Hampton Roads Transportation Accountability Commission

Hampton Roads Transportation Accountability Commission

A Component Unit of the
Commonwealth of Virginia

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2024

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

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HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

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Kevin B. Page, Executive Director
Jennifer D. Hodnett, Executive Assistant
Lynn Coen, Senior Accounting Manager
Danetta M. Jankosky, Senior Accounting Manager

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Sheila Wilson, Chief Financial Officer
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Otesa Mitchell, Accounting Manager

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Commission Board Members
Hampton Roads Transportation Accountability Commission

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Hampton Roads Transportation Accountability Commission (Commission), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2024, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and the required supplementary information on pages 4-10 and 47-50, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of general and administrative expenditures and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of general and administrative expenditures 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 other information included in the annual report. The other information comprises the introductory section as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions 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 audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other 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 September 27, 2024 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
September 27, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Hampton Roads Transportation Accountability Commission's (the Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2024.

The Commission is a political subdivision of the Commonwealth of Virginia, created April 3, 2014 by the Hampton Roads Transportation Accountability Commission Act, Title 15.2, of the *Code of Virginia* (HB1253 & SB513) and became effective July 1, 2014. The Commission's primary function is determining how the Hampton Roads Transportation Fund (HRTF) (HB2313 of the 2013 Acts of Assembly) regional Sales and Use Tax and Fuel Tax monies will be invested in new construction projects on new or existing highways, bridges, and tunnels in the localities comprising Planning District 23. The Hampton Roads Regional Transit Fund (HRRTF) (HB 1726 and SB 1038 of the 2020 Acts of Assembly) Regional Transportation District Transient Occupancy Tax, Regional Transportation Improvement Fee (Grantors Tax), and $20 million of Statewide Recordation Tax Revenues will be invested in a core connected transit network. The HRTF function includes an improvement program development, required by the *Virginia Code* to give priority to those projects that are expected to provide the greatest impact on reducing congestion for the greatest number of citizens residing within Planning District 23. The HRRTF function includes the supporting member jurisdictions (currently the cities of Virginia Beach, Chesapeake, Norfolk, Portsmouth, Newport News, and Hampton) subject to the taxes imposed pursuant to Section 58.1-802.4 of the *Virginia Code* and Section 58.1-1743 of the *Virginia Code* approving projects to the development, maintenance, improvement, and operation of a core and connected regional network of transit routes and related infrastructure, rolling stock, and support facilities, to include the operation of a regional system of interjurisdictional, high-frequency bus service, in a transportation district in Hampton Roads created pursuant to § 33.2-1903 as included in the strategic plans and regional transit planning process developed pursuant to § 33.2-286.

In furtherance of its statutory purposes, especially congestion relief, many of the projects the Commission funds are located on major interstate highways owned by the Virginia Department of Transportation (VDOT), and the Commission enters into various agreements with VDOT for the funding of such projects. The Commission's role is principally as a funding source, including with monies generated from the issuance of Commission debt, and the Commission does not own such projects or the assets that it funds, nor does it participate in their construction or operation. Neither VDOT nor the Commonwealth is obligated to pay the Commission's debt, nor is any of such debt guaranteed or backed by the Commonwealth's full faith and credit.

The Commission member jurisdictions are the counties of Isle of Wight, James City, Southampton, and York and the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg. The Commission has 23 members as follows: the chief elected official of each of the ten cities and a current elected official of each of the four counties that are members of the Commission; and five members of the General Assembly (two senators and three delegates). The counties embraced by the Commission must appoint by resolution a current member from its governing body to serve as its member on the Commission. In addition, there are four non-voting ex-officio members, one each from the Virginia Department of Rail and Public Transportation, the Commonwealth Transportation Board, the Virginia Department of Transportation, and the Virginia Port Authority.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

The government-wide financial statements report information on all activities of the Commission as a whole, using the economic resources measurement focus and accrual basis of accounting.

- Liabilities and deferred inflows of resources of the Commission exceeded its assets and deferred outflows of resources for the year ended June 30, 2024 by $1,085,322,372. The increase in negative net position is due mainly to the issuance of new debt and the use of cash for the payment of project costs, debt service, and operating expenses, which exceeded the revenue received during the year.

- For the fiscal year ended June 30, 2024, regional tax revenues for the Commission's governmental activities totaled $298.9 million in addition to $92.7 million in investment income and $50,000 in other income. Expenses totaled $623.9 million; $570.8 million represents project funding in accordance with HB2313 (HRTF) and HB1726 (HRRTF), and $53.1 million represents reimbursement of authorized administrative costs, most of which was interest expense on bond proceeds ($48.3million).

Highlights for Fund Financial Statements

The fund financial statements provide detailed information about the Commission's funds using the current financial resources measurement focus and modified accrual basis of accounting.

- The Commission's Capital Project Fund, established in the fiscal year 2018, reported a decrease in fund balance of $287,564,304 for a fund balance of $86,611,561 as of June 30, 2024. This decrease is the net effect of draws on two TIFIA loans, the defeasance of a BAN, and Project cost distributions (VDOT construction invoices). Once these projects are completed, they are a VDOT capital asset.

- The Commission's Special Revenue Fund (HRTF), established in fiscal year 2016, reported an increase in fund balance of $245,956,807 for a fund balance of $1,587,084,473 as of June 30, 2024. This increase is due to Project cost distributions (VDOT construction invoices) being lower than all revenues.

- The Commission's Special Revenue Fund (HRRTF), established in fiscal year 2021, reported an increase in fund balance of $20,229,605 for a fund balance of $92,613,351 as of June 30, 2024. This increase is due to tax revenue being higher than Project cost distributions (HRT project invoices).

- The Commission's Debt Service Fund, established in fiscal year 2019, has a fund balance of $687,976 due to interest earned during the last six months of the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements consist of three components: government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The financial statements presented include all the activities which are part of the Commission reporting entity using the integrated approach as prescribed by the Governmental Accounting Standards Board (GASB). The government-wide financial statements present the financial picture of the Commission's governmental activities from the economic resources' measurement focus using the accrual basis of accounting. The fund financial statements include a separate column for each of the major governmental funds. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities, with the governmental activities combined. The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Commission with the difference reported as net position. The Statement of Activities shows in broad terms changes to net position during the fiscal year.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or declining. Net position is one way to measure financial position but the reader should also consider other indicators, such as general economic conditions.

The Statement of Activities presents information indicating how the Commission's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will result in cash flows in future fiscal periods.

General revenue consists of investment earnings and losses used to cover the Commission's administrative expenses, and Special revenues include the following intergovernmental revenues: sales and use tax and fuel tax collected on behalf of the HRTF, and regional transient occupancy tax, regional grantors tax, and statewide recordation tax collected on behalf of the HRRTF and remitted from the Commonwealth of Virginia. These tax receipts commenced July 1, 2013 (HRTF) and July 1, 2020 (HRRTF).

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources which have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission only reports governmental funds. The Commission does not operate proprietary funds nor does it maintain fiduciary funds at this time. The governmental funds of the Commission are presented using four fund types: General Fund, Special Revenue Funds, Capital Project Fund, and Debt Service Fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Change in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

As mentioned above, the Commission maintains four types of governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for each of these funds. The General Fund includes the Commission's operating activities including the cost of the Commission's four-member staff.

The Special Revenue Funds report revenue received by the Commission and used to fund prioritized projects on new or existing highways, bridges and tunnels in the localities comprising Planning District 23 (HRTF) as well as revenues used to fund the improvement of transit routes, supporting facilities, and bus service (HRRTF). The Capital Project Fund reports interest earned on unexpended bond proceeds, cost of bond issuance, and project cost distributions. The Debt Service Fund reports interest earned on funds set aside for the payment of principal and interest. Interest is paid January 1 and July 1 of each fiscal year.

The Commission adopts an annual appropriated budget for its General Fund. An internal budgetary comparison statement is maintained for the General Fund to demonstrate compliance with this budget.

Notes to the Basic Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The Required Supplementary Information provides additional information that is required by accounting principles generally accepted in the United States to be presented as a supplement to the basic financial statements.

