

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION



**A COMPONENT UNIT OF THE
COMMONWEALTH OF VIRGINIA**

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2022



ASSURANCE, TAX & ADVISORY SERVICES

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

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INTRODUCTORY SECTION

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

DIRECTORY OF PRINCIPAL OFFICIALS

Voting Members

Donnie R. Tuck, Chair, City of Hampton
Dr. Richard W. “Rick” West, Vice Chair, City of Chesapeake

Kenneth C. Alexander, City of Norfolk
Christopher D. Cornwell, Sr., Southampton County
Robert M. Dyer, City of Virginia Beach
Michael J. Hipple, James City County
Gordon C. Helsel, City of Poquoson
L. Louise Lucas, Virginia Senate
Montgomery “Monty” Mason, Virginia Senate
William M. McCarty, Isle of Wight County
Barry D. Knight, Virginia House of Delegates
Douglas G. Pons, City of Williamsburg
Dr. McKinley L. Price, City of Newport News
Frank M. Rabil, City of Franklin
Shannon E. Glover, City of Portsmouth
Thomas G. Shepperd, York County
Michael D. Duman, City of Suffolk
Amanda E. Batten, Virginia House of Delegates
Anne Ferrell H. Tata, Virginia House of Delegates

Non-Voting Members

Stephen Brich, Commissioner of Highways, VDOT
Jennifer DeBruhl, Director of DRPT
Frederick T. Stant, III, Member, Commonwealth Transportation Board
Stephen A. Edwards, Executive Director, Virginia Port Authority

Commission Staff

Kevin B. Page, Executive Director
Jennifer D. Hodnett, Executive Assistant
Lynn Coen, Accounting Manager

Support Staff

Sheila Wilson, Chief Financial Officer
Danetta M. Jankosky, Senior Accounting Manager
Tiffany Smith, Accounting Manager
Jaquil Tatum, Accounting Manager

FINANCIAL SECTION



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, 2022, 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, 2022, 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, 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 12 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 50-53, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our 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 is 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 auditing standards generally accepted in the United States of America. 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

The accompanying schedules listed in the table of contents as the introductory section and compliance section are not a required part of the basic financial statements. 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 28, 2022 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Commission's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
September 28, 2022

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, 2022.

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 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 about the Commission's reporting entity 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, 2022 by a deficit of **\$703,237,500** (net position). The net of this deficit is mostly due to bonds being issued twice for a total of \$1.2 billion and the first draw on a TIFIA loan of \$100 million, and Project cost distributions (VDOT construction invoices).
- For the fiscal year ended June 30, 2022, regional tax revenues for the Commission's governmental activities totaled **\$281.4** million in addition to **\$6.3** million in investment income, **\$0.8** million in gain on defeasance, and a loss on investments of **\$9.3** million. Expenses totaled **\$701.0** million; **\$643.5** million represents project funding in accordance with HB2313, and **\$57.5** million represents reimbursement of authorized administrative costs, most of which was interest expense on bond proceeds (**\$51.5** million).

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 an increase in fund balance of **\$757,956,798** for a fund balance of **\$1,096,602,551** as of June 30, 2022. This increase is the net effect of debt issuance, a draw on a TIFIA loan, 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 a decrease in fund balance of **\$180,503,431** for a fund balance of **\$919,385,036** as of June 30, 2022. This decrease is due to Project cost distributions (VDOT construction invoices) being higher than all revenues.
- The Commission's Special Revenue Fund (HRRTF), established in fiscal year 2021, reported an increase in fund balance of **\$37,710,322** for a fund balance of **\$66,034,534** as of June 30, 2022. 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 **\$19,220** 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 of 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 three-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, 2022. Data for June 30, 2021 has been included for comparison purposes.

Summary of Net Position June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
Assets and Deferred Outflows of Resources:		
Current and other assets	\$ 2,248,124,619	\$ 1,635,264,779
Deferred outflows of resources	56,963	65,310
Total assets and deferred outflows of resources	2,248,181,582	1,635,330,089
Liabilities:		
Current and other liabilities	2,951,345,964	1,916,659,413
Deferred inflows of resources	73,118	17,198
Total liabilities	2,951,419,082	1,916,676,611
Net Position:		
Restricted	(707,011,150)	(281,367,948)
Unrestricted	3,773,650	21,426
Total net position	\$ (703,237,500)	\$ (281,346,522)

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 \$703,237,500 at June 30, 2022 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, 2022, approximately \$52.5 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.

