

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION



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

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2026



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

Douglas G. Pons, Chair, City of Williamsburg
Shannon E. Glover, Vice Chair, City of Portsmouth

Dr. Richard W. “Rick” West, City of Chesapeake
Paul Kaplan, City of Franklin
James Gray, City of Hampton
Joel Acree, Isle of Wight County
Jim Icenhour James City County
Phillip Jones, City of Newport News
Kenneth C. Alexander, City of Norfolk
David Hux, City of Poquoson
Christopher D. Cornwell, Sr., Southampton County
Michael D. Duman, City of Suffolk
Robert M. Dyer, City of Virginia Beach
Thomas G. Shepperd, York County
L. Louise Lucas, Virginia Senate
Mamie Locke, Virginia Senate
Alex Q. Askew, Virginia House of Delegates
Nadarius E. Clark, Virginia House of Delegates
Andrew Rice, Virginia House of Delegates

Non-Voting Members

Stephen Brich, Commissioner of Highways, VDOT
Mariia Zimmerman, Director of DRPT
Frederick T. Stant, III, Member, Commonwealth Transportation Board
Sarah McCoy, Executive Director, Virginia Port Authority

Commission Staff

Todd M. Halacy, P.E., Executive Director
Anthony J. Gibson, AICP, Deputy Director
Jennifer D. Hodnett, Executive Assistant
Danetta M. Jankosky CPA, Chief Financial Officer
Jaquil Tatum, Controller
Tiffany Smith, Senior 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, the business-type activity, each major fund, and the remaining fund information 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, 2026, 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, business-type activity, each major fund, and the remaining fund information of the Commission, as of June 30, 2026, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 4-10 and 53-56, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of general and administrative expenditures is 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 GAAS. In our opinion, the schedule of general and administrative expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section as listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2026 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
September 29, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis (MD&A) is designed to provide a general overview of the Commission's finances for all those interested. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the Commission's finances.

If you have any questions about this report or need additional financial information, contact Todd Halacy, Executive Director, Hampton Roads Transportation Accountability Commission, 723 Woodlake Drive, Chesapeake, Virginia, 23320, or by e-mail to thalacy@hrtac.org.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The financial statements presented include all the activities which are part of the Commission reporting entity using the integrated approach as prescribed by the Governmental Accounting Standards Board (GASB). The government-wide financial statements and Enterprise Fund 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 reports governmental funds, fiduciary funds, and proprietary funds. 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 six-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.

Fiduciary Funds

Fiduciary funds are used to account for resources that are held by the Commission for the benefit of parties outside the organization. The Commission currently has one fiduciary fund for a trust account for Other Post Employment Benefits.

Proprietary Funds

Proprietary funds are used to account for operations that are self-supporting and business-like. Currently the Commission only has debt recorded for the Hampton Roads Express Lanes Network (HRELN). This fund will begin receiving toll income once the Hampton Roads Bridge Tunnel is completed.

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 SUMMARY

Statement of Net Position

The following table presents a summary of the Statement of Net Position for the Commission as of June 30, 2026. Data for June 30, 2025, has been included for comparison purposes.

Summary of Net Position June 30, 2026 and 2025

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2026	2025	2026	2025	2026	2025	2026-2025
Assets and Deferred Outflows of Resources:							
Current and other assets	\$ 1,945,705,877	\$ 1,806,201,244	\$ -	\$ -	\$ 1,945,705,877	\$ 1,806,201,244	7.7%
Deferred outflows of resources	211,998	82,443	-	-	211,998	82,443	157.1%
Total assets and deferred outflows of resources	1,945,917,875	1,806,283,687	-	-	1,945,917,875	1,806,283,687	7.7%
Liabilities and Deferred Inflows of Resources:							
Current and other liabilities	3,141,604,851	3,067,508,642	346,353,723	-	3,487,958,574	3,067,508,642	13.7%
Deferred inflows of resources	152,407	26,122,273	-	-	152,407	26,122,273	-99.4%
Total liabilities and deferred inflows of resources	3,141,757,258	3,093,630,915	346,353,723	-	3,488,110,981	3,093,630,915	12.8%
Net Position:							
Net investment in capital assets	29,982	8,093	-	-	29,982	8,093	270.5%
Restricted - net pension asset	202,404	-	-	-	202,404	-	100.0%
Unrestricted	(1,196,071,769)	(1,287,355,321)	(346,353,723)	-	(1,542,425,492)	(1,287,355,321)	-19.8%
Total net position	\$ (1,195,839,383)	\$ (1,287,347,228)	\$ (346,353,723)	\$ -	\$ (1,542,193,106)	\$ (1,287,347,228)	7.1%

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Commission, liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$1,195,839,383 at June 30, 2026 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, 2026, approximately \$61.8 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.

