+	A-1	A+	
U.S. treasuries	\$ -	\$ 365,055,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 365,055,209
U.S. agencies	-	105,821,903	-	-	370,984,130	-	-	476,806,033
Federal agency								
mortgage-backed	-	520,175	-	-	-	-	-	520,175
Supra-national agency	930,990	-	-	-	-	-	-	930,990
Corporate notes	4,697,156	7,219,442	-	9,768,147	-	9,820,689	-	31,505,434
	<u>\$ 5,628,146</u>	<u>\$ 478,616,729</u>	<u>\$ -</u>	<u>\$ 9,768,147</u>	<u>\$ 370,984,130</u>	<u>\$ 9,820,689</u>	<u>\$ -</u>	<u>\$ 874,817,841</u>

Concentration of Credit Risk – The District's investment policy establishes guidelines on portfolio composition by investment type in order to control concentration of credit risk. As of June 30, 2024 and 2023, the District's portfolio was invested as follows:

Investment Type	2024 Fair Value	Percentage of Portfolio	2023 Fair Value	Percentage of Portfolio
U.S. treasuries	\$ 362,018,800	61.27 %	\$ 365,055,209	35.91 %
U.S. agencies	70,444,117	11.92	476,806,033	46.90
Federal agency				
mortgage-backed	370,214	0.06	520,175	0.05
Federal agency				
commercial-backed	33,739,349	5.71	-	0.00
Supra-national agency	-	-	930,990	0.09
Money market funds	104,829,111	17.74	141,866,167	13.95
Corporate notes	19,493,447	3.30	31,505,434	3.10
	<u>\$ 590,895,038</u>	<u>100.00 %</u>	<u>\$ 1,016,684,008</u>	<u>100.00 %</u>

Interest Rate Risk – Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits the investment of funds as a means of limiting exposure to fair value losses. Investments in the General Resolution Debt Service Reserve Funds are limited to investments with maturities that are consistent with the next interest or principal payment date. Investments in the General Resolution Reserve Maintenance Fund are limited to investments with maturities less than three years. Investments in the General Resolution General Fund are limited to investments with maturities that are consistent with the schedule of planning, development, and construction of parallel tunnels that would complete the parallel crossing. Investments are selected based on the current perception of the direction of interest rates with a greater emphasis on yield and a lesser emphasis on liquidity.

Proceeds from the sale of bonds issued by the District are invested in compliance with the specific requirements of the bond covenants without further restriction as to the maximum term of securities purchased.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 3—Cash deposits and investments (continued)

As of June 30, 2024, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			Not Fixed
		Less than 1 Year	1 to 3 Years	Greater than 3 Years	
U.S. treasuries	\$ 362,018,800	\$ 108,541,252	\$ 230,023,212	\$ 23,454,336	\$ -
U.S. agencies	70,444,117	23,874,787	46,569,330	-	-
Federal agency mortgage-backed	370,214	-	155,675	214,539	-
Federal agency commercial-backed	33,739,349	-	7,710,949	26,028,400	-
Money market funds	104,829,111	-	-	-	104,829,111
Corporate notes	19,493,447	4,034,959	15,458,488	-	-
	<u>\$ 590,895,038</u>	<u>\$ 136,450,998</u>	<u>\$ 299,917,654</u>	<u>\$ 49,697,275</u>	<u>\$ 104,829,111</u>

As of June 30, 2023, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			Not Fixed
		Less than 1 Year	1 to 3 Years	Greater than 3 Years	
U.S. treasuries	\$ 365,055,209	\$ 213,713,128	\$ 106,613,408	\$ 44,728,673	\$ -
U.S. agencies	476,806,033	408,318,609	68,487,424	-	-
Federal agency mortgage-backed	520,175	-	-	520,175	-
Supra-national agency	930,990	930,990	-	-	-
Money market funds	141,866,167	-	-	-	141,866,167
Corporate notes	31,505,434	12,207,160	13,720,716	5,577,558	-
	<u>\$ 1,016,684,008</u>	<u>\$ 635,169,887</u>	<u>\$ 188,821,548</u>	<u>\$ 50,826,406</u>	<u>\$ 141,866,167</u>

Summary of Changes in Fair Value of Investments – The change in fair value of investments for the years ended June 30, 2024 and 2023 is calculated as follows:

	2024	2023
Fair value of investments at end of year	\$ 590,895,038	\$ 1,016,684,008
Add:		
Proceeds from sales and maturities during the year	1,838,576,323	1,588,138,144
Less:		
Cost of investments purchased during the year	(1,390,062,032)	(1,942,470,872)
Fair value of investments at beginning of year	(1,016,684,008)	(651,185,840)
Change in fair value of investments	<u>\$ 22,725,321</u>	<u>\$ 11,165,440</u>

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 4—Capital assets

Capital assets include bridge and tunnel assets, capitalized interest and financing expenses, and other capital assets. The bridges, trestles, approach roads, Fisherman Island Causeway, tunnels, portal islands with all attached improvements, toll plaza infrastructure and the rest area facility, and site-wide utilities, are classified as bridge and tunnel assets. Capitalized interest and financing expenses include the amount of money that was funded from the 1960 Bonds issued for debt service and associated costs of the bonds during construction until the opening of the Bridge-Tunnel in 1964 and the amount of interest capitalized from the Series 2016 Bonds during construction of the Parallel Thimble Shoal Tunnel Project through the end of FY2019. The new statement is only applied prospectively. Miscellaneous capital assets include all other assets that the District has capitalized such as land, buildings, fleet vehicles, and equipment.

The District utilizes the modified approach to infrastructure reporting on bridge and tunnel assets and capitalized interest and financing expenses. In lieu of reporting depreciation on bridge and tunnel assets, the costs incurred for maintaining bridge and tunnel assets at the condition level that is specified by Commission policy are reported as preservation expenses on the accompanying statements of revenues, expenses, and changes in net position.

The District has elected to continue to use the traditional approach or depreciation method for buildings, fleet vehicles, and equipment that are depreciable, as stipulated in the District's Capital Asset Policy.

Capital assets at June 30, 2024 and 2023 comprise the following:

	2024	2023
Bridge and tunnel assets	\$ 422,370,201	\$ 422,370,201
Capitalized interest and finance expenses	25,565,790	25,565,790
Construction in progress - Parallel Thimble Shoal Tunnel	627,125,100	520,686,118
Construction in progress - Parallel Chesapeake Tunnel	3,476,500	3,476,500
Land	5,232,907	5,232,907
Miscellaneous capital assets	21,262,350	20,085,637
	1,105,032,848	997,417,153
Less accumulated depreciation	(16,038,464)	(15,742,332)
Total capital assets, net	<u>\$ 1,088,994,384</u>	<u>\$ 981,674,821</u>

The following is a summary of the changes in capital assets for the year ended June 30, 2024:

	Capital Asset Balance, June 30, 2023	Capital Asset Additions	Capital Asset Disposals	Capital Asset Depreciation	Capital Asset Balance, June 30, 2024
Nondepreciable assets:					
Bridge and tunnel assets	\$ 422,370,201	\$ -	\$ -	\$ -	\$ 422,370,201
Construction in progress	549,728,408	106,438,982	-	-	656,167,390
Land	5,232,907	-	-	-	5,232,907
	<u>977,331,516</u>	<u>106,438,982</u>	<u>-</u>	<u>-</u>	<u>1,083,770,498</u>
Depreciable assets:					
Miscellaneous capital assets	20,085,637	1,424,193	(247,480)	-	21,262,350
Less accumulated depreciation	(15,742,332)	-	247,480	(543,612)	(16,038,464)
	<u>4,343,305</u>	<u>1,424,193</u>	<u>-</u>	<u>(543,612)</u>	<u>5,223,886</u>
Total capital assets, net	<u>\$ 981,674,821</u>	<u>\$ 107,863,175</u>	<u>\$ -</u>	<u>\$ (543,612)</u>	<u>\$ 1,088,994,384</u>

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 4—Capital assets (continued)

The following is a summary of the change in capital assets for the year ended June 30, 2023:

	Capital Asset Balance, June 30, 2022	Capital Asset Additions	Capital Asset Disposals	Capital Asset Depreciation	Capital Asset Balance, June 30, 2023
Nondepreciable assets:					
Bridge and tunnel assets	\$ 422,370,201	\$ -	\$ -	\$ -	\$ 422,370,201
Construction in progress	493,822,549	55,905,859	-	-	549,728,408
Land	5,232,907	-	-	-	5,232,907
	<u>921,425,657</u>	<u>55,905,859</u>	<u>-</u>	<u>-</u>	<u>977,331,516</u>
Depreciable assets:					
Miscellaneous capital assets	19,584,778	554,762	(53,903)	-	20,085,637
Less accumulated depreciation	(15,159,477)	-	53,903	(636,758)	(15,742,332)
	<u>4,425,301</u>	<u>554,762</u>	<u>-</u>	<u>(636,758)</u>	<u>4,343,305</u>
Total capital assets, net	<u>\$ 925,850,958</u>	<u>\$ 56,460,621</u>	<u>\$ -</u>	<u>\$ (636,758)</u>	<u>\$ 981,674,821</u>

Note 5—General resolution revenue bonds

The principal amounts of bonds outstanding, net of unamortized premium, at June 30, 2024 and 2023 are as follows:

	2024	2023
First Tier General Resolution Revenue Bonds, Series 2016	\$ 350,535,499	\$ 352,071,253
First Tier General Resolution Revenue Bond Anticipation Notes, Series 2019	-	382,598,029
Subordinate General Resolution Revenue Bonds, TIFIA Series 2021	338,528,672	338,528,672
Subordinate General Resolution Revenue Bonds, VTIB Series 2016	50,073,856	50,073,856
	<u>\$ 739,138,027</u>	<u>\$ 1,123,271,810</u>

The General Resolution Revenue Bonds were issued as follows:

	General Resolution Revenue Bonds Series 2016	General Resolution Revenue Bond Anticipation Notes Series 2019	General Resolution Revenue Bonds VTIB Series 2016	General Resolution Revenue Bonds TIFIA Series 2021
Face value of bonds	\$ 321,515,000	\$ 378,140,000	\$ 50,000,000	\$ 338,528,672
Bond premium	40,794,613	55,873,966	-	-
Net proceeds to the District	<u>\$ 362,309,613</u>	<u>\$ 434,013,966</u>	<u>\$ 50,000,000</u>	<u>\$ 338,528,672</u>

The District had previously incurred its General Resolution Refunding Bonds, Series 1998, Series 2010A, and Series 2011A (collectively, the "prior bonds") under its General Revenue Bond Resolution, adopted by the Commission on November 21, 1991, as amended and supplemented (the "1991 Resolution"). In July 2016, the Commission awarded a contract to Chesapeake Tunnel Joint Venture to design and build the Project and to finance the costs of the Project. The Commission determined that the prior bonds would be redeemed or defeased and the 1991 Resolution would be terminated so that a new general bond resolution could be issued. The District redeemed the Series 2010A and Series 2011A Bonds in the amounts of \$30,000,000 and \$5,850,000, respectively, and terminated the interest rate swap associated therewith on November 1, 2016. Concurrently with the issuance of the Series 2016 Bonds, the District contributed additional monies in combination with funds released from the 1991 Resolution to fund the defeasance of the Series 1998 Bonds, which are non-callable, on November 10, 2016.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 5—General resolution revenue bonds (continued)

On October 24, 2016, the Commission adopted and approved a new General Revenue Bond Resolution (the “2016 Resolution”) along with three Supplemental Resolutions authorizing the issuance of \$321,515,000 First Tier General Resolution Revenue Bonds, Series 2016 (the “Series 2016 Bonds”), a loan from the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act (“TIFIA”) program (the “TIFIA Loan”) in the amount of up to \$338,528,672, plus capitalized interest and a loan from the Virginia Transportation Infrastructure Bank (the “VTIB Loan”) in the amount of up to \$50,000,000, plus capitalized interest.