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, 2022. Data for June 30, 2021 has been included for comparison purposes.

Summary of Changes in Net Position Years Ended June 30, 2022 and 2021

	Governmental Activities	
	2022	2021
Revenues:		
General revenue:		
Intergovernmental	\$ 281,399,519	\$ 256,638,358
Gain on defeasance of debt	759,274	-
Use of money	6,319,331	3,660,711
Loss on investments	(9,319,998)	-
Total revenues	279,158,126	260,299,069
Expenses:		
General and administrative	1,009,499	911,959
Investment fees	251,224	249,038
Professional services	1,089,485	1,185,916
Cost of issuance	3,714,543	2,606,899
Interest expense	51,486,518	46,402,891
Project cost distributions	643,497,835	868,075,473
Total expenses	701,049,104	919,432,176
Change in net position	(421,890,978)	(659,133,107)
Net Position, beginning, as restated	(281,346,522)	377,786,585
Net Position, ending	<u><u>\$ (703,237,500)</u></u>	<u><u>\$ (281,346,522)</u></u>

For the fiscal year ending June 30, 2022, revenues totaled approximately \$279.2 million. Expenses totaled approximately \$701.0 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 2022 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 2023 budget is based on an analysis of trending revenues.
- The Commission's General Fund, Special Revenue Fund, and Capital Project Fund operating budget will decrease from the amended budget of \$7,973,201 in fiscal year 2021 to \$6,746,539 in fiscal year 2022. This decrease of \$1,226,662 is due to bond issuance expenses and related financial advisor fees having been expensed in fiscal year 2021 for the upcoming issuance of additional debt.

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, 2022

	Governmental Activities
ASSETS	
Due from the Commonwealth of Virginia	\$ 52,487,734
Accrued investment income	596,007
Prepaid items	3,710,849
Restricted cash, cash equivalents and investments	2,191,222,184
Net pension asset	107,845
Total assets	2,248,124,619
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	56,963
Total deferred outflows of resources	56,963
LIABILITIES	
Current Liabilities	
Accounts payable	634,877
Accrued interest payable	50,328,497
Accrued liabilities	14,244
Due to the Commonwealth of Virginia	115,016,403
Current portion of long-term debt	414,345,000
Total current liabilities	580,339,021
Long-term Liabilities	
Long-term debt	2,371,006,943
Total long-term liabilities	2,371,006,943
Total liabilities	2,951,345,964
DEFERRED INFLOWS OF RESOURCES	
Pension plan	73,118
Total deferred inflows of resources	73,118
NET POSITION	
Restricted	(707,011,150)
Unrestricted	3,773,650
Total net position	\$ (703,237,500)

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	Expenses	Net (Expense) Revenue and Change in Net Position Governmental Activities
Functions/Programs		
Governmental activities:		
General and administrative	\$ 1,009,499	\$ (1,009,499)
Investment fees	251,224	(251,224)
Professional services	1,089,485	(1,089,485)
Cost of debt issuance	3,714,543	(3,714,543)
Interest expense	51,486,518	(51,486,518)
Project cost distributions	643,497,835	(643,497,835)
	<u>643,497,835</u>	<u>(643,497,835)</u>
Total governmental activities	<u><u>\$ 701,049,104</u></u>	<u><u>(701,049,104)</u></u>
General revenues:		
Intergovernmental revenue:		
Motor fuel tax		58,725,641
Sales and use tax		184,850,966
Regional transit improvement fees		9,428,653
Transient occupancy tax		8,394,259
State recordation tax		20,000,000
Gain on debt defeasance		759,274
Use of money		6,319,331
Loss on investments		(9,319,998)
		<u>279,158,126</u>
Total general revenues		<u>279,158,126</u>
Change in net position		<u>(421,890,978)</u>
Net Position, beginning of year		<u>(281,346,522)</u>
Net Position, end of year		<u><u>\$ (703,237,500)</u></u>