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, 2026. Data for June 30, 2025, has been included for comparison purposes.

Summary of Changes in Net Position Years Ended June 30, 2026 and 2025

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2026	2025	2026	2025	2026	2025	2026-2025
Revenues:							
Intergovernmental	\$ 317,350,204	\$ 303,422,772	\$ -	\$ -	\$ 317,350,204	\$ 303,422,772	4.6%
Interest and investment income	69,969,947	80,828,097	-	-	69,969,947	80,828,097	-13.4%
Transfers in	345,000,000	-	-	-	345,000,000	-	100.0%
Other income	623	20,000	-	-	623	20,000	-96.9%
Total revenues	732,320,774	384,270,868	-	-	732,320,774	384,270,868	90.6%
Expenses:							
General and administrative	1,656,484	1,574,485	-	-	1,656,484	1,574,485	5.2%
Investment fees	221,502	216,815	-	-	221,502	216,815	2.2%
Professional services	1,104,498	347,395	-	-	1,104,498	347,395	217.9%
Cost of issuance	719,834	1,321,700	-	-	719,834	1,321,700	-45.5%
Interest expense	63,811,662	56,812,610	1,353,723	-	65,165,385	56,812,610	14.7%
Project cost distributions	573,298,949	527,756,319	-	-	573,298,949	527,756,319	8.6%
Transfers out	-	-	345,000,000	-	345,000,000	-	100.0%
Total expenses	640,812,929	588,029,324	346,353,723	-	987,166,652	588,029,324	67.9%
Change in net position	91,507,845	(203,758,456)	(346,353,723)	-	(254,845,878)	(203,758,456)	-25.1%
Net Position, beginning	(1,287,347,228)	(1,083,588,773)	-	-	(1,287,347,228)	(1,083,588,773)	-18.8%
Net Position, ending	\$ (1,195,839,383)	\$ (1,287,347,228)	\$ (346,353,723)	\$ -	\$ (1,542,193,106)	\$ (1,287,347,229)	-19.8%

For the fiscal year ending June 30, 2026, revenues totaled approximately \$732.3 million. Expenses totaled approximately \$640.8 million. A discussion of the key components of the revenue and expense is included in the Detailed Analysis.

DETAILED ANALYSIS

Highlights for Government-wide Financial Statements

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

- Liabilities and deferred inflows of resources of the Commission exceeded the assets and deferred outflows of resources for the year ended June 30, 2026, by **\$1,195,839,383**. This is a decrease of **\$91,507,845** in the Commission's negative net position. The decrease is due mainly to the net of the receipt of the TIFIA loan draw from the Hampton Roads Express Lanes Network (HRELN) enterprise fund, a decrease in interest and investment income, and increase in professional services, and an increase of project cost distribution.
- For the fiscal year ended June 30, 2026, regional tax revenues for the Commission's governmental activities totaled **\$317.4** million in addition to **\$70** million in investment income, **\$345** million transfer in from the HRELN enterprise fund, and **\$623** in other income. Expenses totaled **\$640.8** million; **\$573.3** million represents project funding in accordance with HB2313 (HRTF) and HB1726 (HRRTF), and **\$67.5** million represents reimbursement of authorized administrative costs, most of which was interest expense on bond proceeds (**\$63.8** million). The largest increase in expenditures was in Profession service due to HRTAC preparing for the HRELN toll road that will be turned over to HRTAC upon completion of the Hampton Roads Bridge Tunnel Expansion Project.