The Series 2016 Bonds are term bonds maturing from July 1, 2041 through July 1, 2055 with coupon interest rate ranging from 4.0% to 5.0%. The proceeds from the Series 2016 Bonds, along with the proceeds of the TIFIA Loan and VTIB Loan and cash contributed by the District will be utilized to finance the development and construction of the Project. The remaining portion of the proceeds from the Series 2016 Bonds will be utilized to: (i) pay capitalized interest on a portion of the Series 2016 Bonds to and including July 1, 2021, (ii) to obtain a municipal bond debt service reserve surety policy for the Series 2016 Bonds, and (iii) to pay the related issuance expenses, including bond insurance premiums. Amortization of original issue premium and deferred costs of insurance related to the Series 2016 Bonds was \$1,423,461 for the year ended June 30, 2024, and is a net reduction in interest expense.

The Series 2016 Bonds are subject to optional redemption prior to maturity by the District on or after July 1, 2026, in whole or in part, at par plus accrued interest. The Series 2016 Bonds are subject to mandatory sinking fund redemption, in part, prior to maturity on July 1 of each year starting in 2035.

The 2041 term bond and the 2055 term bond are insured by Assured Guaranty Municipal Corporation. The Series 2016 Bonds Debt Service Reserve Fund Requirement of \$24,774,566 is secured by a debt service reserve fund policy also issued by Assured Guaranty Municipal Corporation.

On November 23, 2021, the original 2016 TIFIA Loan was terminated and replaced by a new 2021 TIFIA Loan as part of a refinancing. The material terms of the TIFIA Loan remained unchanged except for a reduction in the interest rate from 2.88% to 2.01%. The outstanding balance of the 2016 TIFIA Loan of \$9,547,850 plus accrued interest was repaid and a new loan for the same amount of \$338,528,672 was issued. The 2021 TIFIA Loan and the VTIB Loan are issued on the Subordinate Lien of the 2016 Resolution and bear interest rates of 2.01% and 2.90%, respectively. The loans do not incur interest until drawn. The first semi-annual interest repayment for the VTIB Loan commenced January 1, 2021. The first semi-annual interest repayment for the 2021 TIFIA Loan will commence after the initial disbursement of the loan. The first annual principal repayment for both loans is scheduled to commence on July 1, 2025. Final repayment on both loans is July 1, 2054.

On August 13, 2019, the District issued First Tier General Resolution Revenue Bond Anticipation Notes, Series 2019 (the “Series 2019 BANs”) in the aggregate principal amount of \$378,140,000 pursuant to its 2016 Resolution and its Fourth Supplemental Resolution, adopted by the Commission on July 9, 2019. The Series 2019 BANs matured on November 1, 2023. The proceeds of the Series 2019 BANs were used to provide funds to pay capitalized interest on the Series 2019 BANs, finance a portion of the costs of the Parallel Thimble Shoal Tunnel Project, and pay certain costs of issuing the Series 2019 BANs. The Series 2019 BANs were issued in anticipation of the proceeds to be received by the District from disbursements requisitioned by the District in accordance with the terms of the TIFIA Loan Agreement and the VTIB Loan Agreement. Amortization of original issue premium related to the Series 2019 BANs was \$4,458,029 for the year ended June 30, 2024 and is a net reduction in interest expense.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 5—General resolution revenue bonds (continued)

On December 27, 2022, the District received a draw on the outstanding TIFIA loan and the VTIB loan in the amounts of \$338,528,672 and \$48,663,510, respectively. The funds from these two loans secure the District's outstanding Series 2019 BANs. The funds from the two draws were utilized to purchase a Federal Home Loan Bank Note investment that matured on the same date as the maturity of the Series 2019 BANs. The District earned approximately \$8.9 million in additional interest income as a result of this transaction.

The underlying credit rating on the Series 2016 Bonds is Baa2 and BBB by Moody's Investors Service and S&P Global Ratings, respectively. The TIFIA Loan is also rated Baa2 and BBB by Moody's Investors Service and S&P Global Ratings, respectively. The VTIB Loan is unrated.

The bond premiums for General Resolution Revenue Bonds are being accreted using the straight-line method, which is not materially different from using the effective-interest method, over the period the bonds will be outstanding.

Tolls and other revenues derived from the operation of the Bridge-Tunnel are pledged as security for the General Resolution Revenue Bonds. The General Revenue Bond Resolution includes covenants such as minimum toll rate covenant ratios and minimum debt service reserve requirements.

In the event of a default, none of the outstanding bond issues have a right of acceleration. The 2021 TIFIA Loan and the VTIB Loan include a default interest rate which is 200 basis points over the regular interest rate. Upon the occurrence of a bankruptcy related event, the TIFIA Loan shall automatically and immediately be secured on parity with the First Tier Bonds and shall be a First Tier Bond in all respects.

As part of the District's post-issuance compliance procedures, it has determined that under the terms of the tax certificate issued in relation to the Series 2019 BANs that no arbitrage rebate liability existed at June 30, 2024 and 2023, respectively.

The District has defeased general obligations in prior years by placing the proceeds of new bonds and the District's own resources into irrevocable trust accounts to provide for all future debt service payments on the old bonds. Accordingly, those trust account assets and liabilities for those defeased bonds are not included in the District's financial statements. At June 30, 2024, \$30,385,000 of defeased bonds remain outstanding.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 5—General resolution revenue bonds (continued)

Bond activity for the years ended June 30, 2024 and 2023 was as follows:

	Balance, June 30, 2023	Bond Proceeds	Amortization of Costs Premiums Discounts, and Deferred Losses, Net	Bond Payments	Balance, June 30, 2024	Amounts Due Within One Year
First tier general resolution						
Series 2016 Bonds	\$ 321,515,000	\$ -	\$ -	\$ -	\$ 321,515,000	\$ -
Issuance premiums	30,556,253	-	(1,535,754)	-	29,020,499	-
Series 2019 BANS	378,140,000	-	-	(378,140,000)	-	-
Issuance premiums	4,458,029	-	(4,458,029)	-	-	-
Subordinate general resolution:						
TIFIA Series 2021	338,528,672	-	-	-	338,528,672	-
VTIB Series 2016	50,073,856	-	-	-	50,073,856	-
	<u>\$ 1,123,271,810</u>	<u>\$ -</u>	<u>\$ (5,993,783)</u>	<u>\$ (378,140,000)</u>	<u>\$ 739,138,027</u>	<u>\$ -</u>
	Balance, June 30, 2022	Bond Proceeds	Amortization of Costs Premiums Discounts, and Deferred Losses, Net	Bond Payments	Balance, June 30, 2023	Amounts Due Within One Year
First tier general resolution						
Series 2016 Bonds	\$ 321,515,000	\$ -	\$ -	\$ -	\$ 321,515,000	\$ -
Issuance premiums	32,092,007	-	(1,535,754)	-	30,556,253	-
Series 2019 BANS	378,140,000	-	-	-	378,140,000	378,140,000
Issuance premiums	17,832,117	-	(13,374,088)	-	4,458,029	4,458,029
Subordinate general resolution:						
TIFIA Series 2021	-	338,528,672	-	-	338,528,672	-
VTIB Series 2016	1,410,346	48,663,510	-	-	50,073,856	-
	<u>\$ 750,989,470</u>	<u>\$ 387,192,182</u>	<u>\$ (14,909,842)</u>	<u>\$ -</u>	<u>\$ 1,123,271,810</u>	<u>\$ 382,598,029</u>

The District is required to maintain its General Resolution Toll Rate Covenant Ratio, as defined, at a level not less than 150% of the principal and interest requirement of all First Tier Bonds then outstanding; not less than 125% of the principal and interest requirement of all First and Second Tier Bonds then outstanding; not less than 125% of the principal and interest requirement of all First, Second, and Subordinate Tier Bonds then outstanding; and 110% of all required deposits under the resolution. For FY2024, the toll rate covenant ratio for First Tier Bonds was 436%, the toll rate covenant ratio for Subordinate Tier Bonds was 292% and the toll rate covenant ratio for all required deposits was 291%. There was no debt service requirement for Second Tier Bonds as of June 30, 2024.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 5—General resolution revenue bonds (continued)

Maturities of general resolution revenue bonds principal and interest to be paid in subsequent fiscal years for all bonds outstanding at June 30, 2024 were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ -	\$ 24,115,893
2026	718,915	24,094,768
2027	718,915	24,079,456
2028	718,915	24,054,824
2029	718,915	24,062,163
2030-2034	38,860,252	118,551,269
2035-2039	94,485,379	109,708,681
2040-2044	161,057,430	86,291,429
2045-2049	222,179,607	50,572,721
2050-2054	164,126,720	14,495,239
2055-2057	26,532,480	404,867
	<u>\$ 710,117,528</u>	<u>\$ 500,431,310</u>

Total principal balance herein is different from that on page 28 because it represents the bond principal excluding bond discount and premium.

Note 6—Pension plan

Plan Description – All full-time, salaried permanent employees of the District are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the VRS 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 the District 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.

Benefit provisions and all other requirements are established by state statute. VRS administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as defined below:

- VRS Plan 1 is a defined benefit plan. Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service and at age 50 with 30 years of service for participating employers. An optional reduced retirement benefit is available to members of VRS as early as age 50 with at least 10 years of service credit or age 55 with at least five years of service credit.

VRS Plan 2 is a defined benefit plan. Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. An optional reduced retirement benefit is available to Plan 2 members as early as age 60 with at least five years of service credit.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 6—Pension plan (continued)

- The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Members hired on or after January 1, 2014 are eligible for the Hybrid Plan. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit payment payable from the defined contribution plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. Employees are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. An optional reduced retirement benefit is available to Hybrid Retirement Plan members as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. The retirement multiplier for District employees is 1.7% for Plan 1 members, 1.65% for Plan 2 members, and 1.0% for Hybrid Plan members. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the Hybrid Plan, average final compensation is the average of the member's 60 consecutive months of highest compensation. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment ("PLOP"), or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option, or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment ("COLA") effective July 1 of the second calendar year of retirement. Under Plan 1, COLA cannot exceed 5.00%; under Plan 2 and the Hybrid Plan, COLA cannot exceed 3.00%. During years of no inflation or deflation, COLA is 0.00%. VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Historical trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical trend information for VRS system may be found in the VRS Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. A copy of the report may be obtained on the VRS Web site at <https://www.varetire.org/pdf/publications/2023-annual-report.pdf> or by writing to the Chief Financial Officer of the Virginia Retirement System at P.O. Box 2500, Richmond, Virginia 23218-2500.