Supplementary Information

Additional information is presented as a supplement to the basic financial statements. Although not required to be presented and not part of the basic financial statements, the schedules are included to provide additional information of interest to certain financial statement users.

FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

Statement of Net Position

The following table presents a summary of the Statement of Net Position for the Commission as of June 30, 2024. Data for June 30, 2023 has been included for comparison purposes.

Summary of Net Position
June 30, 2024 and 2023

	Governmental Activities			
	2024	2023	Change	% Change
Assets and Deferred Outflows of Resources:				
Current and other assets	**$ 1,853,183,943**	$ 1,924,597,502	$ (71,413,559)	-3.7%
Deferred outflows of resources	**72,034**	63,697	8,337	13.1%
Total assets and deferred outflows of resources	**1,853,255,977**	1,924,661,199	(71,405,222)	
Liabilities:				
Current and other liabilities	**2,886,406,475**	2,699,494,373	186,912,102	6.9%
Deferred inflows of resources	**52,171,874**	78,232,563	(26,060,689)	-33.3%
Total liabilities and deferred inflows of resources	**2,938,578,349**	2,777,726,936	160,851,413	
Net Position:				
Net investment in capital assets	**12,953**	4,372	8,581	196.3%
Unrestricted	**(1,085,335,325)**	(853,070,109)	(232,265,216)	-27.2%
Total net position	**$ (1,085,322,372)**	$ (853,065,737)	$ (232,256,635)	

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Commission, liabilities and deferred inflows of resources exceeded assets and deferred outflows by $1,085,322,372 at June 30, 2024 and mostly represents resources subject to external restriction.

Current assets consist primarily of amounts due from the Commonwealth of Virginia, cash and cash equivalents, and restricted cash and cash equivalents. As of June 30, 2024, approximately $59.0 million was due from the Commonwealth of Virginia, which is restricted for prioritized projects on new or existing highways, bridges, and tunnels in the localities comprising Planning District 23, as well as transit projects in a transportation district in Hampton Roads.

On April 18, 2024, the Commission approved a new medical insurance retirement benefit for long-term employees. To conform with GASB Statements No. 68 and 75, as mandated by Government Accounting Standards, the Commission must record all total unfunded liabilities. These liabilities are primarily long-term liabilities, based on actuarial studies of the activity in the Virginia Retirement System. Therefore, actual results could differ substantially. The current liability of $189,073 will be funded in the next fiscal year.

Statement of Activities

The following table presents the revenues, expenses and change in net position of the Commission for the fiscal year ended June 30, 2024. Data for June 30, 2023 has been included for comparison purposes.

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

	Governmental Activities			
	2024	2023	Change	% Change
Revenues:				
General revenue:				
Intergovernmental	**$ 298,925,351**	$ 289,157,143	$ 9,768,208	3.4%
Investment earnings	**92,661,336**	70,708,328	21,953,008	31.0%
Loss on investments	**-**	(3,751,208)	3,751,208	-100.0%
Other income	**50,000**	-	50,000	-
Total revenues	**391,636,687**	356,114,263	35,522,424	
Expenses:				
General and administrative	**1,445,173**	1,268,298	176,875	13.9%
Investment fees	**427,781**	397,818	29,963	7.5%
Professional services	**2,036,006**	408,417	1,627,589	398.5%
Cost of issuance	**882,190**	1,001,805	(119,615)	-11.9%
Interest expense	**48,277,225**	47,849,506	427,719	0.9%
Project cost distributions	**570,824,947**	455,016,656	115,808,291	25.5%
Total expenses	**623,893,322**	505,942,500	117,950,822	
Change in net position	**(232,256,635)**	(149,828,237)	(82,428,398)	55.0%
Net Position, beginning	**(853,065,737)**	(703,237,500)	(149,828,237)	21.3%
Net Position, ending	**$ (1,085,322,372)**	$ (853,065,737)	$ (232,256,635)	27.2%

For the fiscal year ending June 30, 2024, revenues totaled approximately $391.6 million. Expenses totaled approximately $623.9 million. A discussion of the key components of the revenue and expense is included in the funds' analysis.

FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

Governmental Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the needs of the Commission's financing requirements.

General Fund. The General Fund is the operating fund of the Commission. It is currently funded by transfers of investment earnings, if available, with any additional costs covered from the Special Revenue fund per legislative action HB1111 of the 2016 Acts of Assembly and shared pro rata with revenues of the HRRTF per legislative action HB 1726 and SB 1038 of the 2020 Acts of Assembly. Any investment income not required for General Fund use is retained in the Special Revenue funds.

Special Revenue Funds. The Commission established special revenue funds which are categorized as major funds in the governmental fund statements. These funds are used to report the intergovernmental revenue received from the Commonwealth of Virginia.

Capital Project Fund. The Commission established a capital project fund during fiscal year 2018 which is categorized as a major fund in the governmental fund statements. This fund is used to report bond issuance expense, bond issuance premium and project cost distributions.

Debt Service Fund. The Commission established a debt service fund during fiscal year 2019 which is categorized as a major fund in the governmental fund statements. This fund is used to report investment earnings and bond interest expense.

Economic Factors and the Fiscal Year 2025 Budget

- Hampton Roads is both a nationally and globally significant region. It is categorized as having a broad, diverse, and stable regional economy. The region is the driver of economic activity for the Commonwealth of Virginia.

- The fiscal year 2025 budget is based on an analysis of trending revenues.

The Commission's General Fund, Special Revenue Fund, and Capital Project Fund operating budgets decreased from $8,368,402 in fiscal year 2024 to $6,962,793 in fiscal year 2025. This decrease of $1,405,609 is due mainly to a reduction in debt issuance costs and related professional studies.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those interested. If you have any questions about this report or need additional financial information, contact Kevin Page, Executive Director, Hampton Roads Transportation Accountability Commission, 723 Woodlake Drive, Chesapeake, Virginia, 23320, or by e-mail to kpage@hrtac.org.

BASIC FINANCIAL STATEMENTS

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF NET POSITION
June 30, 2024

	Governmental Activities
ASSETS	
Due from the Commonwealth of Virginia	$ 58,971,878
Accrued investment income	3,686,049
Prepaid items	157,145,334
Restricted cash, cash equivalents and investments	1,633,253,946
Net pension asset	113,783
Capital assets, net	12,953
Total assets	1,853,183,943
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	72,034
Total deferred outflows of resources	72,034
LIABILITIES	
Current liabilities	
Accounts payable	260,405
Accrued interest payable	29,645,050
Accrued liabilities	8,827
Due to other governments	3,630,771
Due to Virginia Department of Transportation	52,571,876
Total current liabilities	86,116,929
Long-term liabilities	
Compensated absences	160,673
Other post-employment benefits	189,073
Long-term debt	2,799,939,800
Total long-term liabilities	2,800,289,546
Total liabilities	2,886,406,475
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on defeasance	52,114,764
Pension plan	57,110
Total deferred inflows of resources	52,171,874
NET POSITION	
Net investment in capital assets	12,953
Unrestricted	(1,085,335,325)
Total net position	$ (1,085,322,372)

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

	Expenses	Net (Expense) Revenue and Change in Net Position Governmental Activities
Functions/Programs		
Governmental activities:		
General and administrative	$ 1,445,173	$ (1,445,173)
Investment fees	427,781	(427,781)
Professional services	2,036,006	(2,036,006)
Cost of debt issuance	882,190	(882,190)
Interest expense	48,277,225	(48,277,225)
Project cost distributions	570,824,947	(570,824,947)
Total governmental activities	$ 623,893,322	(623,893,322)
General revenues:		
Intergovernmental revenue:		
Motor fuel tax		67,080,824
Sales and use tax		196,531,605
Regional transit improvement fees		5,590,076
Transient occupancy tax		9,722,846
State recordation tax		20,000,000
Investment earnings		92,661,336
Other income		50,000
Total general revenues		391,636,687
Change in net position		(232,256,635)
Net Position, beginning of year		(853,065,737)
Net Position, end of year		$ (1,085,322,372)