Highlights for Fund Financial Statements

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

- The Commission's Capital Project Fund, established in the fiscal year 2018, reported a decrease in fund balance of **\$86,193,321** for a fund balance of (**\$463,428**) as of June 30, 2026. This decrease is due mostly to Project cost distributions (VDOT construction invoices). Once these projects are completed, they are a VDOT capital asset.
- The Commission's Special Revenue Fund (HRTF), established in fiscal year 2016, reported an increase in fund balance of **\$144,944,985** for a fund balance of **\$1,631,275,554** as of June 30, 2026. This increase is due to the net of \$345 million transferred in from the HRELN enterprise fund and increase in Project cost distributions (VDOT construction invoices).
- The Commission's Special Revenue Fund (HRRTF), established in fiscal year 2021, reported an increase in fund balance of **\$7,625,444** for a fund balance of **\$112,931,942** as of June 30, 2026. 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, reported an increase in fund balance of **\$648,073** for a fund balance of **\$38,657,391** as of June 30, 2026. This increase is due to total transfers in from the HRTF Special Revenue fund and interest earned from trust accounts being more than the Principal and Interest Expenditures.
- The Commission's Fiduciary Fund, established in fiscal year 2025, reported an increase of **\$6,039** for a fund balance of **\$226,635** as of June 30, 2026. The increase is due to the net of interest earned and benefits paid out for retirees.
- The Commission's Proprietary Fund, established in fiscal year 2026, consists of a draw on TIFIA Loan 20211009A of **\$345,000,000** to reimburse the HRTF for previous expenditures of project costs, and Capitalized Interest of **\$1,353,723** for a Net Position of (**\$346,353,723**) as of June 30, 2026.

Significant Capital Asset & Long-Term Financing Activity

Total bonds and TIFIA loans payable outstanding increased .06% to \$3.0 billion in fiscal year 2026. The increase was due to the net of the draw down of TIFIA loan 20211009A, interest capitalized on TIFIA loan 20211008A, and Principal payments made on the 2018A Bonds and TIFIA loan 20211010A.

The proprietary fund drew down on TIFIA loan 20211009A in the amount of \$345 million.

Currently Known Facts, Decisions, or Conditions

- 1) TIFIA Loan 20241002A
- 2) Defeasance of 2023A BAN
- 3) Hampton Roads Bridge Tunnel
- 4) Hampton Roads Express Lanes Network

TIFIA Loan 20241002A and Defeasance of 2023A BAN

In FY27 the Commission will draw down on the TIFIA Loan 20241002A in the amount of \$141 million to pay in the full the 2023A BAN.

Hampton Roads Bridge Tunnel

The Hampton Roads Bridge Tunnel expansion project which makes up almost half of project cost expenditures is scheduled to be completed in October 2027.

Hampton Roads Express Lanes Network (HRELN)

Once the Hampton Roads Bridge Tunnel is completed the operations of the HRELN will be transferred to HRTAC.

BASIC FINANCIAL STATEMENTS

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF NET POSITION

June 30, 2026

	Governmental Activities	Business-type Activity	Totals
ASSETS			
Cash and cash equivalents	\$ 13,230	\$ -	\$ 13,230
Due from the Commonwealth of Virginia	61,784,363	-	61,784,363
Due from OPEB Trust Fund	22,422	-	22,422
Accrued investment income	3,433,096	-	3,433,096
Prepaid items	24,150	-	24,150
Restricted cash, cash equivalents and investments	1,880,196,230	-	1,880,196,230
Net pension asset	202,404	-	202,404
Capital assets, net	29,982	-	29,982
Total assets	1,945,705,877	-	1,945,705,877
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	96,142	-	96,142
Other post-employment benefits	115,856	-	115,856
Total deferred outflows of resources	211,998	-	211,998
LIABILITIES			
Current liabilities			
Accounts payable	5,035,737	-	5,035,737
Accrued interest payable	38,130,673	-	38,130,673
Accrued liabilities	13,509	-	13,509
Due to other governments	5,758,178	-	5,758,178
Due to Virginia Department of Transportation	114,164,458	-	114,164,458
Current maturities of long-term debt	7,907,957	-	7,907,957
Total current liabilities	171,010,512	-	171,010,512
Long-term liabilities			
Compensated absences	97,754	-	97,754
Other post-employment benefits	84,626	-	84,626
Long-term debt, net	2,970,411,959	346,353,723	3,316,765,682
Total long-term liabilities	2,970,594,339	346,353,723	3,316,948,062
Total liabilities	3,141,604,851	346,353,723	3,487,958,574
DEFERRED INFLOWS OF RESOURCES			
Pension plan	84,940	-	84,940
Other post-employment benefits	67,467	-	67,467
Total deferred inflows of resources	152,407	-	152,407
NET POSITION			
Net investment in capital assets	29,982	-	29,982
Restricted - net pension asset	202,404	-	202,404
Unrestricted	(1,196,071,769)	(346,353,723)	(1,542,425,492)
Total net position	\$ (1,195,839,383)	\$ (346,353,723)	\$ (1,542,193,106)