Employees Covered by Benefit Terms – As of the June 30, 2022 and 2021 actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

	Number	
	2022	2021
Inactive members or their beneficiaries currently receiving benefits	145	148
Inactive members:		
Vested inactive members	14	13
Nonvested inactive members	32	32
Inactive members active elsewhere in VRS	27	20
Total inactive members	73	65
Active members	148	142
Total covered employees	366	355

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 6—Pension plan (continued)

Contributions – The contribution requirement for active employees is governed by Section 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 5.00% of their compensation toward their retirement. The District's contractually required contribution rate was 15.58% of covered employee compensation for the years ended June 30, 2024 and 2023. This rate was based on an actuarially determined rate 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 District were \$1,465,422 and \$1,322,008 for the years ended June 30, 2024 and 2023, respectively.

Net Pension Liability – The net pension liability ("NPL") is calculated for each employer and represents that particular employer's total pension liability determined in accordance with GAAP, less that employer's fiduciary net position. The District's net pension liability as of June 30, 2024 and 2023 was measured as of June 30, 2023 and 2022, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022 and 2021, rolled forward to the measurement date of June 30, 2023 and 2022.

Actuarial Assumptions – The total pension liability for General Employees in the Political Subdivision'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%
Salary increases, including inflation:	3.50% – 5.35%
Investment rate of return:	6.75%, net of pension plan investment expense, including inflation
Cost-of-living adjustments:	2.25% – 2.50%

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, 2021 and June 30, 2022 valuations 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:

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 6—Pension plan (continued)

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 9 years of service
Disability rates	No change
Salary scale	No change
Line of duty disability	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:

Year Ended June 30, 2024

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return *
Public equity	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%
	<u>100.00%</u>		<u>5.75%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return**			<u>8.25%</u>

* 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 is 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%.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 6—Pension plan (continued)

Year Ended June 30, 2023

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return *
Public equity	34.00%	5.71%	1.94%
Fixed income	15.00%	2.04%	0.31%
Credit strategies	14.00%	4.78%	0.67%
Real assets	14.00%	4.47%	0.63%
Private equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
	<u>100.00%</u>		<u>5.33%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return**			<u>7.83%</u>

* The above allocation provides a one-year expected return of 7.83%. 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 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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 VRS 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 FY2012 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.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 6—Pension plan (continued)

Changes in Net Pension Liability –

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	\$ 56,475,129	\$ 43,424,101	\$ 13,051,028
Changes for the year:			
Service costs	681,744	-	681,744
Interest	3,762,128	-	3,762,128
Difference between expected and actual experience	783,387	-	783,387
Contributions - employer	-	1,319,675	(1,319,675)
Contributions - employee	-	433,816	(433,816)
Net investment income	-	2,776,594	(2,776,594)
Benefit payments, including refunds of employee contributions	(2,843,280)	(2,843,280)	-
Administrative expense	-	(27,902)	27,902
Other changes	-	1,116	(1,116)
Net changes	2,383,979	1,660,019	723,960
Balances at June 30, 2023	\$ 58,859,108	\$ 45,084,120	\$ 13,774,988

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the District as of June 30, 2024 and 2023 using the discount rate of 6.75%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the respective rates:

	1% Decrease	Discount Rate of 6.75%	1% Increase
District's net pension liability:			
as of June 30, 2024	\$ 21,162,541	\$ 13,774,988	\$ 7,659,236
as of June 30, 2023	\$ 20,215,960	\$ 13,051,028	\$ 7,202,002

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 6—Pension plan (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the years ended June 30, 2024 and 2023, the District recognized pension expense of \$1,636,047 and \$1,645,220, respectively. As of June 30, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 491,078	\$ 47,787
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	700,376
Employer contributions subsequent to the measurement date	1,454,307	-
	<u>\$ 1,945,385</u>	<u>\$ 748,163</u>

	June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 224,441	\$ 114,156
Changes in assumptions	518,922	-
Net difference between projected and actual earnings on plan investments	-	1,293,880
Employer contributions subsequent to the measurement date	1,303,877	-
	<u>\$ 2,047,240</u>	<u>\$ 1,408,036</u>

The District's contributions subsequent to the measurement date of \$1,454,307 and \$1,303,877 reported as deferred outflows of resources as of June 30, 2024 and 2023, respectively, related to pensions, will be recognized as a reduction of the net pension liability in the years ended June 30, 2025 and 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase (decrease) to pension expense as follows:

<u>Years Ending June 30:</u>	
2025	\$ (256,029)
2026	(649,761)
2027	625,336
2028	23,369
2029	-
Thereafter	-
	<u>\$ (257,085)</u>

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 7—Deferred compensation

Effective July 1, 1999, the District established a Deferred Compensation Plan (“DCP”) in accordance with Internal Revenue Code Section 457 (“IRC-457”) that is administered by the VRS. Employees may voluntarily elect to participate in the DCP and may defer a portion of their compensation until future years. The deferred compensation is not available to employees until after termination, retirement, death, or unforeseen financial emergency, as defined in IRC-457.

Salaried employees who elect to participate in the DCP can receive an employer cash match up to a maximum of \$100 per pay period. An hourly employee of the District may defer compensation but does not receive a cash match. The employer cash match is contributed to a separate Internal Revenue Service Section 401(a) account. The District contributed \$164,302 and \$160,500 to employees’ 401(a) accounts during the years ended June 30, 2024 and 2023, respectively.

The defined contribution component of the Hybrid Retirement Plan provides the Hybrid 401(a) Cash Match Plan. The District’s employees participating as Hybrid Retirement Plan members contribute a mandatory 1% of their creditable compensation each month to their 401(a) plan account. The District also contributes a mandatory 1% as well as matching contributions on any voluntary contributions a member makes. The District contributed \$95,609 and \$79,373 to Hybrid Retirement Plan employees’ 401(a) accounts during the years ended June 30, 2024 and 2023, respectively.

Note 8—Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; employee dishonesty; injuries to employees; and natural disasters. The District purchases insurance for specific types of coverage, including property, loss of revenue, liability, auto, crime, workers’ compensation, and public officials. Claims settlements and judgments not covered by insurance are covered by operating resources. The amount of insurance settlements did not exceed insurance coverage for any of the past three years. Claims expenses and liabilities are reported when it is probable that a loss has occurred not otherwise covered by insurance and the amount of the loss can be reasonably estimated.

Effective July 1, 2013, the District changed the health insurance plans offered to employees and retirees for medical and dental benefits from fully insured plans to self-insured plans. Stop-loss coverage for aggregate and individual claims is utilized to protect the District from the potential effects of catastrophic medical claims. The District’s self-insurance liability was \$969,625 and \$916,959 at June 30, 2024 and 2023, respectively.

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year
2023	\$ 892,959	\$ 1,651,133	\$ (1,627,133)	\$ 916,959
2024	916,959	1,421,162	(1,368,496)	969,625

Effective July 1, 2022, the District joined the Legends Reinsurance captive managed by ParetoHealth to provide the specific and aggregate stop loss coverage. The captive is licensed and regulated by the Tennessee Department of Insurance. The captive program allows smaller employers (50 – 400 covered employees) like the District to collectively reinsure their self-funded employee benefits plan and control costs. The coverage is underwritten by Swiss Re Corporate Solutions which is rated “A+ (Superior)” by A.M. Best Company.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 9—Retiree health insurance plan OPEB

Plan Description – The District provides RHIP OPEB for its employees through a single employer defined-benefit plan (the “Plan”). The Plan was established and may be amended by the Commission. No assets are accumulated in a trust that meets the criteria under U.S. GAAP.

The Plan provides healthcare insurance for eligible retirees and their spouses through the District’s group health insurance plans, which cover both active and retired members. Plan benefits vest for employees after a minimum of 10 years of salaried service with the District, after obtaining age 50 and after receiving a retirement benefit under the provisions of the VRS. Retirees with less than 20 years of continuous, salaried service with the District are ineligible for a health insurance premium credit and are, therefore, responsible for their entire health insurance premium. Retirees with more than 20 years of continuous, salaried service with the District receive a credit of \$8.50 per month for each complete year of salaried service up to 40 years and a monthly premium credit of \$340. Length of service means the total length of service credited by the VRS for calculating the retiree’s pension benefits from VRS. All credits cease upon the retiree’s death. Spouses may continue coverage under the plan after the death of the retiree.

In no event will the premium credit exceed the actual monthly health cost for individual coverage. Spouses may be covered, but they must pay the full monthly rate for coverage. The only exception to these rules is for Medicare-eligible retirees who have earned a credit in excess of their plan cost. In this situation, credits earned in excess of the retiree-only cost can be used to pay for prescription drug coverage and for spousal coverage.

The Commission establishes employer contribution rates for the plan participants and determines how the plan will be funded as part of the budgetary process each year. The Commission has elected to continue to fund the healthcare benefits for retirees on a “pay-as-you-go” basis.

Amounts paid by the District for RHIP OPEB during the years ended June 30, 2024 and 2023 amounted to \$146,018 and \$327,470, respectively.

Employees Covered by Benefit Terms – As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiary currently receiving benefits	88
Active members	<u>140</u>
Total covered employees and retired members	<u>228</u>

Net OPEB Liability – The District’s net RHIP OPEB liability as of June 30, 2024 and 2023 was measured as of June 30, 2023 and 2022, respectively. The total RHIP OPEB liability used to calculate the net RHIP OPEB liability for June 30, 2023 was determined by an actuarial valuation performed as of June 30, 2023. The total RHIP OPEB liability used to calculate the net RHIP OPEB liability for June 30, 2022 was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 9—Retiree health insurance plan OPEB (continued)

Actuarial Assumptions – The total RHIP OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method: Entry Age Normal Cost Method; Level Percentage of Pay

Discount rate: 3.65% based on yields for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The rate used in the current valuation is based on indices published by Bond Buyer for 20-year general obligation bonds as of June 30, 2023.

Healthcare cost trend rates: The medical trend assumptions used in the valuation were developed using the Society of Actuaries ("SOA") Long-Run Medical Cost Trend Model. The SOA model was released in December 2007. Version 2024_1b was used for the 2023 valuation.

The following assumptions were used as input variables into the model:

Assumptions	Model Input
Rate of Inflation	2.25%
Rate of Growth in Real Income/GDP per Capita	1.33%
Excess Medical Cost Growth	1.10%
Expected Health Share of GDP in 2033	19.0%
Health Share of GDP Resistance Point	24%
Year for Limiting Cost Growth to GDP Growth	2060

The SOA Long-Run Medical Cost Trend Model and its baseline projections are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

The following table shows the resulting medical cost trends used in the valuation:

Years Ending June 30,	Medical Trend	
	Pre-65	Post-65
2024	5.80%	5.80%
2025	5.70%	2.94%
2030	5.10%	4.66%
2035	4.75%	4.39%
2040	4.75%	4.42%
2050	4.75%	4.49%
2060+	3.61%	3.61%

The actuarial assumptions used for employee decrements (e.g., mortality, turnover, retirement, and disability) are based on the results of an experience study on behalf of the VRS for the four-year period ended June 30, 2020.