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2024

	General Fund	Special Revenue HRTF	Special Revenue HRRTF	Capital Project Fund	Debt Service Fund	Total Governmental Funds
ASSETS						
Due from the Commonwealth of Virginia	$ -	$ 56,266,620	$ 2,705,258	$ -	$ -	$ 58,971,878
Due from other funds	46,085	26,664	-	-	-	72,749
Accrued investment income	-	3,686,049	-	-	-	3,686,049
Prepaid items	8,152	156,178,035	942,064	17,083	-	157,145,334
Restricted cash, cash equivalents, and investments	8,827	1,411,296,659	91,664,372	129,596,112	687,976	1,633,253,946
Total assets	$ 63,064	$ 1,627,454,027	$ 95,311,694	$ 129,613,195	$ 687,976	$ 1,853,129,956
LIABILITIES						
Accounts payable	$ 24,227	$ 89,335	$ 5,188	$ 141,655	$ -	$ 260,405
Accrued interest payable	-	-	-	29,645,050	-	29,645,050
Accrued liabilities	8,827	-	-	-	-	8,827
Due to other governments	87,093	923,272	2,620,406	-	-	3,630,771
Due to Virginia Department of Transportation	-	39,356,947	-	13,214,929	-	52,571,876
Due to other funds	-	-	72,749	-	-	72,749
Total liabilities	120,147	40,369,554	2,698,343	43,001,634	-	86,189,678
FUND BALANCES						
Nonspendable	8,152	156,178,035	942,064	17,083	-	157,145,334
Restricted	-	1,430,906,438	91,671,287	86,594,478	687,976	1,609,860,179
Unassigned	(65,235)	-	-	-	-	(65,235)
Total fund balances	(57,083)	1,587,084,473	92,613,351	86,611,561	687,976	1,766,940,278
Total liabilities and fund balances	$ 63,064	$ 1,627,454,027	$ 95,311,694	$ 129,613,195	$ 687,976	$ 1,853,129,956

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2024

		Governmental Funds
Reconciliation of fund balances on the Balance Sheet for the governmental funds to the net position of the governmental activities on the Statement of Net Position:		
Fund balances - governmental funds		$ 1,766,940,278
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds until then.		
Pension plan		72,034
Net pension asset		113,783
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund.		
Capital assets	$ 14,573	
Less - accumulated depreciation and amortization	(1,620)	
		12,953
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	(160,673)	
Other post-employment benefits	(189,073)	
Bonds and TIFIA loan payable	(2,651,497,637)	
Bond premiums	(148,442,163)	
		(2,800,289,546)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized in the governmental funds until then.		
Deferred gain on defeasance	(52,114,764)	
Pension plan	(57,110)	
		(52,171,874)
Net position of governmental activities		$ (1,085,322,372)

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2024

	General Fund	Special Revenue HRTF	Special Revenue HRRTF	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Revenues						
Intergovernmental:						
Motor fuel tax	$ -	$ 67,080,824	$ -	$ -	$ -	$ 67,080,824
Sales and use tax	-	196,531,605	-	-	-	196,531,605
Regional transit improvement fees	-	-	5,590,076	-	-	5,590,076
Transient occupancy tax	-	-	9,722,846	-	-	9,722,846
State recordation tax	-	-	20,000,000	-	-	20,000,000
Investment earnings	-	77,617,281	4,732,369	9,318,544	993,142	92,661,336
Other Income	50,000	-	-	-	-	50,000
Total revenues	50,000	341,229,710	40,045,291	9,318,544	993,142	391,636,687
Expenditures						
Current:						
General and administrative	1,001,070	38,215	235,927	-	-	1,275,212
Investment fees	-	427,781	-	-	-	427,781
Professional services	-	198,059	-	1,837,947	-	2,036,006
Cost of debt issuance	-	2,440	-	879,750	-	882,190
Interest expense	-	-	-	-	79,975,619	79,975,619
Project cost distributions	-	248,308,015	19,541,203	302,975,729	-	570,824,947
Total expenditures	1,001,070	248,974,510	19,777,130	305,693,426	79,975,619	655,421,755
Excess (deficiency) of revenues over (under) expenditures	(951,070)	92,255,200	20,268,161	(296,374,882)	(78,982,477)	(263,785,068)
Other Financing Sources (Uses)						
Transfers in	1,076,412	207,914,517	179,021	150,236,363	79,384,328	438,790,641
Transfers out	(188,950)	(54,212,910)	(217,577)	(384,171,204)	-	(438,790,641)
Issuance of debt	-	-	-	235,118,729	-	235,118,729
Bond premiums	-	-	-	7,626,690	-	7,626,690
Total other financing sources (uses), net	887,462	153,701,607	(38,556)	8,810,578	79,384,328	242,745,419
Net change in fund balances	(63,608)	245,956,807	20,229,605	(287,564,304)	401,851	(21,039,649)
Fund Balances, beginning of year	6,525	1,341,127,666	72,383,746	374,175,865	286,125	1,787,979,927
Fund Balances (Deficit), end of year	$ (57,083)	$ 1,587,084,473	$ 92,613,351	$ 86,611,561	$ 687,976	$ 1,766,940,278

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

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

	Governmental Funds	
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds		$ (21,039,649)
Deferred outflows of resources:		
Pension plan contributions subsequent to measurement date		66,764
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension items		(41,523)
Other post-employment benefits		(189,073)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.		
Capital outlay	$ 10,201	
Depreciation and amortization	(1,620)	
		8,581
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction, however, does not have any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of new debt	(235,118,729)	
Bond premium	(7,626,690)	
Amortization of bond premiums	5,641,006	
Amortization of gain on defeasance	26,057,388	
Compensated absences	(14,710)	
		(211,061,735)
Change in net position of governmental activities		$ (232,256,635)

Note 1. Summary of Significant Accounting Policies

The financial statements of the Hampton Roads Transportation Accountability Commission (Commission) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S GAAP for state and local governments through its pronouncements (Statements and Interpretations).

A. Reporting Entity

The Commission is an independent political subdivision of the Commonwealth of Virginia (Commonwealth), created in 2014 by House Bill 1253 (HB1253) and Senate Bill 513 (SB513). The Commission has sovereign power, and its operations and resources are not subjected to the control, direction or oversight of the Commonwealth. The Commission member jurisdictions are the counties of Isle of Wight, James City, Southampton, and York and the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg. The Commission has 23 members as follows: the chief elected official of each of the ten cities and a current elected official of each of the four counties that are members of the Commission; and, five members of the General Assembly (two senators and three delegates). The counties embraced by the Commission must appoint by resolution a current member from its governing body to serve as its member on the Commission. In addition, there are four non-voting ex-officio members, one each from the Virginia Department of Rail and Public Transportation, the Commonwealth Transportation Board, the Virginia Department of Transportation, and the Virginia Port Authority.

Currently, the Commission's primary undertaking is to provide funding for regional transportation purposes in the Hampton Roads region. A significant part of this activity presently consists of allocating and leveraging funding from the Hampton Roads Transportation Fund (established by HB2313 of the 2013 Acts of Assembly and containing regional sales tax and use tax and motor fuel tax monies) to new construction projects on new or existing highways, bridges, and tunnels in member localities, with priority given to those projects that are expected to provide the greatest impact on reducing congestion for the greatest number of citizens residing within Planning District 23.

All moneys received by the Commission are required to be used solely for transportation purposes benefiting the member jurisdictions, as outlined above.