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2022

	General Fund	Special Revenue HRTF	Special Revenue HRRTF	Capital Project Fund	Debt Service Fund	Total Governmental Funds
ASSETS						
Due from the Commonwealth of Virginia	\$ -	\$ 49,708,648	\$ 2,779,086	\$ -	\$ -	\$ 52,487,734
Due from other funds	52,074	10,561	-	-	-	62,635
Accrued investment income	-	596,007	-	-	-	596,007
Prepaid items	10,301	-	3,700,548	-	-	3,710,849
Restricted cash, cash equivalents, and investments	-	925,909,305	59,651,789	1,205,641,870	19,220	2,191,222,184
Total assets	\$ 62,375	\$ 976,224,521	\$ 66,131,423	\$ 1,205,641,870	\$ 19,220	\$ 2,248,079,409
LIABILITIES						
Accounts payable	\$ 66,719	\$ 469,681	\$ 34,254	\$ 64,223	\$ -	\$ 634,877
Accrued interest payable	-	-	-	50,328,497	-	50,328,497
Accrued liabilities	14,244	-	-	-	-	14,244
Due to the Commonwealth of Virginia	-	56,369,804	-	58,646,599	-	115,016,403
Due to other funds	-	-	62,635	-	-	62,635
Total liabilities	80,963	56,839,485	96,889	109,039,319	-	166,056,656
FUND BALANCES						
Nonspendable	10,301	-	3,700,548	-	-	3,710,849
Restricted	-	919,385,036	62,333,986	1,096,602,551	19,220	2,078,340,793
Unassigned	(28,889)	-	-	-	-	(28,889)
Total fund balances (deficit)	(18,588)	919,385,036	66,034,534	1,096,602,551	19,220	2,082,022,753
Total liabilities and fund balances	\$ 62,375	\$ 976,224,521	\$ 66,131,423	\$ 1,205,641,870	\$ 19,220	\$ 2,248,079,409

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2022

		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		\$ 2,082,022,753
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		56,963
Pension asset		107,845
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund.		
Capital assets	\$ 8,773	
Less - accumulated depreciation and amortization	<u>(8,773)</u>	-
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and TIFIA loan payable	(2,490,826,438)	
Bond premiums	<u>(294,525,505)</u>	(2,785,351,943)
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.		
Pension plan		<u>(73,118)</u>
Net position of governmental activities		<u>\$ (703,237,500)</u>

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS Year Ended June 30, 2022

	General Fund	Special Revenue HRTF	Special Revenue HRRTF	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Revenues						
Intergovernmental:						
Motor fuel tax	\$ -	\$ 58,725,641	\$ -	\$ -	\$ -	\$ 58,725,641
Sales and use tax	-	184,850,966	-	-	-	184,850,966
Regional transit improvement fees	-	-	9,428,653	-	-	9,428,653
Transient occupancy tax	-	-	8,394,259	-	-	8,394,259
State recordation tax	-	-	20,000,000	-	-	20,000,000
Use of money	-	3,667,608	97,432	2,008,893	545,398	6,319,331
Loss on investments	-	(9,319,998)	-	-	-	(9,319,998)
Total revenues	-	237,924,217	37,920,344	2,008,893	545,398	278,398,852
Expenditures						
Current:						
General and administrative	733,766	65,986	225,372	-	-	1,025,124
Investment fees	-	251,224	-	-	-	251,224
Professional services	-	1,089,485	-	-	-	1,089,485
Cost of debt issuance	-	-	-	3,714,543	-	3,714,543
Interest expense	-	-	-	-	98,938,701	98,938,701
Project cost distributions	-	82,728,687	-	560,769,148	-	643,497,835
Refunded debt	-	-	-	417,562,348	-	417,562,348
Total expenditures	733,766	84,135,382	225,372	982,046,039	98,938,701	1,166,079,260
Excess (deficiency) of revenues over (under) expenditures	(733,766)	153,788,835	37,694,972	(980,037,146)	(98,393,303)	(887,680,408)
Other Financing Sources (Uses)						
Transfers in	822,903	330,233,817	20,459	591,639,249	521,267,128	1,443,983,556
Transfers out	(53,086)	(664,526,083)	(5,109)	(356,542,299)	(422,856,979)	(1,443,983,556)
Issuance of debt	-	-	-	1,325,941,438	-	1,325,941,438
Bond premiums	-	-	-	176,955,556	-	176,955,556
Total other financing sources (uses), net	769,817	(334,292,266)	15,350	1,737,993,944	98,410,149	1,502,896,994
Net change in fund balances	36,051	(180,503,431)	37,710,322	757,956,798	16,846	615,216,586
Fund Balances (deficit) , beginning of year	(54,639)	1,099,888,467	28,324,212	338,645,753	2,374	1,466,806,167
Fund Balances (deficit), end of year	\$ (18,588)	\$ 919,385,036	\$ 66,034,534	\$ 1,096,602,551	\$ 19,220	\$ 2,082,022,753