Specific assumptions are the same as those used for the Pension Plan and are described more fully in Note 6.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 9—Retiree health insurance plan OPEB (continued)

Age difference and percentage married:

For active employees, male spouses were assumed to be two years older than females. 100% of active employees are assumed to be married at retirement. For retirees, actual spouse data was used so no assumptions regarding marital status or age of spouse were made.

Participation:

<u>Retiree Group</u>	<u>Assumed Rate of Participation</u>
Nondisabled retirees	80%
Disabled retirees	100%
Spouses	25%

Changes in the Total RHIP OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2022	<u>\$ 5,799,973</u>
Changes for the year:	
Service cost	82,197
Interest	116,346
Benefit payments	(249,110)
Net changes	<u>(50,567)</u>
Balance at June 30, 2023	<u>5,749,406</u>
Changes for the year:	
Service cost	83,882
Interest	115,232
Differences between expected and actual experience	(155,948)
Changes in assumptions or other inputs	(900,368)
Benefit payments	(256,635)
Net changes	<u>(1,113,837)</u>
Balance at June 30, 2024	<u>\$ 4,635,569</u>

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 9—Retiree health insurance plan OPEB (continued)

Sensitivity of the Total RHIP OPEB Liability to Changes in the Discount Rate – The following presents the total RHIP OPEB liability of the District as of June 30, 2024 and 2023 using the discount rate of 3.65% and 2.05% respectively, as well as what the District's total RHIP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the respective rates:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
District's total RHIP OPEB liability:			
as of June 30, 2024	\$ 5,169,905	\$ 4,635,569	\$ 4,185,633
as of June 30, 2023	\$ 6,488,596	\$ 5,749,406	\$ 5,134,900

Sensitivity of the Total RHIP OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total RHIP OPEB liability of the District as of June 30, 2024 and 2023 as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the respective healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Assumed Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
District's total RHIP OPEB liability:			
as of June 30, 2024	\$ 4,530,771	\$ 4,635,569	\$ 4,755,000
as of June 30, 2023	\$ 5,609,620	\$ 5,749,406	\$ 5,910,340

RHIP OPEB Expense and Related Deferred Outflows and Inflows of Resources – For the years ended June 30, 2024 and 2023, the District recognized OPEB expense of \$108,730 and \$299,760, respectively. At June 30, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to RHIP OPEB from the following sources:

	<u>June 30, 2024</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 76,360	\$ 124,443
Changes in assumptions	317,156	793,035
Employer contributions subsequent to the measurement date	146,018	-
	<u>\$ 539,534</u>	<u>\$ 917,478</u>
	<u>June 30, 2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 140,709	\$ -
Changes in assumptions	483,206	181,945
Employer contributions subsequent to the measurement date	327,470	-
	<u>\$ 951,385</u>	<u>\$ 181,945</u>

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 9—Retiree health insurance plan OPEB (continued)

The District's contributions subsequent to the measurement date of \$146,018 reported as deferred outflows of resources as of June 30, 2024, related to RHIP OPEB, will be recognized as a reduction of the total RHIP OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as an increase (decrease) to RHIP OPEB expense as follows:

<u>Years Ending June 30:</u>	
2025	\$ (71,426)
2026	(36,414)
2027	(213,398)
2028	(202,724)
2029	-
Thereafter	-
	<u>\$ (523,962)</u>

Note 10—VRS Group Life Insurance OPEB

Plan Description – All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance ("GLI") Program upon employment. This plan is administered by the VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from 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.

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

The benefits payable under the GLI Program have several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include accidental dismemberment benefits, safety belt benefits, repatriation benefits, felonious assault benefits, and accelerated death benefit options. 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. For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$9,254 and \$8,984 effective June 30, 2024 and 2023, respectively.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 10—VRS Group Life Insurance OPEB (continued)

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 years ended June 30, 2024 and 2023 was 0.54% and 0.54%, respectively, of covered employee compensation. This rate 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 District were \$54,638 and \$48,862 for the years ended June 30, 2024 and 2023, respectively.

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 and 2023, the District reported a liability of \$460,656 and \$466,106, respectively, 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 as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The District's proportion of the Net GLI OPEB liability was based on the District'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 District's proportion was 0.03841% as compared to 0.03871% at June 30, 2022.

For the years ended June 30, 2024 and 2023, the District recognized GLI OPEB expense of \$11,920 and \$7,287, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024 and 2023, the District reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB plan from the following sources:

	June 30, 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on GLI OPEB plan investments	\$ -	\$ 18,512
Change of assumptions	9,847	31,916
Differences between expected and actual experience	46,008	13,983
Changes in proportionate share	1,917	29,953
Employer contributions subsequent to the measurement date	54,237	-
	<u>\$ 112,009</u>	<u>\$ 94,364</u>

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 10—VRS Group Life Insurance OPEB (continued)

	June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on GLI OPEB plan investments	\$ -	\$ 29,125
Change of assumptions	17,385	45,401
Differences between expected and actual experience	36,910	18,699
Changes in proportionate share	2,863	35,916
Employer contributions subsequent to the measurement date	48,623	-
	<u>\$ 105,781</u>	<u>\$ 129,141</u>

The District's contributions subsequent to the measurement date of \$54,237 and \$48,623 reported as deferred outflows of resources as June 30, 2024 and 2023, respectively, related to GLI OPEB, were recognized as a reduction of the net GLI OPEB liability in the fiscal years ended June 30, 2025 and 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB plans will be recognized in the District's GLI OPEB expense in future reporting periods as follows:

<u>Years Ending June 30:</u>	
2025	\$ (12,390)
2026	(27,081)
2027	2,760
2028	(3,807)
2029	3,926
Thereafter	-
	<u>\$ (36,592)</u>

Actuarial Assumptions – The total GLI OPEB liability was based on actuarial valuations 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:	3.50% – 5.35%
Investment rate of return:	6.75%, net of investment expense, including inflation*

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 10—VRS Group Life Insurance OPEB (continued)

	Mortality Assumptions
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 Health 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 Scale:	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, postretirement 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 from 75 to 80 for all
Withdrawal rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability rates	No change
Salary scale	No change
Line of duty disability	No change
Discount Rate	No change

Net GLI OPEB Liability – The net GLI OPEB liability for the Group Life Insurance Program represents the program's total GLI OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of the measurement dates of June 30, 2023 and 2022, Net GLI OPEB liability amounts for the GLI Program are as follows (amounts expressed in thousands):

	2023	2022
Total OPEB liability	\$ 3,907,052	\$ 3,672,085
Plan fiduciary net position	2,707,739	2,467,989
Employers' net OPEB liability	<u>\$ 1,199,313</u>	<u>\$ 1,204,096</u>

Plan fiduciary net position as a percentage of the total OPEB liability	69.30 %	67.21 %
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CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 10—VRS Group Life Insurance OPEB (continued)

The total GLI OPEB liability is calculated by VRS' actuary, and each plan's fiduciary net position is reported in the VRS' financial statements. The net GLI OPEB is disclosed in accordance with the requirements of U.S. GAAP in the VRS' notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return – The long-term expected rate of return on VRS' investments for the GLI plan was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS' 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)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return *
Public equity	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%
	<u>100.00%</u>		<u>5.75%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return*			<u>8.25%</u>

* 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 is 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%.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 10—VRS Group Life Insurance OPEB (continued)

Year Ended June 30, 2023

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return *
Public equity	34.00%	5.71%	1.94%
Fixed income	15.00%	2.04%	0.31%
Credit strategies	14.00%	4.78%	0.67%
Real assets	14.00%	4.47%	0.63%
Private equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
	<u>100.00%</u>		<u>5.33%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return**			<u>7.83%</u>

* The above allocation provides a one-year expected return of 7.83%. 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 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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 employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2023, the rate contributed by the District 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' 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.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 10—VRS Group Life Insurance OPEB (continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the proportionate share of the net GLI OPEB liability of the District as June 30, 2024 and 2023 using the discount rate of 6.75%, as well as what the employer'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 or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
The District's proportionate share of the GLI Net OPEB liability:			
as of June 30, 2024	\$ 682,837	\$ 460,656	\$ 281,022
as of June 30, 2023	\$ 678,238	\$ 466,106	\$ 294,674

Group Life Insurance Program Fiduciary Net Position – Detailed information about the Group Life Insurance 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 <https://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 11—Fair value measurements

The District utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The District determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- *Level 1* – Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at measurement date.
- *Level 2* – Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantively the full term of the asset or liability.
- *Level 3* – Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identified assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The level in the fair value hierarchy within which a fair value measurement, in its entirety falls, is based on the lowest level input that is significant to the fair value measurement in its entirety.

Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 11—Fair value measurements (continued)

All of the District's investments in debt securities are in one of the four categories below and, therefore, the entire portfolio of debt securities is Level 2.

Debt securities classified in Level 2 are valued using the following approaches:

- *U.S. Treasuries, U.S. Agencies, and Supranational* – Quoted prices for similar securities in the market are used to draw appropriate correlations;
- *Corporate Notes* – Relevant trade data, benchmark quotes, and surveys of the dealer community are incorporated into the evaluation process;
- *Federal Agency Mortgage-Backed* – Solicited prices from market buy and sell side sources, including primary and secondary dealers, portfolio managers, and research analysts are used.
- *Federal Agency Commercial-Backed* – Solicited prices from market buy and sell side sources, including primary and secondary dealers, portfolio managers, and research analysts are used.

The fair value of investments in money market funds is based on the published net asset value ("NAV") per share of those funds.

The District has the following recurring fair value measurements as of June 30, 2024:

	Fair Value Measurements Using			
	Fair Value 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
U.S. treasuries	\$ 362,018,800	\$ -	\$ 362,018,800	\$ -
U.S. agencies	70,444,117	-	70,444,117	-
Federal agency mortgage-backed	370,214	-	370,214	-
Federal agency commercial-backed	33,739,349	-	33,739,349	-
Corporate notes	19,493,447	-	19,493,447	-
Total investments by fair value level	486,065,927	\$ -	\$ 486,065,927	\$ -
Investments measured at NAV:				
Money market funds	104,829,111			
Total investments measured at fair value	<u>\$ 590,895,038</u>			

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 11—Fair value measurements (continued)

The District had the following recurring fair value measurements as of June 30, 2023:

	Fair Value 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
U.S. treasuries	\$ 365,055,209	\$ -	\$ 365,055,209	\$ -
Supra-national agency	930,990	-	930,990	-
U.S. agencies	476,806,033	-	476,806,033	-
Federal agency mortgage-backed	520,175	-	520,175	-
Corporate notes	31,505,434	-	31,505,434	-
Total investments by fair value level	874,817,841	\$ -	\$ 874,817,841	\$ -
Investments measured at NAV:				
Money market funds	141,866,167			
Total investments measured at fair value	<u>\$ 1,016,684,008</u>			

Note 12—Compensated absences

The following is a summary of the change in the liability for compensated absences for the year ended June 30, 2024:

	Compensated Leave Balance June 30, 2023	Leave Additions	Leave Reductions	Compensated Leave Balance June 30, 2024
Annual and PTO leave	\$ 986,011	\$ 1,008,169	\$ (911,995)	\$ 1,082,185
Sick leave	429,769	475,802	(39,875)	865,696
	<u>\$ 1,415,780</u>	<u>\$ 1,483,971</u>	<u>\$ (951,870)</u>	<u>\$ 1,947,881</u>

The following is a summary of the change in the liability for compensated absences for the year ended June 30, 2023:

	Compensated Leave Balance June 30, 2022	Leave Additions	Leave Reductions	Compensated Leave Balance June 30, 2023
Annual and PTO leave	\$ 912,693	\$ 866,993	\$ (793,675)	\$ 986,011
Sick leave	463,559	43,069	(76,859)	429,769
	<u>\$ 1,376,252</u>	<u>\$ 910,062</u>	<u>\$ (870,534)</u>	<u>\$ 1,415,780</u>

The liability is reflected within accounts payable and accrued expenses on the accompanying statements of net position.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 13—Commitments and contingencies

The District is involved in various claims and legal actions that arose in previous years during the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material, adverse effect on the District's statements of net position and statements of revenues, expenses, and changes in net position.