Although the Commission's economic resources are not for the direct benefit of the Commonwealth and the Commonwealth is not obligated by the debt of the Commission, the Comptroller has determined that, based on the projects that the Commission is presently funding and its current relationship with the Virginia Department of Transportation relating to the delivery of those projects, it would be misleading to exclude the Commission from the Commonwealth's audited financial statements. Thus, solely for financial reporting purposes, the Commonwealth has decided to include the Commission as a component unit of the Commonwealth. A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities determined to meet the component unit definition. Based on the Comptroller's decision to treat the Commission as a blended component unit, the Commission is an integral part of the reporting entity of the Commonwealth of Virginia; accordingly, all funds of the Commission are included in the financial statements of the Commonwealth as part of the reporting entity.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

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

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

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

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

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements – Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues, consisting of taxes from the Commonwealth of Virginia, are recognized in the period the funding is collected at the point of sale.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Commission considers revenues to be available if they are collected within 75 days after year end. Expenditures are recorded when a liability is incurred under the full accrual method of accounting. The individual governmental funds are:

General Fund – The General Fund is the primary operating fund of the Commission and is used to account for and report all revenues and expenditures applicable to the general operations of the Commission which are not accounted for in other funds. Revenues are derived primarily from transfers from the Special Revenue Funds. The General Fund is considered a major fund for financial reporting purposes.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Special Revenue Funds – The Commission has two Special Revenue Funds. The Special Revenue Hampton Roads Transportation Fund (HRTF) and Special Revenue Hampton Roads Regional Transit Fund (HRRTF) account for and report the proceeds of specific revenue sources restricted or committed to expenditures for specified purposes. The Special Revenue Funds are considered major funds for financial reporting purposes.

Capital Projects Fund – The Capital Projects Fund accounts for and reports the proceeds from the Commission's debt issuances and the expenditures associated with these financial instruments. The Capital Projects Fund transfers money to the Special Revenue Funds to cover costs incurred within the Special Revenue Funds that are approved to be paid from the debt proceeds and not local revenue sources. The Commission has one Capital Projects Fund. The Capital Projects Fund is considered a major fund for financial reporting purposes.

Debt Service Fund – The Debt Service Fund accounts for and reports the financial resources that are restricted or committed for expenditures related to principal and interest obligations. The Debt Service Fund is considered a major fund for financial reporting purposes.

D. Budgeting

The Commission adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables the Commission to determine the annual transfers required from the Special Revenue Funds to fund its general and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets.

E. Other Significant Accounting Policies

1. Cash and Cash Equivalents

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

2. Restricted Cash, Cash Equivalents and Investments

   Restricted cash, cash equivalents and investments as reported in the Statement of Net Position and Balance Sheets are comprised of intergovernmental deposits and unspent bond proceeds that shall be used solely for regional highways, bridges and tunnel transportation projects benefiting the member jurisdictions.

3. Prepaid Items

   Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements using the consumption method. See Note 13 for more information.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

4. Capital Assets

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

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

Asset Category	Useful Life (years)
Office Furniture and Equipment	5
Automobiles	5
Software	5

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2024.

Funding of transportation capital projects: For projects approved and funded by the Commission, the Commission does not take ownership of such projects. Therefore, these projects are not reflected on the Commission's financial statements.

5. Pensions

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

6. Other Post-employment Benefits

The Commission administers a single-employer defined post-employment health care benefit plan (the Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, an actuarial valuation was performed as of June 30, 2023, using updated actuarial assumptions. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

7. Compensated Absences

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

Accumulated sick leave accrues until employees leave the Commission and will be paid out at 25% of the balance, up to limits established by policy, reflective of years employed.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Gains on defeasance of debt are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize gain on defeasance of debt, bond premiums, bond discounts, and bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances and deferred gains on defeasance of debt are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Interfund Transactions

Transactions among Commission funds are treated as revenues and expenditures or expenses within the funds involved if the transaction involved organizations external to the Commission government.

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

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

10. Fund Equity

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

10. Fund Equity (Continued)

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

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

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

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

Assigned fund balance classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority.

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

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

11. Net Position

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

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

12. Estimates and Assumptions

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 liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

13. Deferred Outflows/Inflows of Resources

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

    In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Commission currently has items which arise under the accrual basis of accounting, that qualify for reporting in this category, deferred gain on defeasance and another described in detail in Note 7.

14. Subsequent Events

    Subsequent events have been evaluated through September 27, 2024, which was the date the financial statements were available to be issued.

Note 2. Deposits and Investments

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

Governmental Activities

Cash	$ 37,889,568
Local Government Investment Pool (LGIP)	966,192,186
TD Bank	489,301,171
State Non-Arbitrage Pool (SNAP)	54,118,554
Wilmington Trust	76,165,534
Atlantic Union Bank	9,586,933
Total restricted	1,633,253,946
Total	$ 1,633,253,946

Deposits

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

Note 2. Deposits and Investments (Continued)

Investments

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

The Commission has adopted a formal investment policy. The goal of the policy is to minimize risk and to ensure the availability of cash to meet Commission expenditures, while generating revenue from the use of funds which might otherwise remain idle. The primary objectives of the Commission's investment activities in priority order are: safety, liquidity and yield. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities.

Investment Policy

Investment	Credit Quality
U.S. Treasury Obligations	Bills, notes and any other obligation or securities issued by or backed by the full faith and credit of the United States Treasury. The final maturity shall not exceed a period of five years from the time of purchase.
Federal Agency/ Government Sponsored Enterprise Obligations	Bonds, notes and other obligations of the United States, and securities guaranteed by any federal government agency or instrumentality or government sponsored enterprise, with a rating of at least "AA" (or its equivalent) by at least two of the following Nationally Recognized Statistical Rating Organizations (NRSROs): Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's ("S&P"), or Fitch Ratings, Inc. ("Fitch"). The final maturity shall not exceed a period of five years from the time of purchase. Any investment in mortgage backed securities or collateralized mortgage obligations shall have a weighted average life that does not exceed five years from the time of purchase.
Municipal Obligations	Bonds, notes and other general obligations of the Commonwealth of Virginia and its agencies, authorities, and political subdivisions upon which there is no default, with a rating of at least AA (or its equivalent) by at least two of the following NRSROs: S&P, Moody's, or Fitch, matures within three years of the date of purchase, and otherwise meets the requirements of *Code of Virginia* §2.2-4501.
Commercial Paper	"Prime quality" commercial paper, with a maturity of 270 days or less from the date of purchase, issued by domestic corporations (corporations organized and operating under the laws of the United States or any state thereof) provided that the issuing corporation, or its guarantor, has a short-term debt rating of at least two of the following: P-1 by Moody's, A-1 by S&P, or F1 by Fitch, and that otherwise meets the requirements of *Code of Virginia* §2.2-4502.

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

Investment	Credit Quality
Bankers' Acceptance	Issued by domestic banks or a federally chartered office of a foreign bank, which are eligible for purchase by the Federal Reserve System with a maturity of 180 days or less. The issuing corporation, or its guarantor, must have a short-term debt rating from at least two of the following: P-1 by Moody's, A-1 by S&P, or F1 by Fitch.
Corporate Notes	High quality corporate notes with a final maturity from the time of purchase of five years or less and that meet the following requirements: a. notes with maturities of no more than three years from the time of purchase shall have received at least two of the following ratings: A by S&P, A by Moody's, or A by Fitch; b. notes with maturities no more than five years from the time of purchase shall have received at least two of the following ratings: AA by S&P, Aa by Moody's, or AA by Fitch.
Negotiable Certificates of Deposit and Bank Deposit Notes	Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks that meet the following requirements: a. notes with maturities of no more than one year from the time of purchase shall have received at least two of the following ratings: A-1 by S&P, P-1 by Moody's, or F1 by Fitch; b. Notes with maturities exceeding one year and not exceeding five years from the time of purchase shall have received at least two of the following ratings: AA by S&P, Aa by Moody's, or AA by Fitch.
Bank Deposits and Non-Negotiable Certificates of Deposit	Demand deposits, time deposits, and other deposits that comply with all aspects of SPDA or with §2.2-4518 with a final maturity no more than two years.
Repurchase Agreement	In overnight repurchase agreements provided that the following conditions are met: a. the contract is fully secured by deliverable U.S. Treasury and Federal Agency/Government Sponsored Enterprise obligations as described in paragraphs 1 and 2 above, including the maximum maturity of three (3) years, having a market value at all times of at least one hundred and two percent (102%) of the amount of the contract; b. a Master Repurchase Agreement or specific written Repurchase Agreement governs the transaction; c. the securities are free and clear of any lien and held by an independent third-party custodian acting solely as an agent for the Commission, provided such third party is not the seller under the repurchase agreement;