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, 2022

	Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ 615,216,586
Deferred outflows of resources:	
Pension plan contributions subsequent to measurement date	40,243
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	(24,618)
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	(1,325,941,438)
Bond premium	(176,955,556)
Refunded debt	417,562,348
Gain on debt defeasance	759,274
Amortization of bond premiums	47,452,183
	<u>(1,037,123,189)</u>
Change in net position of governmental activities	<u>\$ (421,890,978)</u>

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Hampton Roads Transportation Accountability Commission (“the Commission”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing 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, 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.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

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 Government 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.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

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.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

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:

<u>Asset Category</u>	<u>Useful Life (years)</u>
Office Furniture and Equipment	5
Automobiles	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, 2022.

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. 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. The Commission has elected not to record a liability for compensated balances for fiscal year 2022 due to the amount being immaterial.

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.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

7. 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.

8. 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.

9. Fund Equity

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

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

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

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

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

9. Fund Equity (Continued)

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.

10. 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.

11. Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets 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.

12. 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.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

12. Deferred Outflows/Inflows of Resources (Continued)

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, and are described in detail in Note 7.

13. Subsequent Events

Subsequent events have been evaluated through September 28, 2022, which was the date the financial statements were available to be issued.

Note 2. Deposits and Investments

At June 30, 2022, cash, cash equivalents and investments consisted of the following, at cost, which approximates fair value:

Governmental Activities

Cash	\$ 99,173,817
Local Government Investment Pool (LGIP)	537,273,735
US Bank	170,079,432
TD Bank	171,739,040
State Non-Arbitrage Pool (SNAP)	760,653,313
Wilmington Trust	444,988,557
Atlantic Union Bank	7,314,290
Total	<u><u>\$ 2,191,222,184</u></u>

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

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

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 <i>Code of Virginia</i> §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 <i>Code of Virginia</i> §2.2-4502.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

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: <ul style="list-style-type: none">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: <ul style="list-style-type: none">a. notes with maturities or 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: <ul style="list-style-type: none">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;

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

Investment	Credit Quality
Repurchase Agreement (Continued)	<p>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;</p> <p>e. the counterparty is a:</p> <ol style="list-style-type: none"> primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or 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 <p>f. the counterparty meets the following criteria:</p> <ol style="list-style-type: none"> a long-term credit rating of at least “AA” or the equivalent from an NRSRO; has been in operation for at least five years; and is reputable among market participants.
Money Market Mutual Funds (Open-Ended Investment Funds)	<p>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.</p>
Local Government Investment Pool (LGIP)	<p>A specialized commingled investment program that operates in compliance with GASB Statement No. 79 (“GASB 79”) that was created in the 1980 session of the General Assembly (<i>Code of Virginia</i> §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.</p>
Virginia State Non-Arbitrage Program’s (Virginia SNAP) SNAP Fund	<p>As of June 30, 2022, the Authority had investments of \$1,205,641,870 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, <i>Code of Virginia</i> 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.</p>

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

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 "AAA" 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, 2022 were rated by Standard & Poor's and the ratings are presented below.