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2026

	Expenses	Governmental Activities	Business-type Activity	Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Governmental activities:				
General and administrative	\$ 1,656,484	\$ (1,656,484)	\$ -	\$ (1,656,484)
Investment fees	221,502	(221,502)	-	(221,502)
Professional services	1,104,498	(1,104,498)	-	(1,104,498)
Cost of debt issuance	719,834	(719,834)	-	(719,834)
Interest expense	63,811,662	(63,811,662)	-	(63,811,662)
Project cost distributions	573,298,949	(573,298,949)	-	(573,298,949)
Total governmental activities	640,812,929	(640,812,929)	-	(640,812,929)
Business-type Activities:				
HRELN	1,353,723	-	(1,353,723)	(1,353,723)
Total business-type activities	1,353,723	-	(1,353,723)	(1,353,723)
Total primary government	\$ 642,166,652	(640,812,929)	(1,353,723)	(642,166,652)
General revenues:				
Intergovernmental revenue:				
Motor fuel tax		68,484,886	-	68,484,886
Sales and use tax		210,839,589	-	210,839,589
Regional transit improvement fees		7,534,917	-	7,534,917
Transient occupancy tax		10,490,812	-	10,490,812
State recordation tax		20,000,000	-	20,000,000
Investment earnings		69,969,947	-	69,969,947
Other income		623	-	623
Transfers		345,000,000	(345,000,000)	-
Total general revenues		732,320,774	(345,000,000)	387,320,774
Change in net position		91,507,845	(346,353,723)	(254,845,878)
Net Position, beginning of year		(1,287,347,228)	-	(1,287,347,228)
Net Position (deficit), end of year		<u>\$ (1,195,839,383)</u>	<u>\$ (346,353,723)</u>	<u>\$ (1,542,193,106)</u>

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2026

	General Fund	Special Revenue HRTF	Special Revenue HRRTF	Capital Project Fund	Debt Service Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 13,230	\$ -	\$ -	\$ -	\$ -	13,230
Due from the Commonwealth of Virginia	-	58,399,397	3,384,966	-	-	61,784,363
Due from other funds	78,153	17,130	-	-	-	95,283
Accrued investment income	-	3,433,096	-	-	-	3,433,096
Prepaid items	24,019	-	131	-	-	24,150
Restricted cash, cash equivalents, and investments	-	1,683,658,818	115,308,642	4,440,706	76,788,064	1,880,196,230
Total assets	<u>\$ 115,402</u>	<u>\$ 1,745,508,441</u>	<u>\$ 118,693,739</u>	<u>\$ 4,440,706</u>	<u>\$ 76,788,064</u>	<u>\$ 1,945,546,352</u>
LIABILITIES						
Accounts payable	\$ 52,918	\$ 68,429	\$ 10,256	\$ 4,904,134	\$ -	5,035,737
Accrued interest payable	-	-	-	-	38,130,673	38,130,673
Accrued liabilities	13,509	-	-	-	-	13,509
Due to other governments	79,498	-	5,678,680	-	-	5,758,178
Due to Virginia Department of Transportation	-	114,164,458	-	-	-	114,164,458
Due to other funds	-	-	72,861	-	-	72,861
Total liabilities	<u>145,925</u>	<u>114,232,887</u>	<u>5,761,797</u>	<u>4,904,134</u>	<u>38,130,673</u>	<u>163,175,416</u>
FUND BALANCES						
Nonspendable	24,019	-	131	-	-	24,150
Restricted	-	1,631,275,554	112,931,811	(463,428)	38,657,391	1,782,401,328
Unassigned	(54,542)	-	-	-	-	(54,542)
Total fund balances (deficit)	<u>(30,523)</u>	<u>1,631,275,554</u>	<u>112,931,942</u>	<u>(463,428)</u>	<u>38,657,391</u>	<u>1,782,370,936</u>
Total liabilities and fund balances	<u>\$ 115,402</u>	<u>\$ 1,745,508,441</u>	<u>\$ 118,693,739</u>	<u>\$ 4,440,706</u>	<u>\$ 76,788,064</u>	<u>\$ 1,945,546,352</u>