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

Investment	Credit Quality
Repurchase Agreement (Continued)	d. a perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities are created for the benefit of the Commission; e. the counterparty is a: i. primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or ii. a bank, savings and loan association, or diversified securities broker-dealer having at least \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and f. the counterparty meets the following criteria: i. a long-term credit rating of at least "AA" or the equivalent from an NRSRO; ii. has been in operation for at least five years; and iii. is reputable among market participants.
Money Market Mutual Funds (Open-Ended Investment Funds)	Shares in open-end, no-load investment funds provided such funds are registered under the Investment Company Act of 1940 and provided that the fund is rated at least AAAm or the equivalent by an NRSRO. The mutual fund must comply with all requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission, provided the investments by such funds are restricted to investments otherwise permitted by the *Code of Virginia* for political sub-divisions.
Local Government Investment Pool (LGIP)	A specialized commingled investment program that operates in compliance with GASB Statement No. 79 that was created in the 1980 session of the General Assembly (*Code of Virginia* §2.2-4700 et seq.) designed to offer a convenient and cost-effective investment vehicle for public funds. The LGIP is administered by the Treasury Board of the Commonwealth of Virginia and is rated AAAm by S&P.
Virginia State Non-Arbitrage Program's (Virginia SNAP) SNAP Fund	As of June 30, 2024, the Commission had investments of \$54,118,554 in the Commonwealth of Virginia State Non-Arbitrage Program ("SNAP"). SNAP has been established by the Treasury Board of the Commonwealth of Virginia pursuant to the SNAP Act (Chapter 47, Title 2.2, *Code of Virginia* 1950, as amended) to provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of tax-exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code.

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

Investment	Credit Quality
Virginia State Non-Arbitrage Program's (Virginia SNAP) SNAP Fund (Continued)	The SNAP Fund is managed to maintain a dollar-weighted average portfolio maturity of 60 days or less and seeks to maintain a constant net asset value per share of $1. The SNAP Fund invests in obligations of the United States Government and its agencies, high quality debt obligations of U.S. companies and obligations of financial institutions, and is rated "AAAm" by S&P. SNAP is managed in accordance with GASB Statement No. 79. The portfolio securities are valued by the amortized cost method, and on a daily basis this valuation is compared to current market to monitor any variance. Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

Credit Risk

The investment policy specifies credit quality for certain types of investments, as described below, in accordance with the *Code of Virginia*, and the policy specifies the qualifications for institutions providing depository and investment services. In addition, the Executive Director must conduct a review of the condition of each authorized financial institution and broker/dealer.

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, S&P's and Fitch Investor's Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by S&P's and "P-1" by Moody's. Notes having a maturity of greater than one year must be rated "AA" by S&P or "Aa" by Moody's.

The Commission's rated investments as of June 30, 2024 were rated by Standard & Poor's and the ratings are presented below.

	Commission's Rated Debt Investments' Values					
	Fair Quality Ratings					
	AAAm	AAA	AA	A	A-1	BBB
Government Agencies	$ -	$ -	$ 26,532,235	$ -	$ -	$ -
Foreign Government Bonds	-	1,957,357	-	-	-	-
Commercial Paper	-	-	-	-	102,875,879	-
Corporate Notes	-	-	9,337,121	38,428,596	-	2,044,822
U.S. Treasury Obligations	-	-	108,881,460	-	78,538,005	-
Agency Unsecured Bonds and Notes	-	-	11,963,488	-	-	-
Certificates of Deposit	-	-	1,325,315	2,394,409	49,053,693	-
Money Market	55,968,791	-	-	-	-	-
Local Government Investment Pool	966,192,186	-	-	-	-	-
State Non-Arbitrage Pool (SNAP)	54,118,554	-	-	-	-	-
	$ 1,076,279,531	$ 1,957,357	$ 158,039,619	$ 40,823,005	$ 230,467,577	$ 2,044,822

Note 2. Deposits and Investments (Continued)

Custodial Credit Risk (Deposits)

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be recovered. All of the Commission's deposits are maintained in accounts collateralized in accordance with the SPDA.

The Commission's investment policy provides that securities purchased for the Commission shall be held by the Commission or by the Commission's custodian. If held by a custodian, the securities must be in the Commission's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the Commission. Further, if held by a custodian, the custodian must be a third-party, not a counterparty (buyer or seller) to the transaction. At June 30, 2024, all of the Commission's investments were held in accordance with this policy.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure of the amount and issuer. At June 30, 2024, the Commission's portfolio did not have any investment in a single issuer over 5% that is required to be disclosed.

Interest Rate Risk

In accordance with its investment policy, the Commission manages its exposure to declines in fair values by limiting the maturity of various investment vehicles, as indicated in the chart below.

The limitations provided in the investment policy for maximum maturity and percentage of the portfolio for each category of investment are as follows:

Permitted Investment	Sector Limit	Issuer Limit
U.S. Treasury Obligations	100%	100%
Federal Agency/GSE Obligations	100%	35%
Municipal Obligations	15%	5%
Commercial Paper	35%	5%
Bankers' Acceptances	35%	5%
Corporate Notes	25%	5%
Negotiable Certificates of Deposit and Bank Deposit Notes	25%	5%
Bank Deposits and Non-Negotiable Certificates of Deposit	100%	100%
Repurchase Agreements	25%	25%
Money Market Mutual Funds	25%	25%
Local Government Investment Pool (LGIP)	100%	100%
Virginia SNAP-SNAP Fund (Proceeds of Tax Exempt Bonds Only)	100%	100%

Note 2. Deposits and Investments (Continued)

Interest Rate Risk (Continued)

As a means of limiting exposure to fair value losses arising from interest rates, the Commission's policy limits investments to investments with a duration and/or weighted average maturity of the total investment portfolio not to exceed two years.

	Fair Value	Investment Maturities (in years) Less Than 1 Year	1 - 5 Years	Over 5 Years
U.S. Treasury Obligations	$ 187,419,465	$ 119,909,552	$ 67,509,913	$ -
Agency Unsecured Bonds and Notes	11,963,488	11,963,488	-	-
Foreign Government Bonds	1,957,357	-	1,957,357	-
Certificates of Deposit	52,773,417	49,053,693	3,719,724	-
Money Market	55,968,791	55,968,791	-	-
Corporate Notes	49,810,539	17,220,754	32,589,785	-
Commercial Paper	102,875,879	102,875,879	-	-
Government Agencies	26,532,235	1,974,454	23,697,683	860,098

As of June 30, 2024, the Commission had investments of $966,192,186 in the LGIP for governmental activities. The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to § 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The Commission's investments in LGIP are stated at amortized cost and classified as cash and cash equivalents and the maturity is less than one year.

Note 3. Fair Value Measurement

The Commission categorizes its fair value measurements within the fair value hierarchy established by U.S GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described below.

Level 1 Valuation based on quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.

Level 3 Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

Note 3. Fair Value Measurement (Continued)

The following table sets forth by level, within the fair value hierarchy, the Commission's assets at fair value as of June 30, 2024:

	June 30, 2024	Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. Treasury Obligations	$ 187,419,465	$ 187,419,465	$ -	$ -
Agency Unsecured Bonds and Notes	11,963,488	11,963,488	-	-
Government Agency (State Taxable)	26,532,235	-	26,532,235	-
Foreign Government Bonds	1,957,357	-	1,957,357	-
Corporate Notes	49,810,539	-	49,810,539	-
Commercial Paper	102,875,879	-	102,875,879	-
Certificates of Deposit	52,773,417	-	52,773,417	-
Money Market	55,968,791	-	-	55,968,791

Note 4. Due To/From Other Governments

At June 30, 2024, due from the Commonwealth of Virginia consisted of the following:

	Special Revenue HRTF	Special Revenue HRRTF	Total
Sales and Use Tax	$ 38,839,796	$ -	$ 38,839,796
Motor Fuel Tax	17,426,824	-	17,426,824
Transient Occupancy Tax	-	2,156,591	2,156,591
Regional Transit Improvement Fees	-	548,667	548,667
Total	$ 56,266,620	$ 2,705,258	$ 58,971,878

At June 30, 2024, amounts due to other governments consisted of $1,010,365 due to Hampton Roads Planning District and $2,620,406 due to Hampton Roads Transit.