	Commission's Rated Debt Investments' Values				
	Fair Quality Ratings				
	AAA	AA	A	A-1	
Government Agencies	\$ -	\$ -	\$ 40,377,883	\$ -	\$ -
Foreign Government Bonds	-	9,716,950	-	-	-
Commercial Paper	-	-	-	-	30,290,743
Corporate Notes	-	644,770	19,817,445	49,041,816	-
U.S. Treasury Obligations	-	-	130,209,692	-	-
Certificates of Deposit	-	-	-	-	61,204,934
Money Market	514,239	-	-	-	-
Local Government Investment Pool	537,273,735	-	-	-	-
State Non-Arbitrage Pool (SNAP)	760,653,313	-	-	-	-
	\$ 1,298,441,287	\$ 10,361,720	\$ 190,405,020	\$ 49,041,816	\$ 91,495,677

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

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, 2022, 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, 2022, 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%
LGIP	100%	100%
Virginia SNAP-SNAP Fund (Proceeds of Tax Exempt Bonds Only)	100%	100%

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

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	\$ 130,209,692	\$ 55,816,213	\$ 74,393,479	\$ -
Foreign Government Bonds	9,716,950	2,393,440	7,323,510	-
Certificates of Deposit	61,204,934	61,204,934	-	-
Money Market	514,239	514,239	-	-
Corporate Notes	69,504,031	8,832,427	60,671,604	-
Commercial Paper	30,290,743	30,290,743	-	-
Government Agencies	40,377,883	16,605,776	19,612,939	4,159,168

As of June 30, 2022, the Commission had investments of \$537,273,735 in the LGIP for governmental activities. The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 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 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.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

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, 2022:

	June 30, 2022	Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. Treasury Obligations	\$ 130,209,692	\$ 130,209,692	\$ -	\$ -
Government Agency (State Taxable)	40,377,883	-	40,377,883	-
Foreign Government Bonds	9,716,950	-	9,716,950	-
Corporate Notes	69,504,031	-	69,504,031	-
Commercial Paper	30,290,743	-	30,290,743	-
Certificates of Deposit	61,204,934	-	61,204,934	-
Money Market	514,239	514,239	-	-

Note 4. Due To/From Other Governments

At June 30, 2022, due from the Commonwealth of Virginia consisted of the following:

	Special Revenue HRTF	Special Revenue HRRTF	Total
Sales and Use Tax	\$ 35,232,026	\$ -	\$ 35,232,026
Motor Fuel Tax	14,476,622	-	14,476,622
Transient Occupancy Tax	-	1,937,177	1,937,177
Regional Transit Improvement Fees	-	841,909	841,909
Total	\$ 49,708,648	\$ 2,779,086	\$ 52,487,734

At June 30, 2022, amounts due to the Commonwealth of Virginia consisted of amounts due to the Virginia Department of Transportation.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt

Changes in long-term debt consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 1,528,960,000	\$ 1,225,865,000	\$ 364,075,000	\$ 2,390,750,000	\$ 414,345,000
Premium on bonds	219,268,754	176,955,556	101,698,805	294,525,505	-
TIFIA loan	-	100,076,438	-	100,076,438	-
	<u>\$ 1,748,228,754</u>	<u>\$ 1,502,896,994</u>	<u>\$ 465,773,805</u>	<u>\$ 2,785,351,943</u>	<u>\$ 414,345,000</u>

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 of \$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 Commission recognized a gain on the defeasance of \$759,274 and all of the defeased bonds are still outstanding at year end.

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

Year(s) Ending June 30,	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2018A	
	Principal	Interest
2023	\$ -	\$ 6,796,250
2024	-	6,796,250
2025	-	6,796,250
2026	4,745,000	6,677,625
2027	4,985,000	6,434,375
2028-2032	22,560,000	28,233,500
2033-2037	-	25,908,750
2038-2042	29,630,000	23,734,500
2043-2047	60,120,000	11,279,250
2048	13,885,000	347,125
	<u>\$ 135,925,000</u>	<u>\$ 123,003,875</u>

In 2019, the Commission issued \$414,345,000 in intermediate lien bond anticipation notes, Series 2019A, due in full on July 1, 2022, plus semi-annual interest at 5.0%. The notes were issued at a premium of \$38,488,507, which is fully amortized as of June 30, 2022.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (Continued)

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

Year Ending June 30,	Governmental Activities Intermediate Lien Revenue Bonds, Series 2019A	
	Principal	Interest
2023	\$ 414,345,000	\$ 10,358,625
	<u>\$ 414,345,000</u>	<u>\$ 10,358,625</u>