Note 14—Leases

In accordance with U.S. GAAP, the District is required to recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflows of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The District is required to recognize interest income on the lease receivable and an inflow of resources, or lease revenue, from the deferred inflow of resources in a systematic and rational manner over the term of the lease. The District has chosen to use a straight-line amortization of the deferred inflows of resources.

The District leases portions of an industrial waterfront property owned by the District in the City of Virginia Beach to others. At implementation in FY2022, four leases were identified to which U.S. GAAP applies. In May 2023, three of the four leases, which are with Chesapeake Tunnel Joint Venture, renewed for a five-year term under renegotiated terms and were combined into one lease.

The District entered into a lease with Chesapeake Bay Tower Associates, L.P. commencing on September 1, 2000 for an initial five-year period with four five-year automatic renewal periods extending until August 31, 2025. Rent for the initial term was \$1,000 per month and is due in monthly installments in advance on the first day of each month. Rent during each renewal term is increased by 20%. The District also receives 15% of any rent that the lessee receives from additional sub-lessees starting with the second sub-lessee.

The District entered into a lease with Chesapeake Tunnel Joint Venture ("CTJV") for a 10.6 acre parcel of land known as Parcel A on May 1, 2017 for an initial one-year term with four one-year renewal periods at CTJV's option extending through April 30, 2022 and then subsequently extended by one additional year to co-terminate with other leases described below. Rent for the initial term was \$25,000 per month payable in advance on the first day of each month. Rent during each renewal term is indexed to the change in the Consumer Price Index for All Urban Consumers with a maximum cap of 3%.

The District entered into a second lease with CTJV for a 6 acre parcel of land known as Parcel B on January 1, 2018 for an initial 16-month term with four one-year renewal periods at CTJV's option extending through April 30, 2023. Rent for the initial term was \$30,000 per month payable in advance on the first day of each month. Rent during each renewal term is increased by 3% per year. The lease also extended an additional one-year renewal term for Parcel A to synchronize the termination date for both leases at April 30, 2023. CTJV also has an option for one five-year renewal from April 30, 2023 through April 30, 2028 with an increase in rent of 15% in the first year of the extended renewal term and an increase of 3% in each year thereafter for both Parcel A and Parcel B. CTJV is using the leased property as a staging area for the construction of the Parallel Thimble Shoal Tunnel Project. As the current construction completion date extends well into CTJV's optional five-year renewal period, the District has assumed that the option will be executed for purposes of implementing GASB Statement 87.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 14—Leases(continued)

The District entered into a third lease with CTJV for a 4.55 acre parcel of land known as Parcel C on September 1, 2018 for an initial 8-month term with four one-year renewal periods at CTJV's option extending through April 30, 2023. Rent for the initial term was \$20,000 per month payable in advance on the first day of each month. Rent during each renewal term is increased by 3% per year. The lease also extended an additional one-year renewal term for Parcel A to synchronize the termination date for both leases at April 30, 2023. As with Parcels A and B, CTJV also has an option for one five-year renewal from April 30, 2023 through April 30, 2028 with an increase in rent of 15% in the first year of the extended renewal term and an increase of 3% in each year thereafter. CTJV is using the leased property as a staging area for the construction of the Parallel Thimble Shoal Tunnel Project. As the current construction completion date extends well into CTJV's optional five-year renewal period, the District has assumed that the option will be executed for purposes of implementing GASB Statement No. 87.

In May 2023, CTJV exercised their renewal option on the leases for Parcels A, B and C under renegotiated terms which was executed as one lease. The lease was renewed for the period of May 1, 2023 through April 30, 2028. Rent for the initial year was \$95,122 per month payable in advance on the first day of each month. The base rent will increase by 3% in each year thereafter. The District combined the outstanding lease receivable for all three of the original leases into one lease receivable and remeasured the lease receivable based on the new terms. The lease receivable and the deferred inflows of resources related to leases was reduced by \$108,193 as a result of the remeasurement.

Below is a schedule of future lease payments that are included the measurement of the lease receivable:

Fiscal Year	Principal	Interest	Total
2025	\$ 1,053,846	\$ 59,313	\$ 1,113,159
2026	1,175,123	46,835	1,221,958
2027	1,225,849	27,696	1,253,545
2028	1,062,797	7,809	1,070,606
	<u>\$ 4,517,615</u>	<u>\$ 141,653</u>	<u>\$ 4,659,268</u>

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS (UNAUDITED)

JUNE 30, 2024

For the Fiscal Year Ended June 30	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a Percentage of Covered Payroll (5)
2024	\$ 1,560,852	\$ 1,560,852	\$ -	\$ 10,018,305	15.58 %
2023	1,401,449	1,401,449	-	8,995,180	15.58
2022	1,153,297	1,153,297	-	8,366,013	13.79
2021	1,092,102	1,092,102	-	8,308,914	13.14
2020	955,696	955,696	-	8,275,033	11.55
2019	954,678	954,678	-	8,162,058	11.70
2018	972,590	972,590	-	8,020,486	12.13
2017	950,993	950,993	-	7,786,589	12.21
2016	1,035,305	1,035,305	-	7,538,996	13.73
2015	1,024,089	1,024,089	-	7,378,844	13.88

See accompanying report of independent auditor and notes to the required supplementary information.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)

JUNE 30, 2024

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:										
Service cost	\$ 681,744	\$ 602,451	\$ 650,252	\$ 679,870	\$ 622,055	\$ 597,397	\$ 640,081	\$ 652,414	\$ 653,142	\$ 632,909
Interest	3,762,128	3,668,635	3,385,231	3,220,839	3,156,576	3,032,147	2,980,890	2,911,959	2,810,342	2,711,152
Changes of assumptions	-	-	1,784,588	-	1,354,343	-	(627,513)	-	-	-
Differences between expected and actual experience	783,387	(180,525)	457,968	1,186,552	82,066	492,272	(126,846)	(362,546)	179,597	-
Benefit payments, including refunds of employee contributions	(2,843,280)	(2,726,246)	(2,637,589)	(2,666,073)	(2,519,602)	(2,168,931)	(2,099,800)	(2,334,410)	(2,048,389)	(1,805,740)
Net Change in Total Pension Liability	2,383,979	1,364,315	3,640,450	2,421,188	2,695,438	1,952,885	766,812	867,417	1,594,692	1,538,321
Total pension liability, beginning of year	56,475,129	55,110,814	51,470,364	49,049,176	46,353,738	44,400,853	43,634,041	42,766,624	41,171,932	39,633,611
Total pension liability, end of year (a)	58,859,108	56,475,129	55,110,814	51,470,364	49,049,176	46,353,738	44,400,853	43,634,041	42,766,624	41,171,932
Plan Fiduciary Net Position:										
Contributions – employer	1,319,675	1,089,403	1,090,148	953,392	952,822	970,550	948,676	1,032,877	1,021,377	944,598
Contributions – employee	433,816	391,254	393,265	395,503	393,528	388,140	379,559	370,994	368,079	362,177
Net investment income	2,776,594	(33,502)	9,768,975	697,711	2,333,946	2,495,933	3,740,285	529,283	1,393,970	4,231,610
Benefit payments, including refunds of employee contributions	(2,843,280)	(2,726,246)	(2,637,589)	(2,666,073)	(2,519,602)	(2,168,931)	(2,099,800)	(2,334,410)	(2,048,389)	(1,805,740)
Administrative expense	(27,902)	(27,956)	(24,750)	(24,247)	(23,740)	(21,765)	(21,889)	(19,750)	(19,436)	(23,013)
Other	1,116	1,020	918	(815)	(1,468)	(2,213)	(3,321)	(227)	(293)	223
Net Change in Plan Fiduciary Net Position	1,660,019	(1,306,027)	8,590,967	(644,529)	1,135,486	1,661,714	2,943,510	(421,233)	715,308	3,709,855
Plan fiduciary net position, beginning of year	43,424,101	44,730,128	36,139,161	36,783,690	35,648,204	33,986,490	31,042,980	31,464,213	30,748,905	27,039,050
Plan fiduciary net position, end of year (b)	45,084,120	43,424,101	44,730,128	36,139,161	36,783,690	35,648,204	33,986,490	31,042,980	31,464,213	30,748,905
District's net pension liability, end of year (a)-(b)	\$ 13,774,988	\$ 13,051,028	\$ 10,380,686	\$ 15,331,203	\$ 12,265,486	\$ 10,705,534	\$ 10,414,363	\$ 12,591,061	\$ 11,302,411	\$ 10,423,027
Plan fiduciary net position as a percentage of the total pension liability (b) / (a)	76.60 %	76.89 %	81.16 %	70.21 %	74.99 %	76.90 %	76.54 %	71.14 %	73.57 %	74.68 %
Covered payroll (c)	\$ 8,995,180	\$ 8,366,013	\$ 8,308,914	\$ 8,275,033	\$ 8,162,058	\$ 8,020,486	\$ 7,786,589	\$ 7,538,996	\$ 7,378,844	\$ 7,240,101
District's net pension liability as a percentage of covered payroll [(a)-(b)] / (c)	153.14 %	156.00 %	124.93 %	185.27 %	150.27 %	133.48 %	133.75 %	167.01 %	153.17 %	143.96 %

See accompanying report of independent auditor and notes to the required supplementary information.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
SCHEDULE OF CHANGES IN NET RHIP OPEB LIABILITY
AND RELATED RATIOS (UNAUDITED)