Note 5. Long-Term Liabilities

Changes in long-term liabilities consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	$ 1,158,415,000	$ 141,000,000	$ -	$ 1,299,415,000	$ -
Premium on bonds	146,456,479	7,626,690	5,641,006	148,442,163	-
TIFIA loan	1,257,963,907	94,118,730	-	1,352,082,637	-
Compensated absences	145,963	14,710	-	160,673	-
	$ 2,562,981,349	$ 242,760,130	$ 5,641,006	$ 2,800,100,473	$ -

Details of long-term obligations are as follows:

In 2018, the Commission issued $500,000,000 in senior lien revenue bonds, Series 2018A, due in annual installments ranging from $4,745,000 to $37,915,000, plus semi-annual interest at 5.0% to 5.5%. The bonds were issued at a premium of $83,270,073, which will be amortized over the life of the bonds. In 2022, the Commission did an in-substance defeasance of $364,075,000 of the bonds, along with $53,447,361 of the unamortized bond premium. The Commission used current resources for the defeasance and no new debt was issued. The remaining balance due is $135,925,000 with an associated premium of $22,636,969, which will be amortized over the life of the bonds.

Annual requirements to amortize long-term obligations and related interest are as follows:

	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2018A	
Year(s) Ending June 30,	Principal	Interest
2025	$ -	$ 6,796,250
2026	4,745,000	6,677,625
2027	4,985,000	6,434,375
2028	5,235,000	6,178,875
2029	5,495,000	5,910,625
2030-2034	11,830,000	26,507,500
2035-2039	-	25,908,750
2040-2044	51,935,000	19,669,875
2045-2049	51,700,000	5,327,500
	$ 135,925,000	$ 109,411,375

Note 5. Long-Term Liabilities (Continued)

In 2020, the Commission issued $614,615,000 in senior lien revenue bonds, Series 2020A, due in annual installments ranging from $8,185,000 to $63,965,000, plus semi-annual interest at 4.5% to 5.3%. The bonds were issued at a premium of $129,973,450, which will be amortized over the life of the bonds.

Annual requirements to amortize long-term obligations and related interest are as follows:

	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2020A	
Year(s) Ending June 30,	Principal	Interest
2025	$ -	$ 28,228,700
2026	-	28,228,700
2027	-	28,228,700
2028	8,185,000	28,024,075
2029	8,595,000	27,604,575
2030-2034	49,865,000	130,958,375
2035-2039	63,390,000	117,236,350
2040-2044	78,925,000	101,389,950
2045-2049	88,615,000	82,072,500
2050-2054	68,295,000	65,346,225
2055-2059	123,730,000	48,512,988
2060-2061	125,015,000	6,036,062
	$ 614,615,000	$ 691,867,200

In 2021, the Commission issued $817,990,000 in senior lien bond anticipation notes, Series 2021A, due in full in July 2026, with semi-annual interest payments at 5.0% in the amount of $20,449,750. The notes were issued at a premium of $170,779,952, which will be amortized over the life of the bonds. In 2023, the Commission did an in-substance defeasance of the entire amount of the notes, along with $50,934,372 of the unamortized premium. The Commission issued new debt in the form of a TIFIA loan for the majority of the defeasance, along with current resources. Funds were placed in escrow to pay the bonds as they mature and the balance of the defeased bonds is $817,990,000 at June 30, 2024.

In 2022, the Commission issued $407,875,000 in senior lien revenue bonds, Series 2022A, due in annual installments ranging from $1,065,000 to $36,905,000, plus semi-annual interest at 5.0%. The bonds were issued at a premium of $6,175,604, which will be amortized over the life of the bonds.

Note 5. Long-Term Liabilities (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2022A	
Year(s) Ending June 30,	Principal	Interest
2025	$ -	$ 17,215,150
2026	-	17,215,150
2027	-	17,215,150
2028	1,065,000	17,188,525
2029	1,115,000	17,134,025
2030-2034	25,720,000	83,340,500
2035-2039	47,305,000	73,418,125
2040-2044	10,550,000	66,007,000
2045-2049	36,475,000	62,572,950
2050-2054	146,260,000	42,654,364
2055-2059	139,385,000	11,317,337
	$ 407,875,000	$ 425,278,276

In November 2023, the Commission issued $141,000,000 in senior lien revenue bonds, Series 2023A, due in full on July 1, 2027, with semi-annual interest at 5.0%. The bonds were issued at a premium of $7,626,690, which will be amortized over the life of the bonds.

	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2023A	
Year Ending June 30,	Principal	Interest
2025	$ -	$ 7,050,000
2026	-	7,050,000
2027	-	7,050,000
2028	141,000,000	3,525,000
	$ 141,000,000	$ 24,675,000

In 2021, the Commission entered into a TIFIA loan agreement, TIFIA 20211010A, for up to $500,789,463 at 1.86% interest. In 2022, the Commission made an initial withdrawal of $100,000,000. In October 2022 and February 2023, the Commission made additional withdrawals totaling $330,000,000. Then in May 2024, the Commission made an additional withdrawal of $70,789,463. Payments are due in annual installments ranging from $2,369,779 to $39,175,242, beginning in July 2025. Capitalized interest was $14,379,866 at June 30, 2024.

Beginning in June 2024, the Commission began making monthly sinking fund payments of principal in accordance with the Seventh Supplemental Series Indenture of Trust. The first payment of principal to TIFIA will be made on July 1, 2025. The Seventh Supplemental Indenture also required for the Commission to issue a bond to TIFIA for the maximum principal amount of $500,789,463.

Note 5. Long-Term Liabilities (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

	Governmental Activities	
	TIFIA 20211010A Loan	
Year(s) Ending June 30,	Principal	Interest
2025	$ -	$ 4,830,453
2026	2,369,779	9,559,929
2027	2,922,957	9,510,665
2028	3,467,161	9,438,221
2029	4,101,916	9,393,728
2030-2034	30,720,997	45,418,111
2035-2039	51,379,212	41,638,834
2040-2044	77,978,282	35,660,234
2045-2049	111,681,662	26,916,501
2050-2054	154,434,593	14,602,689
2055-2059	76,112,770	1,430,690
	$ 515,169,329	$ 208,400,057

In 2021, the Commission entered into a TIFIA loan agreement, TIFIA 20211008A, for up to $817,990,000 at 1.86% interest. In 2023, the Commission withdrew the full amount of the loan. Loan proceeds were used in the defeasance of Series 2021A bond anticipation notes. Principal payments are due in installments ranging from $3,078,921 to $45,184,815, beginning in July 2027. Capitalized interest was $18,923,308 at June 30, 2024.

Annual requirements to amortize long-term obligations and related interest are as follows:

	Governmental Activities	
	TIFIA 20211008A Loan	
Year(s) Ending June 30,	Principal	Interest
2027	$ -	$ 7,954,994
2028	3,078,921	15,737,346
2029	3,164,471	15,737,928
2030-2034	49,997,578	77,186,896
2035-2039	100,698,583	70,418,056
2040-2044	120,149,825	60,568,748
2045-2049	141,957,826	48,493,930
2050-2054	166,575,540	34,166,403
2055-2059	194,468,454	17,399,967
2060-2061	87,675,877	1,649,121
	$ 867,767,075	$ 349,313,389

The amortization table above includes future capitalized interest of $30,853,767 through June 30, 2025.

Note 5. Long-Term Liabilities (Continued)

In 2021, the Commission entered into an additional TIFIA loan agreement, TIFIA 20211009A, for up to $345,000,000. As of June 30, 2024, the unused line of credit was $345,000,000.

Note 6. Intergovernmental Revenues, Commonwealth of Virginia

Intergovernmental revenues from the Commonwealth of Virginia include additional fees or taxes imposed in each of the Member Jurisdictions as follows:

<u>Special Revenue HRTF:</u>

- An additional Retail Sales Tax of 0.7% is added to the standard rate of retail sales tax imposed by the Virginia Code. The additional tax is not levied upon food purchased for human consumption.
- An additional Motor Fuel Tax at a rate of 2.1% on retail sales of motor vehicle fuel levied by the Commonwealth of Virginia through its Department of Motor Vehicles.