In 2020, the Commission issued \$614,615,000 in senior lien revenue bonds, Series 2020A, due in annual installments of \$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:

Year(s) Ending June 30,	Governmental Activities Senior Lien Revenue Bonds, Series 2020A	
	Principal	Interest
2023	\$ -	\$ 28,228,700
2024	-	28,228,700
2025	-	28,228,700
2026	-	28,228,700
2027	-	28,228,700
2028-2032	45,230,000	135,710,250
2033-2037	57,725,000	122,965,375
2038-2042	72,390,000	108,066,825
2043-2047	89,820,000	90,258,650
2048-2052	71,685,000	71,200,150
2053-2057	77,045,000	56,423,100
2058-2061	200,720,000	22,556,750
	<u>\$ 614,615,000</u>	<u>\$ 748,324,600</u>

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.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (Continued)

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

Year(s) Ending June 30,	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2021A	
	Principal	Interest
2023	\$ -	\$ 40,889,500
2024	-	40,889,500
2025	-	40,889,500
2026	-	40,889,500
2027	817,990,000	20,449,750
	<u>\$ 817,990,000</u>	<u>\$ 184,007,750</u>

In 2022, the Commission issued \$407,875,000 in senior lien revenue bonds, Series 2022A, due in annual installments of \$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.

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

Year(s) Ending June 30,	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2022A	
	Principal	Interest
2023	\$ -	\$ 10,616,009
2024	-	17,215,150
2025	-	17,215,150
2026	-	17,215,150
2027	-	17,215,150
2028-2032	11,980,000	85,217,000
2033-2037	42,910,000	77,926,250
2038-2042	26,335,000	67,860,875
2043-2047	12,220,000	64,302,000
2048-2052	113,080,000	53,475,200
2053-2057	164,445,000	24,120,145
2058	36,905,000	731,356
	<u>\$ 407,875,000</u>	<u>\$ 453,109,435</u>

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. Payments are due in annual installments of \$477,717 to \$8,044,115, beginning in July 2025. Capitalized interest was \$76,438 at June 30, 2022. As of June 30, 2022, the unused line of credit was \$400,789,463.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (Continued)

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

Year(s) Ending June 30,	Governmental Activities	
	TIFIA 20211010A Loan	
	Principal	Interest
2025	\$ -	\$ 973,758
2026	477,717	1,927,159
2027	589,231	1,917,228
2028-2032	4,801,255	9,357,552
2033-2037	8,563,447	8,747,963
2038-2042	13,417,761	7,731,989
2043-2047	19,597,137	6,207,129
2048-2052	27,445,616	4,032,045
2053-2056	28,959,373	1,115,959
	<u>\$ 103,851,537</u>	<u>\$ 42,010,782</u>

The amortization table above includes future capitalized interest of \$3,775,099 through June 30, 2024.

In 2021, the Commission entered into two additional TIFIA loan agreements, TIFIA 20211008A and TIFIA 20211009A, for up to \$817,990,000 and \$345,000,000, respectively. As of June 30, 2022, the unused lines of credit were \$817,990,000 and \$345,000,000, respectively.

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:

Special Revenue HRTF:

- 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.

Special Revenue HRRTF:

- 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.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 6. Intergovernmental Revenues, Commonwealth of Virginia (Continued)

- 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 (professional) 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 set out in the table below:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	About Plan 2 Same as Plan 1.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none">• The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		About the Hybrid Retirement Plan (Continued) <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Members are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund. <i>Hybrid Opt-In Election</i> VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Eligible Members Members are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. <i>Hybrid Opt-In Election</i> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	Eligible Members Members are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: <ul style="list-style-type: none"> • Political subdivision employees.* • Members in Plan 1 or Plan 2 who elect to opt into the plan during the election window held January 1 – April 30, 2014; the Plan's effective date for opt-in members was July 1, 2014. <i>*Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions <p>Members contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	Retirement Contributions <p>Same as Plan 1.</p>	Retirement Contributions <p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
Service Credit <p>Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	Service Credit <p>Same as Plan 1.</p>	Service Credit <p><i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><i>Defined Contribution Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contribution Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none">• After two years, a member is 50% vested and may withdraw 50% of employer contributions.• After three years, a member is 75% vested and may withdraw 75% of employer contributions.• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p>