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION June 30, 2026

		Governmental Funds
Reconciliation of fund balances on the Balance Sheet for the governmental funds to the net position of the governmental activities on the Statement of Net Position:		
Fund balances - governmental funds		\$ 1,782,370,936
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		96,142
Other postemployment benefits		115,856
Net pension asset		202,404
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund.		
Capital assets	\$ 42,795	
Less - accumulated depreciation and amortization	(12,813)	
		29,982
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	(97,754)	
Other post-employment benefits	(84,626)	
Bonds and TIFIA loan payable	(2,826,621,624)	
Bond premiums	(151,698,292)	
		(2,978,502,296)
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	(84,940)	
Other post-employment benefits	(67,467)	
		(152,407)
Net position of governmental activities		\$ (1,195,839,383)

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS Year Ended June 30, 2026

	General Fund	Special Revenue HRTF	Special Revenue HRRTF	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Revenues						
Intergovernmental:						
Motor fuel tax	\$ -	\$ 68,484,886	\$ -	\$ -	\$ -	\$ 68,484,886
Sales and use tax	-	210,839,589	-	-	-	210,839,589
Regional transit improvement fees	-	-	7,534,917	-	-	7,534,917
Transient occupancy tax	-	-	10,490,812	-	-	10,490,812
State recordation tax	-	-	20,000,000	-	-	20,000,000
Investment earnings	-	54,680,060	4,273,301	9,126,352	1,890,234	69,969,947
Other Income	623	-	-	-	-	623
Total revenues	623	334,004,535	42,299,030	9,126,352	1,890,234	387,320,774
Expenditures						
Current:						
General and administrative	1,470,155	50,319	271,855	-	-	1,792,329
Investment fees	-	221,502	-	-	-	221,502
Professional services	159,719	168,575	46,391	729,813	-	1,104,498
Cost of debt issuance	-	-	-	719,834	-	719,834
Project cost distributions	-	447,817,537	34,355,482	91,125,930	-	573,298,949
Principal payments	-	-	-	-	7,114,779	7,114,779
Interest expense	-	-	-	4,715,753	76,339,744	81,055,497
Total expenditures	1,629,874	448,257,933	34,673,728	97,291,330	83,454,523	665,307,388
Excess (deficiency) of revenues over (under) expenditures	(1,629,251)	(114,253,398)	7,625,302	(88,164,978)	(81,564,289)	(277,986,614)
Other Financing Sources (Uses)						
Transfers in	1,900,885	410,234,005	15,953,772	51,408,255	82,881,773	562,378,690
Transfers out	(283,429)	(151,035,622)	(15,953,630)	(49,436,598)	(669,411)	(217,378,690)
Total other financing sources, net	1,617,456	259,198,383	142	1,971,657	82,212,362	345,000,000
Net change in fund balances	(11,795)	144,944,985	7,625,444	(86,193,321)	648,073	67,013,386
Fund Balances (Deficit), beginning of year	(18,728)	1,486,330,569	105,306,498	85,729,893	38,009,318	1,715,357,550
Fund Balances (Deficit), end of year	\$ (30,523)	\$ 1,631,275,554	\$ 112,931,942	\$ (463,428)	\$ 38,657,391	\$ 1,782,370,936

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2026

		Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds	\$	67,013,386
Deferred outflows of resources:		
Pension plan contributions subsequent to measurement date		95,383
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		(36,083)
Other post-employment benefits		(31,016)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.		
Capital outlay	\$	28,222
Depreciation and amortization		(6,333)
		21,889
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.		
Capitalization of interest related to TIFIA loans	(15,566,958)	
Principal payments	7,114,779	
Amortization of bond premiums	6,753,417	
Amortization of gain on defeasance	26,057,376	
Compensated absences	85,672	
		24,444,286
Change in net position of governmental activities	\$	91,507,845

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF NET POSITION – ENTERPRISE FUND

June 30, 2026

HRELN

LIABILITIES

Noncurrent liabilities

Long-term debt, net

\$ 346,353,723

Total noncurrent liabilities

346,353,723

Total liabilities

346,353,723

NET POSITION

Unrestricted

(346,353,723)

Total net position (deficit)

(346,353,723)

**Total liabilities and
net position**

\$ -

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ENTERPRISE FUND Year Ended June 30, 2026