JUNE 30, 2024

	2023	2022	2021	2020	2019	2018	2017
Total RHIP OPEB Liability:							
Service cost	\$ 83,882	\$ 82,197	\$ 92,505	\$ 88,913	\$ 107,920	\$ 104,240	\$ 132,336
Interest	115,232	116,346	155,861	155,731	179,810	178,574	146,368
Differences between expected and actual experience	(155,948)	-	139,630	-	163,359	-	294,400
Changes in assumptions or other inputs	(900,368)	-	815,306	-	(552,495)	-	(454,232)
Benefit payments	(256,635)	(249,110)	(252,770)	(228,629)	(260,460)	(235,555)	(213,142)
Net change in total RHIP OPEB liability	(1,113,837)	(50,567)	950,532	16,015	(361,866)	47,259	(94,270)
Total RHIP OPEB liability – beginning	5,749,406	5,799,973	4,849,441	4,833,426	5,195,292	5,148,033	5,242,303
Total RHIP OPEB liability – ending (a)	<u>\$ 4,635,569</u>	<u>\$ 5,749,406</u>	<u>\$ 5,799,973</u>	<u>\$ 4,849,441</u>	<u>\$ 4,833,426</u>	<u>\$ 5,195,292</u>	<u>\$ 5,148,033</u>
Covered-employee payroll (b)	<u>\$ 9,635,048</u>	<u>\$ 8,531,388</u>	<u>\$ 8,323,305</u>	<u>\$ 8,681,558</u>	<u>\$ 8,469,813</u>	<u>\$ 8,308,734</u>	<u>\$ 8,044,349</u>
District's total RHIP OPEB liability as a percentage of covered-employee payroll (a) (b)	<u>48.11 %</u>	<u>67.39 %</u>	<u>69.68 %</u>	<u>55.86 %</u>	<u>57.07 %</u>	<u>62.53 %</u>	<u>64.00 %</u>

See accompanying report of independent auditor and notes to the required supplementary information.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
SCHEDULE OF GLI OPEB CONTRIBUTIONS (UNAUDITED)

YEAR ENDED JUNE 30, 2024

Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percent of Covered Payroll
2024	\$ 54,638	\$ 54,638	\$ -	\$ 10,118,066	0.54 %
2023	48,862	48,862	-	9,048,673	0.54
2022	45,470	45,470	-	8,420,443	0.54
2021	45,138	45,138	-	8,308,914	0.54
2020	43,049	43,049	-	8,275,033	0.52
2019	42,443	42,443	-	8,162,058	0.52
2018	41,820	41,820	-	8,042,257	0.52
2017	40,570	40,570	-	7,801,902	0.52
2016	40,028	36,252	3,776	7,552,374	0.48
2015	39,239	35,537	3,702	7,403,480	0.48

See accompanying report of independent auditor and notes to the required supplementary information.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
SCHEDULE OF DISTRICT'S SHARE OF NET GLI OPEB LIABILITY (UNAUDITED)

YEAR ENDED JUNE 30, 2024

	2023	2022	2021	2020	2019	2018	2017
District's Proportion of Net GLI OPEB Liability	0.03841%	0.03871%	0.04049%	0.04023%	0.04164%	0.04229%	0.04230%
District's Proportionate Share of Net GLI OPEB Liability	\$ 460,656	\$ 466,106	\$ 471,413	\$ 671,372	\$ 677,593	\$ 643,000	\$ 637,000
Employer's Covered Payroll	\$ 9,048,673	\$ 8,420,443	\$ 8,308,914	\$ 8,275,033	\$ 8,162,058	\$ 8,042,257	\$ 7,801,902
Employer's Proportionate Share of Net GLI OPEB Liability as a Percentage of its Covered Payroll	5.09%	5.54%	5.67%	8.11%	8.30%	8.00%	8.16%
Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

See accompanying report of independent auditor and notes to the required supplementary information.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

YEAR ENDED JUNE 30, 2024

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 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, postretirement 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 age and service decrement through 9 years of service
Disability rates	No change
Salary scale	No change
Line of duty disability	No change
Discount Rate	No change

Note 3—Years presented in schedules

The schedule of District's share of net OPEB liability and the schedule of OPEB contributions are required to be presented for the last 10 fiscal years. However, the District has only presented the Schedule of GLI OPEB Contributions required supplementary information for the last seven years, as fiscal year 2018 was the first year of implementation of the requirement to provide such required supplementary information and such information is not available for the prior years.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
MODIFIED APPROACH FOR INFRASTRUCTURE REPORTING –
CAPITAL ASSET ACTIVITY (UNAUDITED)

JUNE 30, 2024

The following is a summary of the changes in capital assets for the year ended June 30, 2024:

	Balance, June 30, 2023	Additions	Disposals	Depreciation	Balance, June 30, 2024
Bridge and Tunnel Assets:					
Original bridges	\$ 8,474,789	\$ -	\$ -	\$ -	\$ 8,474,789
Parallel crossing bridges	50,721,759	-	-	-	50,721,759
Original trestles	31,562,850	-	-	-	31,562,850
Parallel crossing trestles	117,324,020	-	-	-	117,324,020
Approach roads	11,269,645	-	-	-	11,269,645
Fisherman Island Causeway	8,722,510	-	-	-	8,722,510
Tunnels	60,182,509	-	-	-	60,182,509
Portal islands	52,695,162	-	-	-	52,695,162
Toll plaza infrastructure	6,069,397	-	-	-	6,069,397
Sitewide utilities	34,465,812	-	-	-	34,465,812
Capitalized interest and finance expenses	40,881,748	-	-	-	40,881,748
Total Bridge and Tunnel Assets	422,370,201	-	-	-	422,370,201
Construction in Progress:					
Parallel Thimble Shoal Tunnel	520,686,118	106,438,982	-	-	627,125,100
Parallel Chesapeake Tunnel	3,476,500	-	-	-	3,476,500
Capitalized interest and finance expenses	25,565,790	-	-	-	25,565,790
Total Construction in Progress	549,728,408	106,438,982	-	-	656,167,390
Land	5,232,907	-	-	-	5,232,907
Miscellaneous Capital Assets:					
Buildings	6,051,434	-	-	-	6,051,434
Fleet vehicles and equipment	14,034,203	1,424,193	(247,480)	-	15,210,916
Total Miscellaneous Capital Assets	20,085,637	1,424,193	(247,480)	-	21,262,350
Less Accumulated Depreciation:					
Buildings	(3,722,689)	-	-	(165,619)	(3,888,308)
Fleet vehicles and equipment	(12,019,643)	-	247,480	(377,993)	(12,150,156)
Total Accumulated Depreciation	(15,742,332)	-	247,480	(543,612)	(16,038,464)
Total Capital Assets, Net	\$ 981,674,821	\$ 107,863,175	\$ -	\$ (543,612)	\$ 1,088,994,384

See accompanying report of independent auditor.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
MODIFIED APPROACH FOR INFRASTRUCTURE REPORTING –
CAPITAL ASSET ACTIVITY (UNAUDITED) (CONTINUED)

JUNE 30, 2024

The table below summarizes by asset clusters the budgeted preservation expenses to bridge and tunnel assets for the last five fiscal years, as referenced in the Chesapeake Bay Bridge and Tunnel District's (the "District") annually updated six-year reserve maintenance plan. The six-year reserve maintenance plan is a planning tool that includes extraordinary maintenance projects to maintain the bridge and tunnel assets at a condition level of "generally good" or better. Extraordinary maintenance projects include many complex, multi-year contracts. The timing of actual project payments can vary from fiscal year to fiscal year due to the complexity of the projects. Each fiscal year's budgeted preservation expenses include the budget for projects that actually commenced during that respective fiscal year.

	2024	2023	2022	2021	2020
Bridge and Tunnel Assets:					
Original bridges	\$ 485,741	\$ 357,082	\$ 153,600	\$ -	\$ 619,653
Parallel crossing bridges	518,683	302,761	37,970	42,833	647,000
Original trestles	2,015,537	1,804,066	2,143,556	5,615,987	6,258,897
Parallel crossing trestles	5,064,943	1,017,842	1,101,197	4,544,381	5,283,528
Approach roads	90,000	-	-	-	-
Fisherman Island Causeway	75,000	-	-	-	-
Tunnels	3,751,706	2,267,636	496,252	2,761,363	4,870,727
Toll plaza infrastructure	64,524	245,525	86,023	129,327	125,395
Sitewide utilities	1,494,388	1,050,050	1,498,390	589,907	345,323
	<u>\$ 13,560,522</u>	<u>\$ 7,044,962</u>	<u>\$ 5,516,988</u>	<u>\$ 13,683,798</u>	<u>\$ 18,150,523</u>

The table below summarizes by asset cluster the actual preservation expenses to bridge and tunnel assets for the last five fiscal years:

	2024	2023	2022	2021	2020
Bridge and Tunnel Assets:					
Original bridges	\$ 570,149	\$ 416,409	\$ 71,518	\$ -	\$ 96,506
Parallel crossing bridges	572,045	418,132	98,495	-	85,872
Original trestles	523,792	108,191	688,154	6,059,317	7,911,318
Parallel crossing trestles	256,612	253,824	241,429	5,704,059	7,666,612
Tunnels	352,168	373,513	35,606	2,077,510	3,789,321
Toll plaza infrastructure	17,150	237,049	56,523	73,977	59,996
Sitewide utilities	96,223	505,780	431,562	172,843	319,353
	<u>\$ 2,388,139</u>	<u>\$ 2,312,898</u>	<u>\$ 1,623,287</u>	<u>\$ 14,087,706</u>	<u>\$ 19,928,978</u>

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
MODIFIED APPROACH FOR INFRASTRUCTURE REPORTING –
CAPITAL ASSET ACTIVITY (UNAUDITED) (CONTINUED)

JUNE 30, 2024

The budgeted preservation expenses for FY2025 are summarized by asset cluster in the table below. During a given fiscal year, there may be no preservation expenses budgeted for one or more of the classifications of bridge and tunnel assets. This is an indication that the District assesses that there is no need for preservation work on this classification of bridge and tunnel assets to be able to maintain it at a condition level of “generally good” or better.

Bridge and tunnel assets:

Original bridges	\$ 225,000
Parallel crossing bridges	317,635
Original trestles	1,905,822
Parallel crossing trestles	1,598,205
Approach roads	90,000
Fisherman Island causeway	75,000
Tunnels	3,692,049
Portal islands	101,500
Toll plaza infrastructure	37,837
Sitewide utilities	1,185,659
	<u>\$ 9,228,707</u>

U.S. GAAP requires that governmental entities that utilize the modified approach for infrastructure reporting must have their governing board set a policy for the condition levels at which modified approach assets will be maintained. U.S. GAAP also requires that a third party perform condition level assessments of the modified approach assets annually and that the condition levels for the current and prior two fiscal years be disclosed in the notes to the financial statements.

The Chesapeake Bay Bridge and Tunnel Commission’s (the “Commission”) preservation policy is to maintain 90% of the bridge and tunnel assets at an MRP condition level of “good” or better.

Jacob’s Engineering, Inc., the District’s consulting engineer, has inspected the District’s bridge and tunnel assets. Jacob’s Engineering, Inc. determines the MRP condition level for the bridge and tunnel assets as a numeric scaled rating. The numeric scaled rating is based on a condition index utilized by the Virginia Department of Transportation whereby “0” is a failed condition level and “9” is an excellent condition level. The table below defines the numeric scaled ratings assigned by Jacob’s Engineering, Inc.:

Numeric Code	Narrative Code	Definition
9	Excellent	Component has been recently put in service or remains in new condition
8	Very good	No problems noted, potential exists for minor preventative maintenance
7	Good	Potential exists for minor maintenance
6	Satisfactory	Potential exists for major maintenance
5	Fair	Potential exists for minor repair or rehabilitation
4	Poor	Potential exists for major repair or rehabilitation
3	Serious	Major repair or rehabilitation required immediately
2	Critical	The need for repair or rehabilitation is urgent
1	Imminent failure	Component is out of service; study feasibility for repair or rehabilitation
0	Failed	Component is out of service and beyond repair, replacement required

See accompanying report of independent auditor.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
MODIFIED APPROACH FOR INFRASTRUCTURE REPORTING –
CAPITAL ASSET ACTIVITY (UNAUDITED) (CONTINUED)

JUNE 30, 2024

The following two tables derive percentages in different ways. Trestles and bridges that have an MRP numeric condition level are described as a percentage of lane miles. All other bridge and tunnel assets that have an MRP numeric condition level are described as a percentage of that specific bridge and tunnel asset.