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction factor is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1.</p> <p><i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier <i>VRS:</i> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.</p>	<p>Service Retirement Multiplier <i>VRS:</i> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier <i>Defined Benefit Component:</i> <i>VRS:</i> The retirement multiplier for the defined benefit component is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age VRS: Age 65.	Normal Retirement Age VRS: Normal Social Security retirement age.	Normal Retirement Age <i>Defined Benefit Component:</i> VRS: Same as Plan 2. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least 5 years (60 months) of service credit or when their age plus service credit equals 90.	Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service credit equals 90. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.	Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Age 60 with at least five years (60 months) of service credit. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%) for a maximum COLA of 3%.	Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2. <i>Defined Contribution Component:</i> Not applicable.

NOTES TO FINANCIAL STATEMENTS

A. Plan Description (Continued)

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HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service regardless of when it was earned, purchased or granted.	Disability Coverage For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.	Disability Coverage Eligible political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: <ul style="list-style-type: none">Hybrid Retirement Plan members are ineligible for ported services. <i>Defined Contribution Component:</i> Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Active Members

3

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

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% of their compensation toward their retirement.

The Commission's contractually required contribution rate for the year ended June 30, 2022 was 13.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. 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 \$40,243 and \$34,596 for the years ended June 30, 2022 and 2021, respectively.

B. Net Pension Asset

The net pension 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, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

Actuarial Assumptions

The total pension liability for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension 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, 2020 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, 2019. 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 PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension 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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.39%

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

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

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension 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, 2021, 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, 2017 actuarial valuations, whichever was greater. From July 1, 2021 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, 2020	\$ 231,684	\$ 259,637	\$ (27,953)
Changes for the year:			
Service cost	55,203	-	55,203
Interest	15,639	-	15,639
Changes of assumptions	(2,717)	-	(2,717)
Differences between expected and actual experience	(18,447)	-	(18,447)
Contributions - employer	-	34,596	(34,596)
Contributions - employee	-	16,602	(16,602)
Net investment income	-	78,504	(78,504)
Administrative expense	-	(140)	140
Other changes	-	8	(8)
Net changes	49,678	129,570	(79,892)
Balances at June 30, 2021	\$ 281,362	\$ 389,207	\$ (107,845)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following represents the net pension liability (asset) calculated using the stated discount rate, as well as what the net pension liability (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 liability (asset)	\$ (69,729)	\$ (107,845)	\$ (139,455)

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

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, 2022, the Commission recognized pension expense of (\$24,618). At June 30, 2022, 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	\$ 40,243	\$ -
Differences between expected and actual experience	13,477	(28,147)
Changes of assumptions	3,243	(4,128)
Net difference between projected and actual earnings on plan investments	-	(40,843)
	<u>\$ 56,963</u>	<u>\$ (73,118)</u>

The \$40,243 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2022 will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2023	\$ (10,017)
2024	(10,059)
2025	(11,595)
2026	(16,617)
2027	(4,174)
Thereafter	<u>(3,936)</u>
Total	<u><u>\$ (56,398)</u></u>

E. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 8. 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 and the defeasance of bonds.

Note 9. 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 10. 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 Hampton Roads Bridge-Tunnel (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.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 10. 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. The significant commitments under those agreements are as follows:

Commission Projects Under Agreements with VDOT (in Millions)

	Year Ending June 30,					
	2023	2024	2025	2026	2027	Total
(Mega Project) Delivery of HRBT Expansion Project	\$ 395	\$ 501	\$ 362	\$ 20	\$ -	\$ 1,278
Hampton Roads Express Lanes Network	98	102	92	90	45	427