	HRELN
Noncapital subsidies	
Transfers out	<u>\$ (345,000,000)</u>
Total noncapital subsidies	<u>(345,000,000)</u>
Other nonoperating expense	
Interest expense	<u>1,353,723</u>
Total other nonoperating expense	<u>1,353,723</u>
Change in net position	<u>(346,353,723)</u>
Net Position, beginning of year	<u>-</u>
Net Position (Deficit), end of year	<u><u>\$ (346,353,723)</u></u>

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUND

June 30, 2026

	OPEB Trust Fund
ASSETS	
Pooled investments	\$ 249,057
Total assets	<u>249,057</u>
LIABILITIES	
Due to General Fund	<u>22,422</u>
Total liabilities	<u>22,422</u>
FIDUCIARY NET POSITION	
Restricted for:	
Other postemployment benefits	<u>226,635</u>
Total net position	<u><u>\$ 226,635</u></u>

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUND Year Ended June 30, 2026

	OPEB Trust Fund
ADDITIONS	
Investment income	<u>\$ 28,684</u>
Total additions	<u>28,684</u>
DEDUCTIONS	
Benefits payments	22,422
Other fees	<u>223</u>
Total deductions	<u>22,645</u>
Change in net position	6,039
Net Position, beginning of year	<u>220,596</u>
Net Position, end of year	<u><u>\$ 226,635</u></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 (Commission) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations).

A. Reporting Entity

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

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

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

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

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 and business-type activity supported by intergovernmental revenues. These statements distinguish between the governmental and business-type activities of the Commission.

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, the enterprise fund, and the fiduciary fund. 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. The enterprise fund is reported on a Statement of Net Position and a Statement of Revenues, Expenses, and Changes in Net Position. The fiduciary fund is reported on a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position (fund equity).

C. Measurement Focus and Basis of Accounting

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

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

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)

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.

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.

Enterprise Fund Financial Statements – The Commission's sole enterprise fund is the Hampton Roads Express Lane Network (HRELN) fund. The fund is used to record the TIFIA loans that were issued and will be repaid with the toll revenue that will be received by the toll network that will be operational upon the completion of the Hampton Roads Bridge Tunnel expansion project.

Fiduciary Fund Financial Statements – The Commission's sole fiduciary fund is the Other Postemployment Benefits (OPEB) Trust Fund which accounts for activities of the Commission's other postemployment benefits. This fund accumulates resources for health insurance for retired employees. This fund utilizes the accrual basis of accounting and economic resources measurement focus. The fiduciary fund is not included in the government-wide financial statements.

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.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

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.

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
Software	5

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2026.

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.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

6. Other Post-employment Benefits

The Commission administers a single-employer defined post-employment health care benefit plan (the Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, an actuarial valuation was performed as of June 30, 2025, using updated actuarial assumptions. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

7. Compensated Absences

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

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

8. Long-Term Obligations

In the government-wide and proprietary fund 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 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 are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Interfund Transactions

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

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

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

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

10. Fund Equity

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

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

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

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

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

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

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

11. Net Position

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

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

12. Estimates and Assumptions

The preparation of financial statements in conformity with U.S GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

13. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets 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, as described in detail in Note 7 and 8.

14. Subsequent Events

Subsequent events have been evaluated through September 29, 2026, which was the date the financial statements were available to be issued.

Note 2. Deposits and Investments

At June 30, 2026, cash, cash equivalents and investments consisted of the following:

Governmental Activities

Governmental Activities

Cash	\$ 13,230
Restricted cash	55,710,253
Local Government Investment Pool (LGIP)	1,373,421,884
Wilmington Trust	81,228,770
Principal Bank	369,835,323
Total governmental activities	1,880,209,460

Fiduciary Activities

VML/VaCO	249,057
Total fiduciary activities	249,057

Total cash, cash equivalents, and investments	\$ 1,880,458,517
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HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Deposits

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

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.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

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

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

Investment	Credit Quality
Repurchase Agreement (Continued)	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; d. a perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities are created for the benefit of the Commission; e. the counterparty is a: i. primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or ii. a bank, savings and loan association, or diversified securities broker-dealer having at least \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and f. the counterparty meets the following criteria: i. a long-term credit rating of at least “AA” or the equivalent from an NRSRO; ii. has been in operation for at least five years; and iii. is reputable among market participants.
Money Market Mutual Funds (Open-Ended Investment Funds)	Shares in open-end, no-load investment funds provided such funds are registered under the Investment Company Act of 1940 and provided that the fund is rated at least AAAM or the equivalent by an NRSRO. The mutual fund must comply with all requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission, provided the investments by such funds are restricted to investments otherwise permitted by the <i>Code of Virginia</i> for political sub-divisions.
Local Government Investment Pool (LGIP)	A specialized commingled investment program that operates in compliance with GASB Statement No. 79 that was created in the 1980 session of the General Assembly (<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.
Virginia State Non-Arbitrage Program’s (Virginia SNAP) SNAP Fund	As of June 30, 2026, the Commission had no investments 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.