<u>Special Revenue HRRTF:</u>

- An additional distribution of recordation tax to cities and counties annual allocation of $20 million into the HRRTF established pursuant to § 33.2-2600.1.
- A Regional Transportation Improvement Fee imposed on each deed, instrument, or writing by which lands, tenements, or other realty located in a county or city located in a transportation district in Hampton Roads (Currently the Cities of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, and Virginia Beach) created pursuant to § 33.2-1903 is sold and is granted, assigned, transferred, or otherwise conveyed to or vested in the purchaser or any other person, by such purchaser's direction. The rate of the fee, when the consideration or value of the interest, whichever is greater, equals or exceeds $100, shall be $0.06 for each $100 or fraction thereof, exclusive of the value of any lien or encumbrance remaining thereon at the time of the sale, whether such lien is assumed or the realty is sold subject to such lien or encumbrance.
- A Transportation District Transient Occupancy Tax, an additional transient occupancy tax at the rate of one percent of the amount of the charge for the occupancy of any room or space occupied in any county or city located in a transportation district in Hampton Roads (Currently the Cities of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, and Virginia Beach.) created pursuant to § 33.2-1903.

Note 7. Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

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

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

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

Employees Covered by Benefit Terms

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

Active Members	3

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Commission's contractually required contribution rates for the year ended June 30, 2024 were 11.87% and 8.62% (Hybrid) of covered employee compensation. 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 Commission were $66,764 and $52,703 for the years ended June 30, 2024 and 2023, respectively.

B. Net Pension Liability (Asset)

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

Actuarial Assumptions

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

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate or return	6.75%, net of pension plan investment expense, including inflation

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Asset) (Continued)

Actuarial Assumptions (Continued)

Mortality Rates:	15% of deaths are assumed to be service-related.
Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service.
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Asset) (Continued)

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 is best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which 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%.

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Asset) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2024, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022 actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers are assumed to 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 the current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in the Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2022	$ 346,265	$ 446,444	$ (100,179)
Changes for the year:			
Service cost	77,921	-	77,921
Interest	28,633	-	28,633
Differences between expected and actual experience	(12,570)	-	(12,570)
Contributions - employer	-	52,703	(52,703)
Contributions - employee	-	22,602	(22,602)
Net investment income	-	32,517	(32,517)
Administrative expense	-	(248)	248
Other changes	-	14	(14)
Net changes	93,984	107,588	(13,604)
Balances at June 30, 2023	$ 440,249	$ 554,032	$ (113,783)

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

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Plan's net pension asset	$ (54,540)	$ (113,783)	$ (161,849)

Note 7. Pension Plan (Continued)

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

For the year ended June 30, 2024, the Commission recognized pension expense of $(41,523). At June 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	$ 66,764	$ -
Differences between expected and actual experience	3,269	(51,927)
Changes of assumptions	2,001	(2,016)
Net difference between projected and actual earnings on plan investments	-	(3,167)
	$ 72,034	$ (57,110)

The $66,764 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a decrease to the net pension asset in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2024 will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2025	$ (11,530)
2026	(16,552)
2027	(4,111)
2028	(9,458)
2029	(6,512)
Thereafter	(3,677)
Total	$ (51,840)

E. Pension Plan Data

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

Note 8. Other Post-employment Benefits

A. Plan Description

The Commission provides post-retirement health benefits to retirees who were hired prior to 7/1/2010 and were vested at 1/1/2013 and are age 50 or older with 10 years of service or age 55 or older with 5 years of service. All others are eligible at age 60 with 5 years of service or reach the Rule of 90. These benefits are provided for in a single-employer defined benefit healthcare plan administered by the Commission. None of the assets in the Plan are accumulated in a trust and therefore do not meet trust accounting requirements per paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the OPEB plan:

Active eligible employees	4
Total	4

B. Net OPEB Liability (Asset)

Actuarial Assumptions

The total OPEB liability for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Plan type	Single Employer
Discount Rate	3.86%
Long-term investment return assumption	N/A
Inflation rate	2.5%
Mortality	
Healthy mortality	Pub-2010 Amount Weighted General Employee Rates projected generationally with generational mortality improvement using 75% of scale MP-2020, and other adjustments.
Disabled mortality	Pub-2010 Amount Weighted General Disabled Rates projected generationally with generational mortality improvement using 75% of scale MP-2020, and other adjustments.
Healthcare cost trend rate	
Medical, not Medicare eligible	7.6% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.
Medical, Medicare eligible	5.1% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.

Note 8. Other Post-employment Benefits (Continued)

C. Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability
Balance at June 30, 2023	$ -
Changes for the year:	
Changes of benefit terms	189,073
Net changes	189,073
Balance at June 30, 2024	$ 189,073

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

The following represents the net OPEB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a stated discount rate that is one-percentage point lower (2.86%) or one-percentage-point higher (4.86%) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total OPEB liability	$ 220,207	$ 189,073	$ 164,530

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

The following represents the net OPEB liability calculated using the current healthcare trend rates, as well as what the net OPEB liability would be if it were calculated using a stated discount rate that is one-percentage point lower or one-percentage-point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ 160,188	$ 189,073	$ 226,146

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

For the year ended June 30, 2024, the Commission recognized OPEB expense of $189,073. At June 30, 2024, the Commission reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

Note 9. Interfund Transfers

Transfers from the Special Revenue Funds to the General Fund are for general administration. Transfers from the Capital Projects Fund to the Special Revenue Funds were made to cover the costs of capital projects incurred by the Special Revenue Funds. Transfers from the Special Revenue Funds to the Debt Service Fund were made to cover debt service requirements. Transfers from the General Fund were for shared expenses with HRRTF.

Note 10. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from Virginia Risk Sharing Association Insurance Programs, a group insurance pool in the Commonwealth of Virginia. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded insurance coverage for the past three years.

Note 11. Development and Delivery of Congestion Relief Projects – Project Agreements with VDOT

The Commission has entered into Standard Project Agreements with the Virginia Department of Transportation (VDOT) for its pre-HRBT projects, Project Administration and Funding Agreement with VDOT for the HRBT Expansion Project, and Master Agreement for Development and Tolling of the Hampton Roads Express Lanes Network (MTA), all of which relate to the Commission's funding of approved projects that will be part of VDOT's statewide transportation system. The MTA includes the establishment of the relationship between the state and Commission as to how the Commission will fund, develop, and control tolling operations and toll rates of the Hampton Roads Express Lanes Network. To date, all of the Commission's projects are included in the statewide transportation system. Under certain Project Agreements, the Commonwealth Transportation Board has agreed to also contribute state funds to the construction of Commission projects. Under all Project Agreements to date, VDOT has agreed to provide administration of project construction as reimbursed by the Commission, and VDOT has assumed responsibility for operation and maintenance of the projects at no cost to the Commission. Following the first day of collection of tolls of the HRBT project, the Commission will be responsible for the operation and maintenance of the toll collection facilities associated with the Hampton Roads Express Lanes Network. The Commission's funding obligation under each of these agreements is limited to the amounts budgeted. If VDOT determines it may incur additional, unbudgeted costs, such as to cover cost overruns, the Commission has the option to provide additional funding, cancel the project or a portion thereof, or authorize VDOT to make modifications or reductions in scope or design to stay within the initial budget under the applicable Standard Project Agreement. Based on the projects the Commission is presently funding, all capital assets constructed are reported as Commonwealth assets by the VDOT.

Note 11. Development and Delivery of Congestion Relief Projects – Project Agreements with VDOT (Continued)

The Commission's executed Standard Project Agreements, PAFA for HRBT, MTA and funding shares looking forward are described below. In the administration of its financing plan, the Commission will continue to allocate funds to such projects and others, and such contributions will be made either from Bond proceeds or other available funds.