The original trestles, tunnels, and portal islands are the only bridge and tunnel assets that falls below the condition level specified in the Commission's preservation policy. The original trestles, tunnels, and portal islands have an overall condition level of "7"; however, Jacobs Engineering, Inc. assigned some components of the portal islands and tunnels, which includes the ventilation buildings, a condition level of "6", and some components of the original trestles a condition level of "4". Extraordinary reserve maintenance projects are planned to address the maintenance requirements for all of these components.

The following tables detail the MRP condition level of bridge and tunnel assets for the last three years:

Percentage of Lane Miles at an MRP Condition Level 7 or Better				
Bridge and tunnel assets	2024	2023	2022	2021
Original bridges	100 %	100 %	100 %	100 %
Parallel crossing bridges	100	100	100	100
Original trestles	84	84	84	84
Parallel crossing trestles	100	100	100	100

Percentage of Capital Assets at an MRP Condition Level 7 or Better				
Bridge and Tunnel Assets	2024	2023	2022	2021
Approach roads	100 %	100 %	100 %	100 %
Fisherman Island Causeway	100	100	100	100
Tunnels	88	88	88	88
Portal islands	89	89	89	89
Toll plaza infrastructure	100	100	100	100
Site-wide utilities	100	100	100	100

See accompanying report of independent auditor.

OTHER INFORMATION

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

YEAR ENDED JUNE 30, 2024

Budgetary Accounting and Control

The Chesapeake Bay Bridge and Tunnel Commission (the "Commission") prepares a preliminary fiscal year budget before April 20 for the ensuing fiscal year, which begins on July 1. This budget is required to be adopted before June 1 of each year. The Commission covenants, in accordance with Section 504 of its General Revenue Bond Resolution adopted October 24, 2016, that the expenses budgeted in any fiscal year will not exceed the amounts that are reasonable and necessary to maintain, repair, and operate the facility in accordance with the provisions of its enabling legislation. No provision is made in the budget for noncash items, such as depreciation.

The Commission does not adopt a revenue budget.

	Budgeted Amount	Actual Amount	Variance Over (Under)	Percentage Variance
Operating Expenses Before District				
Facility Expenses:				
Administration	\$ 605,400	\$ 606,299	\$ 899	0.15 %
Finance	1,137,050	987,350	(149,700)	(13.17)
Operations	5,588,400	5,471,070	(117,330)	(2.10)
Maintenance and tunnel operations	5,265,200	4,657,717	(607,483)	(11.54)
General	4,953,900	5,088,910	135,010	2.73
Consultants	798,300	654,309	(143,991)	(18.04)
Utilities	943,700	874,684	(69,016)	(7.31)
Total operating expenses before district facility expenses	<u>\$ 19,291,950</u>	<u>\$ 18,340,339</u>	<u>\$ (951,611)</u>	<u>(4.93)%</u>

The District's General Revenue Bond Resolution, dated October 24, 2016, requires a ratio of 1.50x of net revenues available for debt service to the principal and interest requirements for such fiscal year on account of all First Tier Bonds then outstanding. This ratio is 4.36x for fiscal year 2024.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
SCHEDULE OF INSURANCE POLICIES (UNAUDITED)

YEAR ENDED JUNE 30, 2024

Type	Insurer/Agent	Amount of Coverage	Expiration Date	
Automobile liability and physical damage	Virginia Municipal Liability Pool/ Virginia Risk Sharing Association	\$ 1,000,000	June 30, 2024	*
Boiler and machinery	Virginia Municipal Liability Pool/ Virginia Risk Sharing Association	11,000,000	June 30, 2024	*
Bridge floater (bridges, tunnels, trestles, and loss of revenue)	ACE American Insurance Company/ Aon Risk Solutions	225,000,000	March 31, 2025	
Crime (theft, disappearance, and employee dishonesty)	Virginia Municipal Liability Pool/ Virginia Risk Sharing Association	700,000	June 30, 2024	*
General liability	Virginia Municipal Liability Pool/ Virginia Risk Sharing Association	1,000,000	June 30, 2024	*
Cyber liability	Virginia Municipal Liability Pool/ Virginia Risk Sharing Association	3,000,000	June 30, 2024	*
No fault property damage	Virginia Municipal Liability Pool/ Virginia Risk Sharing Association	10,000	June 30, 2024	*
Property direct damage	Virginia Municipal Liability Pool/ Virginia Risk Sharing Association	71,223,000	June 30, 2024	*
Excess liability	Virginia Municipal Liability Pool/ Virginia Risk Sharing Association	10,000,000	June 30, 2024	*
Wharfingers' liability	Atlantic Specialty Insurance/ Brown & Brown Flagship Group LTD	4,000,000	Sept 30, 2024	
Workers' compensation	Virginia Municipal Liability Pool/ Virginia Risk Sharing Association	Statutory	June 30, 2024	*
Line of Duty Act	Virginia Municipal Liability Pool/ Virginia Risk Sharing Association	Statutory	June 30, 2024	*

* The District has placed each of the expiring policies at the same or higher limits with the Virginia Association of Counties Group Self-Insurance Risk Pool effective July 1, 2024.

See accompanying report of independent auditor.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
SCHEDULE OF COMPARATIVE TRAFFIC AND REVENUES STATISTICS (UNAUDITED)

YEARS ENDED JUNE 30, 2024 AND 2023

	2024		2023		Increase (Decrease)	
	Vehicles	Revenues	Vehicles	Revenues	Vehicles	Revenues
Vehicle Classifications:						
Cars and light trucks	3,884,600	\$ 55,783,916	3,893,096	\$ 53,028,005	(8,496)	\$ 2,755,911
Heavy trucks	404,733	16,535,126	400,169	15,459,919	4,564	1,075,207
Buses	8,135	235,012	7,617	221,257	518	13,755
Subtotal	4,297,468	72,554,054	4,300,882	68,709,181	(3,414)	3,844,873
Non-revenue	108,527	-	110,603	-	(2,076)	-
Deductions from toll revenues	-	(1,563,560)	-	(1,440,598)	-	(122,962)
Total	4,405,995	\$ 70,990,494	4,411,485	\$ 67,268,583	(5,490)	\$ 3,721,911

See accompanying report of independent auditor.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

SCHEDULE OF INVESTMENTS

JUNE 30, 2024

Unrestricted investments at fair market value as of June 30, 2024 consist of the following:

Description	Coupon Rate	Maturity Date	Market Value
<u>Revenue Bond - Revenue Fund</u>			
Truist Bank Trust Deposit	Variable	Not Fixed	<u>\$ 9,794,614</u>
<u>General Revenue Bond - Operations & Maintenance Reserve Fund</u>			
Truist Bank Trust Deposit	Variable	Not Fixed	<u>5,003,969</u>
<u>GR Reserve Maintenance Fund</u>			
US Treasury Notes	0.375%	07/15/24	1,002,959
US Treasury Notes	2.375%	08/15/24	1,195,500
US Treasury Notes	0.375%	09/15/24	752,281
US Treasury Notes	4.375%	10/31/24	1,096,219
US Treasury Notes	2.250%	11/15/24	1,685,286
US Treasury Notes	1.000%	12/15/24	1,404,479
US Treasury Notes	4.125%	01/31/25	1,082,336
US Treasury Notes	1.500%	02/15/25	3,515,625
US Treasury Notes	2.625%	04/15/25	1,097,775
US Treasury Notes	4.500%	04/15/27	3,919,480
Truist Bank Trust Deposit	Variable	Not Fixed	<u>4,568,615</u>
			<u>21,320,555</u>
<u>General Revenue Bond - General Fund:</u>			
US Treasury Bills	Discount	07/23/24	996,782
US Treasury Bills	Discount	08/27/24	991,679
US Treasury Bills	Discount	09/24/24	987,663
US Treasury Bills	Discount	10/24/24	983,389
US Treasury Bills	Discount	11/21/24	328,153
US Treasury Notes	1.000%	12/15/24	2,809,938
Federal National Mortgage Association Notes	1.625%	01/07/25	3,199,654
Federal National Mortgage Association Notes	1.625%	01/07/25	2,654,928
Federal Home Loan Mortgage Corporation Notes	1.500%	02/12/25	962,816
Federal Home Loan Mortgage Corporation Notes	1.500%	02/12/25	1,436,893
Federal Home Loan Mortgage Corporation Notes	1.500%	02/12/25	2,238,425
US Treasury Notes	1.500%	02/15/25	4,907,227
Roche Holdings Inc.	2.132%	03/10/25	1,686,208
US Treasury Notes	0.500%	03/31/25	2,414,453
Federal Home Loan Bank Notes	0.500%	04/14/25	2,202,911
Federal National Mortgage Association Notes	0.625%	04/22/25	1,600,333
Federal National Mortgage Association Notes	0.625%	04/22/25	2,940,371
Colgate-Palmolive Co. Corp. Notes	7.600%	05/19/25	2,348,751
US Treasury Notes	0.250%	05/31/25	1,625,625
Federal National Mortgage Association Notes	0.500%	06/17/25	3,381,404
Federal National Mortgage Association Notes	0.500%	06/17/25	2,090,062
Federal National Mortgage Association Notes	0.500%	06/17/25	1,166,991
US Treasury Notes	3.000%	07/15/25	641,184
US Treasury Notes	3.000%	07/15/25	3,015,031
Federal Home Loan Mortgage Corporation Notes	4.050%	07/21/25	4,940,850
Federal Home Loan Mortgage Corporation Notes	0.375%	07/21/25	1,260,243
US Treasury Notes	0.250%	07/31/25	10,042,945
Federal Home Loan Bank Notes	4.100%	08/08/25	4,940,540
Federal National Mortgage Association Notes	0.500%	08/14/25	2,197,822
Federal National Mortgage Association Notes	0.375%	08/25/25	2,026,775

See accompanying report of independent auditor.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

SCHEDULE OF INVESTMENTS (CONTINUED)

JUNE 30, 2024

Unrestricted investments at fair market value as of June 30, 2024 consist of the following:

Description	Coupon Rate	Maturity Date	Market Value
General Revenue Bond - General Fund:			
Federal National Mortgage Corporation Notes	0.375%	08/25/25	\$ 2,273,018
Federal Home Loan Mortgage Corporation Notes	4.050%	08/28/25	4,935,955
Federal National Mortgage Association Notes	4.000%	08/28/25	4,933,520
US Treasury Notes	0.250%	08/31/25	1,726,336
US Treasury Notes	0.250%	08/31/25	1,220,259
Federal Home Loan Mortgage Corporation Notes	0.375%	09/23/25	2,966,876
US Treasury Notes	0.250%	09/30/25	1,932,766
US Treasury Notes	0.250%	09/30/25	3,229,133
US Treasury Notes	4.250%	10/15/25	9,389,644
Federal National Mortgage Association Notes	0.500%	10/20/25	2,241,998
Microsoft Corporation	3.125%	11/03/25	2,324,225
Federal National Mortgage Association Notes	0.500%	11/07/25	2,124,758
Bank of NY Mellon Notes	5.224%	11/21/25	4,054,870
US Treasury Notes	0.375%	12/31/25	2,851,750
US Treasury Notes	0.375%	12/31/25	1,659,625
US Treasury Notes	0.375%	12/31/25	1,776,500
US Treasury Notes	0.375%	12/31/25	3,655,850
US Treasury Notes	0.375%	12/31/25	2,019,600
US Treasury Notes	0.375%	01/31/26	9,983,367
US Treasury Notes	0.375%	01/31/26	1,723,680
Federal Home Loan Mortgage Corporation Notes	5.400%	02/23/26	9,086,077
Proctor & Gamble Corporation	1.000%	04/23/26	3,438,796
US Treasury Notes	0.750%	04/30/26	9,912,135
US Treasury Notes	0.750%	05/31/26	1,047,899
US Treasury Notes	0.750%	05/31/26	1,391,016
US Treasury Notes	2.125%	05/31/26	3,237,437
US Treasury Notes	0.875%	06/30/26	6,911,039
US Treasury Notes	0.625%	07/31/26	3,113,671
Alphabet Inc. Corporate Notes	1.998%	08/15/26	3,228,134
US Treasury Notes	1.500%	08/15/26	1,122,937
US Treasury Notes	0.875%	09/30/26	6,801,109
US Treasury Notes	1.625%	10/31/26	4,169,194
US Treasury Notes	2.000%	11/15/26	1,411,406
US Treasury Notes	2.000%	11/15/26	4,154,239
US Treasury Notes	1.250%	12/31/26	4,816,797
Government National Mortgage Association Pool #5276	3.000%	01/01/27	47,891
US Treasury Notes	1.500%	01/31/27	4,159,982
Microsoft Corporation	1.875%	02/28/27	2,412,462
US Treasury Notes	1.875%	02/28/27	2,117,484
US Treasury Notes	3.224%	03/01/27	3,208,875
Freddie Mac Structured Pass-Thru Certificates K064 A2	3.500%	03/01/27	3,159,975
Government National Mortgage Association Pool #794283	2.500%	03/31/27	15,315
US Treasury Notes	3.243%	04/01/27	4,208,288
Federal Home Loan Mortgage Corporation Notes	3.000%	04/01/27	1,781,479
Government National Mortgage Association Pool #MA0007	3.000%	04/30/27	92,470
US Treasury Notes	2.750%	05/15/27	1,262,270
US Treasury Notes	4.500%	05/31/27	2,496,875
US Treasury Notes	2.625%	06/01/27	4,694,766
Federal Home Loan Mortgage Corporation Notes	3.117%	06/30/27	2,769,495
US Treasury Notes	3.250%	06/30/27	3,059,050
US Treasury Notes	3.250%	07/31/27	3,329,250

See accompanying report of independent auditor.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

SCHEDULE OF INVESTMENTS (CONTINUED)

JUNE 30, 2024

Unrestricted investments at fair market value as of June 30, 2024 consist of the following:

Description	Coupon Rate	Maturity Date	Market Value
<u>General Revenue Bond - General Fund:</u>			
US Treasury Notes	2.750%	08/31/27	\$ 4,510,273
US Treasury Notes	3.125%	09/30/27	3,381,797
US Treasury Notes	4.125%	10/31/27	3,816,575
US Treasury Notes	4.125%	11/15/27	4,424,656
US Treasury Notes	2.250%	12/31/27	3,004,909
US Treasury Notes	3.875%	04/01/28	4,316,125
Freddie Mac Structured Pass-Thru Certificate K507 A1	4.800%	08/01/28	3,114,509
Freddie Mac Structured Pass-Thru Certificate KJ47 A1	5.272%	09/01/28	1,869,635
Freddie Mac Structured Pass-Thru Certificate K507 A2	4.800%	09/01/28	3,288,111
Freddie Mac Structured Pass-Thru Certificate K509 A2	4.850%	10/01/28	2,510,100
Freddie Mac Structured Pass-Thru Certificate K510 A2	5.069%	10/01/28	1,282,633
Freddie Mac Structured Pass-Thru Certificate K511 A2	4.860%	11/01/28	1,851,915
Freddie Mac Structured Pass-Thru Certificate K512 A2	5.000%	12/01/28	1,686,257
Freddie Mac Structured Pass-Thru Certificate K514 A2	4.572%	01/01/29	1,708,657
Freddie Mac Structured Pass-Thru Certificate K515 A2	5.400%	01/01/29	3,008,233
Freddie Mac Structured Pass-Thru Certificate K516 A2	5.477%	01/25/29	3,018,401
Freddie Mac Structured Pass-Thru Certificate K517 A2	5.355%	06/01/32	2,689,950
Federal National Mortgage Association Pool #1084	3.500%	Not Fixed	214,538
Truist Bank Trust Deposit	Variable		1,619,941
			<u>294,018,804</u>
Total Unrestricted Investments			<u>\$ 330,137,942</u>

See accompanying report of independent auditor.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

SCHEDULE OF INVESTMENTS (CONTINUED)

JUNE 30, 2024

Restricted investments at fair market value as of June 30, 2024 consist of the following:

Description	Coupon Rate	Maturity Date	Market Value
<u>General Revenue Bond - TIFIA Debt Service Reserve Fund</u>			
US Treasury Notes	1.750%	12/31/24	\$ 3,506,967
Federal Home Loan Mortgage Corporation Notes	0.375%	09/23/25	2,300,746
Truist Bank Trust Deposit	Variable	Not Fixed	15,027,193
			<u>20,834,906</u>
<u>General Revenue Bond - VTIB Debt Service Reserve Fund</u>			
US Treasury Notes	1.750%	12/31/24	943,050
Federal Home Loan Mortgage Corporation Notes	0.375%	09/23/25	340,151
Truist Bank Trust Deposit	Variable	Not Fixed	2,127,095
			<u>3,410,296</u>
<u>General Revenue Bond - Series 2016 Interest Fund</u>			
Truist Bank Trust Deposit	Variable	Not Fixed	<u>7,912,875</u>
<u>General Revenue Bond - Series 2016 VTIB Interest Fund</u>			
Truist Bank Trust Deposit	Variable	Not Fixed	<u>734,138</u>
<u>General Revenue Bond - Series 2021 TIFIA Interest Fund</u>			
Truist Bank Trust Deposit	Variable	Not Fixed	<u>3,383,622</u>
<u>2016 Thimble Shoal Project Fund</u>			
Truist Bank Trust Deposit	Variable	Not Fixed	<u>330</u>
<u>2016 Thimble Shoal Project Fund - TIFIA</u>			
Truist Bank Trust Deposit	Variable	Not Fixed	<u>40</u>
<u>2016 Thimble Shoal Project Fund - VTIB</u>			
Truist Bank Trust Deposit	Variable	Not Fixed	<u>319,367</u>
<u>2019 BANS Thimble Shoal Tunnel Project Fund</u>			
US Treasury Notes	4.250%	09/30/24	24,564,578
US Treasury Notes	2.125%	11/30/24	25,410,206
US Treasury Notes	3.875%	03/31/25	25,239,082
US Treasury Notes	5.000%	10/31/25	25,270,000
US Treasury Notes	3.875%	01/15/26	19,665,525
US Treasury Notes	4.250%	01/31/26	29,827,968
US Treasury Notes	3.750%	04/15/26	19,846,851
Local Government Investment Pool SNAP	Variable	Not Fixed	54,330,336
Truist Bank Trust Deposit	Variable	Not Fixed	6,976
			<u>224,161,522</u>
Total Restricted Investments			<u>260,757,096</u>
Total Investments			<u><u>\$ 590,895,038</u></u>

See accompanying report of independent auditor.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

<u>Federal Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Project Number</u>	<u>Loans</u>	<u>Expenditures</u>
Department of Transportation:				
Federal Highway Administration:				
Transportation Infrastructure Finance and Innovation Act (TIFIA)	20.223	2022-1001A		
Loans Beginning Balance			\$ 338,528,672	
New Loans			-	\$ 338,528,672
				<u>\$ 338,528,672</u>

See accompanying report of independent auditor and notes to the schedule of expenditures of federal awards.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Note 1—General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activities of the federal financial assistance programs of the Chesapeake Bay Bridge and Tunnel District.

Note 2—Basis of accounting

The accompanying Schedule is presented using the accrual basis of accounting.

Note 3—De minimus cost rate

The auditee has not elected to use the 10% de minimus indirect cost rate as discussed in Uniform Guidance Section 200.414.

Note 4—Amounts passed to subrecipients

There were no amounts passed to subrecipients for the year ended June 30, 2024.

Note 5—Loan balance

On November 23, 2021, the District entered into a TIFIA loan agreement under Assistance Listing number 20.223 with the United States Department of Transportation. The outstanding balance of the TIFIA loan was \$338,528,672 on June 30, 2024.

COMPLIANCE SECTION

**Report of Independent Auditor on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Board of Commissioners
Chesapeake Bay Bridge and Tunnel Commission
Cape Charles, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* (the "Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Chesapeake Bay Bridge and Tunnel District (the "District"), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Cherry Bekaert LLP

Virginia Beach, Virginia
October 21, 2024

Report of Independent Auditor on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Commissioners
Chesapeake Bay Bridge and Tunnel Commission
Cape Charles, Virginia

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Chesapeake Bay Bridge and Tunnel District's (the "District") 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 District's major federal program for the year ended June 30, 2024. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "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 District 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 the major federal program. Our audit does not provide a legal determination of the District'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 District'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 District'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 auditing standards generally accepted in the United States of America, *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 District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *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 District'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 District'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 District'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.

Cherry Bekaert LLP

Virginia Beach, Virginia
October 21, 2024

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

A. Summary of Auditor's Results

- | | |
|---|---------------------------|
| 1. The type of report issued on the basic financial statements: | Unmodified opinion |
| 2. Significant deficiencies in internal control disclosed by the audit of the financial statements: | None reported |
| 3. Material weaknesses in internal control disclosed by the audit of financial statements: | No |
| 4. Noncompliance, which is material to the financial statements: | No |
| 5. Significant deficiencies in internal control over the major program: | None reported |
| 6. Material weaknesses in internal control over the major program: | No |
| 7. The type of report issued on compliance for the major program: | Unmodified opinion |
| 8. Any audit findings which are required to be reported under the Uniform Guidance: | No |
| 9. The program tested as major programs were: | |

Assistance Listing Number

20.223

Name of Federal Program and Cluster

Transportation Infrastructure Finance
and Innovation Act (TIFIA) Program

- | | |
|--|------------------|
| 10. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 11. The Chesapeake Bay Bridge and Tunnel District qualified as a low-risk auditee under Section 530 of Uniform Guidance. | |

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None reported.

C. Findings and Questioned Costs Relating to Federal Awards

None reported.

D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

None reported.

E. Status of Prior Year Findings

None reported.