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

Credit Risk

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

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

The Commission's rated investments as of June 30, 2026 were rated by Standard & Poor's and the ratings are presented below.

	Commission's Rated Debt Investments' Values							
	Fair Quality Ratings							
	AAAm	AAA	AA	A	A-1	BBB		
Government Agencies	\$ -	\$ -	\$ 27,887,893	\$ -	\$ -	\$ -		
Foreign Government Bonds	-	-	-	-	-	-		
Commercial Paper	-	-	-	-	23,475,272	-		
Corporate Notes	-	-	20,377,415	66,722,817	-	3,565,228		
U.S. Treasury Obligations	-	-	193,095,394	-	-	-		
Certificates of Deposit	-	-	-	-	32,539,851	-		
Money Market	2,171,453	-	-	-	-	-		
Local Government Investment Pool	1,373,421,884	-	-	-	-	-		
	\$ 1,375,593,337	\$ -	\$ 241,360,702	\$ 66,722,817	\$ 56,015,123	\$ 3,565,228		

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, 2026, 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, 2026, the Commission's portfolio did not have any investment in a single issuer over 5% that is required to be disclosed.

Interest Rate Risk

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

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

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

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	\$ 193,095,394	\$ 75,881,823	\$ 117,213,571	\$ -
Certificates of Deposit	32,539,851	32,539,851	-	-
Money Market	2,171,453	2,171,453	-	-
Corporate Notes	90,665,460	5,480,779	85,184,681	-
Commercial Paper	23,475,272	23,475,272	-	-
Government Agencies	27,887,893	15,858,445	11,633,423	396,025

As of June 30, 2026, the Commission had investments of \$1,373,421,884 in the LGIP for governmental activities. The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to § 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The Commission's investments in LGIP are stated at amortized cost and classified as cash and cash equivalents and the maturity is less than one year.

OPEB Funds

As of June 30, 2026, the carrying value of the Commission's OPEB Fund's deposits and investments held by the Virginia Pooled OPEB Trust (VACo/VML Pooled OPEB Trust) and their respective credit rating was as follows:

Investment Type	Reported Value	Credit Rating
Pooled investments	<u>\$ 249,057</u>	Not rated

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

OPEB Funds (continued)

The Commission's OPEB trust fund is a participant in the Virginia Pooled OPEB Trust (VACo/VML Pooled OPEB Trust). The Trust is an irrevocable trust offered to local governments and authorities and is governed by a Board of Trustees consisting of local officials participating in the Trust. Funds of participating jurisdictions are pooled and are invested in the name of the Virginia Pooled OPEB Trust. The reported value of the pool is measured at the Net Asset Value per share of the investments and can be redeemed on demand for use against qualified OPEB benefit costs. The Board of Trustees of the Virginia Pooled OPEB Trust has adopted an investment policy to achieve a compound annualized total rate of return over a market cycle, including current income and capital appreciation, in excess of 5.0 percent after inflation, in a manner consistent with prudent risk-taking. Investment decisions for the funds' assets are made by the Board of Trustees. The Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of the purpose of the Fund, market and economic conditions, and generally prevailing prudent investment practices. In addition, they will oversee adherence to the investment policy.

The Board of Trustees review, monitor, and evaluate the performance of the investments and its investment advisors in light of available investment opportunities, market conditions, and publicly available indices for the generally accepted evaluation and measurement of such performance. Specific investment information for the Virginia Pooled OPEB Trust can be obtained by writing to VML/VACo Finance Program, 919 East Main Street Suite 1100, Richmond, Virginia 23219.