Commission Projects Under Agreements with VDOT (in Millions)

	Year Ending June 30,				
	2025	2026	2027	2028	Total
HRBT Expansion Project	$ 291	$ 11	$ -	$ -	$ 302
HRELN - Segment 1A, 4A/4B, 4C, I-464 Interchange, TMP, Tolling Integration and PE Costs	197	181	97	4	479
I-264/I-64 Phase III-A	1	-	-	-	1

Note 12. Contingency

Federal Programs

The Commission has received proceeds from federal grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

Note 13. Prepaid Items

At June 30, 2024, Prepaid expenses and advances consisted of the following:

Annual fees paid to ratings agencies	$ 17,083
Rent and operating expenses	8,152
Project costs advanced to the Commonwealth of Virginia	156,178,035
Project costs advanced to other agencies	942,064
	$ 157,145,334

Advances of project costs to the Commonwealth of Virginia began in 2024, and are being made as part of a comprehensive funding agreement between the commission, the VDOT, and the Design-Builder of a large transportation project. Under this agreement the Design-Builder may receive disbursements from HRTAC which are held and administered by VDOT. The funding advances are calculated based on a rolling three-month "covered period" of target earnings, and are increased or decreased by factors including the performance of the Design-Builder. The advances do not increase the contract price, and the total of outstanding advances may not exceed $250 million.

Note 14. Subsequent Events

On June 20, 2024, the Commission authorized the Executive Director to issue up to $173,000,000 in Senior Lien Revenue Bonds Series 2024A.

On September 11, 2024, the Commission posted a voluntary notice to the Municipal Securities Rulemaking Board of its plan for the proposed sale of $165,000,000 in HRTF Senior Lien Revenue Bonds, Series 2024A, on or about October 8, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

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

	Fiscal Year June 30,						
	2018	2019	2020	2021	2022	2023	**2024**
Total Pension Liability:							
Service cost	$ 44,473	$ 43,344	$ 44,551	$ 54,309	$ 55,203	$ 72,602	**$ 77,921**
Interest	-	5,481	8,556	11,565	15,639	23,893	**28,633**
Differences between expected and actual experience	-	(4,896)	(9,099)	(5,528)	(18,447)	(31,592)	**(12,570)**
Changes of assumptions	(5,175)	-	5,106	-	(2,717)	-	**-**
Benefit payments, including refunds of employee contributions	38,997	-	-	-	-	-	**-**
Net change in total pension liability	78,295	43,929	49,114	60,346	49,678	64,903	**93,984**
Total pension liability - beginning	-	78,295	122,224	171,338	231,684	281,362	**346,265**
Total pension liability - ending (a)	$ 78,295	$ 122,224	$ 171,338	$ 231,684	$ 281,362	$ 346,265	**$ 440,249**
Plan Fiduciary Net Position:							
Contributions - employer	$ 39,187	$ 40,173	$ 35,265	$ 45,199	$ 34,596	$ 40,244	**$ 52,703**
Contributions - employee	12,231	12,538	12,852	16,437	16,602	19,262	**22,602**
Net investment income (loss)	5,504	6,867	11,406	4,103	78,504	(2,066)	**32,517**
Administrative expense	20	(13)	(53)	(79)	(140)	(214)	**(248)**
Other	(7)	(8)	(8)	(6)	8	11	**14**
Net change in plan fiduciary net position	56,935	59,557	59,462	65,654	129,570	57,237	**107,588**
Plan fiduciary net position - beginning	18,029	74,964	134,521	193,983	259,637	389,207	**446,444**
Plan fiduciary net position - ending (b)	$ 74,964	$ 134,521	$ 193,983	$ 259,637	$ 389,207	$ 446,444	**$ 554,032**
Commission's net pension liability (asset) - ending (a)-(b)	$ 3,331	$ (12,297)	$ (22,645)	$ (27,953)	$ (107,845)	$ (100,179)	**$ (113,783)**
Plan fiduciary net position as a percentage of the total pension liability	96%	110%	113%	112%	138%	129%	**126%**
Covered payroll	$ 265,658	$ 264,821	$ 366,121	$ 318,014	$ 357,815	$ 400,437	**$ 540,484**
Commission's net pension liability (asset) as a percentage of covered payroll	1.25%	(4.64%)	(6.19%)	(8.79%)	(30.14%)	(25.02%)	**(21.05%)**

Note to Schedule:

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

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF COMMISSION CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,						
	2018	2019	2020	2021	2022	2023	**2024**
Contractually required contribution (CRC)	$ 40,173	$ 35,265	$ 45,199	$ 34,596	$ 40,244	$ 52,703	**$ 66,764**
Contributions in relation to the CRC	40,173	35,265	45,199	34,596	40,244	52,703	**66,764**
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**
Employer's covered payroll	$ 265,658	$ 264,821	$ 366,121	$ 318,014	$ 357,815	$ 400,437	**$ 540,484**
Contributions as a percentage of covered payroll	15.12%	13.32%	12.35%	10.88%	11.25%	13.16%	**12.35%**

Note to Schedule:

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

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

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2024

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues				
Other Income	$ -	$ -	$ 50,000	$ 50,000
Total revenues	-	-	50,000	50,000
Expenditures				
General and administrative	2,022,806	2,022,806	1,001,070	(1,021,736)
Total expenditures	2,022,806	2,022,806	1,001,070	(1,021,736)
Deficiency of revenues under expenditures	(2,022,806)	(2,022,806)	(951,070)	1,071,736
Other Financing Sources (Uses)				
Transfers in	2,022,806	2,022,806	1,076,412	(946,394)
Transfers out	-	-	(188,950)	(188,950)
Total other financing sources, net	2,022,806	2,022,806	887,462	(1,135,344)
Net change in fund balance	-	-	(63,608)	(63,608)
Fund Balance, beginning of year	-	-	6,525	6,525
Fund Balance (Deficit), end of year	$ -	$ -	$ (57,083)	$ (57,083)

Note:

The Commission adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables the Commission to determine the annual transfers required from the Special Revenue Funds to fund its general and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets.

SUPPLEMENTARY INFORMATION

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENDITURES
Year Ended June 30, 2024

Expenditures		
Salaries and wages	$	540,484
Employee benefits		116,598
VRS contributions		55,956
Support services - HRTPO/HRPDC		124,803
Office rent		15,449
Office supplies		21,409
Professional and legal		59,854
Travel and meeting		14,145
Insurance		6,181
Computer hardware		28,846
Public notice and advertising		1,244
Capital outlay		10,201
Other		5,900
Total expenditures	$	1,001,070

COMPLIANCE SECTION

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

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

Federal Granting Agency/ Grant Program	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Expenditures
U.S. DEPARTMENT OF TRANSPORTATION (DOT)				
Direct payments:				
Build America Bureau:				
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223	N/A	$ -	$ 70,789,463
Total Department of Transportation			-	70,789,463
Total Expenditures of Federal Awards			$ -	$ 70,789,463

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

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

Note 1. Basis of Presentation

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

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

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

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

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

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

Note 2. Summary of Significant Accounting Policies

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

Pass-through identifying numbers are presented where available.

Note 3. Indirect Cost Rate

The Commission has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. TIFIA Loan Program

The Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Program balance and transactions relating to this program are included in the basic financial statements. Loans made during the year are included in the federal expenditures presented in the Schedule. The balance of the loan outstanding at June 30, 2024 is $1,352,082,637.

PBMares
CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Commission Board Members
Hampton Roads Transportation Accountability Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the Hampton Roads Transportation Accountability Commission (Commission), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
September 27, 2024

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

To the Honorable Commission Board Members
Hampton Roads Transportation Accountability Commission

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Hampton Roads Transportation Accountability Commission's (Commission) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended June 30, 2024. The Commission'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 Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

PBMares, LLP

Harrisonburg, Virginia
September 27, 2024

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?	______ Yes	√ No
Significant deficiency(ies) identified?	______ Yes	√ None Reported
Noncompliance material to financial statements noted?	______ Yes	√ No

Federal Awards

Internal control over the major federal program:

Material weakness(es) identified?	______ Yes	√ No
Significant deficiency(ies) identified?	______ Yes	√ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	______ Yes	√ No

Identification of the major federal program:

Federal Assistance Listing Number	Name of Federal Program
20.223	Transportation Infrastructure Finance and Innovation Act (TIFIA) Program

Dollar threshold used to distinguish between type A and type B programs: $2,123,684

Auditee qualified as low-risk auditee?	______ Yes	√ No

Section II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

Section III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2024

There were no matters reported during the fiscal year ended June 30, 2023.