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
Total Pension Liability:					
Service cost	\$ 44,473	\$ 43,344	\$ 44,551	\$ 54,309	\$ 55,203
Interest	-	5,481	8,556	11,565	15,639
Differences between expected and actual experience	-	(4,896)	(9,099)	(5,528)	(18,447)
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
Total pension liability - beginning	-	78,295	122,224	171,338	231,684
Total pension liability - ending (a)	\$ 78,295	\$ 122,224	\$ 171,338	\$ 231,684	\$ 281,362
Plan Fiduciary Net Position:					
Contributions - employer	\$ 39,187	\$ 40,173	\$ 35,265	\$ 45,199	\$ 34,596
Contributions - employee	12,231	12,538	12,852	16,437	16,602
Net investment income	5,504	6,867	11,406	4,103	78,504
Administrative expense	20	(13)	(53)	(79)	(140)
Other	(7)	(8)	(8)	(6)	8
Net change in plan fiduciary net position	56,935	59,557	59,462	65,654	129,570
Plan fiduciary net position - beginning	18,029	74,964	134,521	193,983	259,637
Plan fiduciary net position - ending (b)	\$ 74,964	\$ 134,521	\$ 193,983	\$ 259,637	\$ 389,207
Commission's net pension liability (asset) - ending (a)-(b)	\$ 3,331	\$ (12,297)	\$ (22,645)	\$ (27,953)	\$ (107,845)
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A	N/A
Covered payroll	\$ 265,658	\$ 264,821	\$ 366,121	\$ 318,014	\$ 357,815
Commission's net pension liability (asset) as a percentage of covered payroll	1.25%	(4.64%)	(6.19%)	(8.79%)	(30.14%)

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
Contractually required contribution (CRC)	\$ 40,173	\$ 35,265	\$ 45,199	\$ 34,596	\$ 40,243
Contributions in relation to the CRC	40,173	35,265	45,199	34,596	40,243
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 265,658	\$ 264,821	\$ 366,121	\$ 318,014	\$ 357,815
Contributions as a percentage of covered payroll	15.12%	13.32%	12.35%	10.88%	11.25%

Note to Schedule:

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

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

VIRGINIA RETIREMENT SYSTEM

Year Ended June 30, 2022

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, 2020 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, 2019. 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 Pub-2010 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
Line of Duty Disability	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, 2022

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Expenditures				
General and administrative	\$ 1,478,539	\$ 1,478,539	\$ 733,766	\$ (744,773)
Total expenditures	1,478,539	1,478,539	733,766	(744,773)
Deficiency of revenues under expenditures	(1,478,539)	(1,478,539)	(733,766)	744,773
Other Financing Sources (Uses)				
Transfers in	1,478,539	1,478,539	822,903	(655,636)
Transfers out	-	-	(53,086)	(53,086)
Total other financing sources, net	1,478,539	1,478,539	769,817	(708,722)
Net change in fund balance	-	-	36,051	36,051
Fund Balance (Deficit), beginning of year	-	-	(54,639)	(54,639)
Fund Balance (Deficit), end of year	\$ -	\$ -	\$ (18,588)	\$ (18,588)

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, 2022

Expenditures	
Salaries and wages	\$ 357,815
Employee benefits	73,159
VRS contributions	34,326
Support services - HRTPO/HRPDC	156,754
Office rent	13,640
Office supplies	11,063
Professional and legal	44,503
Travel and meeting	10,135
Insurance	4,948
Computer hardware	24,702
Public notice and advertising	716
Other	2,005
	<hr/>
Total expenditures	\$ 733,766
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COMPLIANCE SECTION

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

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	\$ -	\$ 100,000,000
Total Department of Transportation			-	100,000,000
Total Expenditures of Federal Awards			\$ -	\$ 100,000,000

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2022

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 (the Commission) under programs of the federal government for the year ended June 30, 2022. 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.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

Note 4. TIFIA Loan Program

The 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 balances of the loan outstanding at June 30, 2022 is \$100,000,000.



**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; 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, 2022, 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 28, 2022.

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 28, 2022



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

To the Honorable Commission Board Members
Hampton Roads Transportation Accountability Commission

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hampton Roads Transportation Accountability Commission's (the Commission) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended June 30, 2022. 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 types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 generally accepted auditing standards, *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 federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 28, 2022

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements were audited 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:

\$3,000,000

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.



Chair, DONNIE R. TUCK • *Vice-Chair*, DR. RICHARD W. “RICK” WEST
Executive Director, KEVIN B. PAGE

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended June 30, 2022

There were no matters reported during the fiscal year ended June 30, 2021.