Note 3. Fair Value Measurement

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

Level 1	Valuation based on quoted prices in active markets for identical assets or liabilities.
Level 2	Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.
Level 3	Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

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, 2026:

	June 30, 2026	Level 1	Level 2	NAV
Investments by Fair Value Level				
U.S. Treasury Obligations	\$ 193,095,394	\$ 193,095,394	\$ -	\$ -
Government Agencies	27,887,893	-	27,887,893	-
Corporate Notes	90,665,460	-	90,665,460	-
Commercial Paper	23,475,272	-	23,475,272	-
Certificates of Deposit	32,539,851	-	32,539,851	-
Money Market	2,171,453	-	-	2,171,453

Note 4. Due To/From Other Governments

At June 30, 2026, due from the Commonwealth of Virginia consisted of the following:

	Special Revenue HRTF	Special Revenue HRRTF	Total
Sales and Use Tax	\$ 41,445,592	\$ -	\$ 41,445,592
Motor Fuel Tax	16,953,805	-	16,953,805
Transient Occupancy Tax	-	2,451,162	2,451,162
Regional Transit Improvement Fees	-	933,804	933,804
Total	\$ 58,399,397	\$ 3,384,966	\$ 61,784,363

At June 30, 2026, amounts due to other governments consisted of \$96,166 due to Hampton Roads Planning District and \$5,662,012 due to Hampton Roads Transit.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Liabilities

Changes in long-term liabilities consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 1,450,800,000	\$ -	\$ 4,745,000	\$ 1,446,055,000	\$ 4,985,000
Premium on bonds	158,451,709	-	6,753,417	151,698,292	-
TIFIA loans	1,367,369,445	15,566,958	2,369,779	1,380,566,624	2,922,957
Compensated absences*	183,426	-	85,672	97,754	-
Pension asset	(131,539)	(70,865)	-	(202,404)	-
	<u>\$ 2,976,673,041</u>	<u>\$ 15,496,093</u>	<u>\$ 13,953,868</u>	<u>\$ 2,978,215,266</u>	<u>\$ 7,907,957</u>
Business-type Activities:					
TIFIA loan	\$ -	\$ 346,353,723	\$ -	\$ 346,353,723	\$ -
	<u>\$ 2,976,673,041</u>	<u>\$ 361,849,816</u>	<u>\$ 13,953,868</u>	<u>\$ 3,324,568,989</u>	<u>\$ 7,907,957</u>

* The decrease to compensated absences is reported at a “net” amount between increases and decreases.

Details of long-term obligations are as follows:

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

In July 2024, the Commission began making sinking fund payments to the Trustee for principal due annually beginning July 1, 2025. The first principal payment of \$4,745,000 was made on that date. The balance due on June 30, 2026, was \$131,180,000 with an associated premium of \$16,843,761, 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 2018A	
	Principal	Interest
2027	\$ 4,985,000	\$ 6,434,375
2028	5,235,000	6,178,875
2029	5,495,000	5,910,625
2030	5,770,000	5,629,000
2031	6,060,000	5,333,250
2032-2036	-	25,908,750
2037-2041	19,270,000	24,957,000
2042-2046	57,255,000	14,213,625
2047-2050	27,110,000	1,372,000
	<u>\$ 131,180,000</u>	<u>\$ 95,937,500</u>

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Liabilities (Continued)

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

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

Year(s) Ending June 30,	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2020A	
	Principal	Interest
2027	\$ -	\$ 28,228,700
2028	8,185,000	28,024,075
2029	8,595,000	27,604,575
2030	9,025,000	27,164,075
2031	9,475,000	26,701,575
2032-2036	54,975,000	125,719,375
2037-2041	69,340,000	111,210,700
2042-2046	86,020,000	94,156,300
2047-2051	77,555,000	74,556,875
2052-2056	74,085,000	59,510,000
2057-2061	217,360,000	32,533,550
	<u>\$ 614,615,000</u>	<u>\$ 635,409,800</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. In 2023, the Commission did an in-substance defeasance of the entire amount of the notes, along with \$50,934,372 of the unamortized premium. The Commission issued new debt in the form of a TIFIA loan for the majority of the defeasance, along with current resources. Funds were placed in escrow to pay the bonds as they mature and the balance of the defeased bonds is \$817,990,000 at June 30, 2026.

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

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Liabilities (Continued)

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

Year(s) Ending June 30,	Senior Lien Revenue Bonds, Series 2022A	
	Principal	Interest
2027	\$ -	\$ 17,215,150
2028	1,065,000	17,188,525
2029	1,115,000	17,134,025
2030	1,175,000	17,076,775
2031	1,230,000	17,016,650
2032-2036	40,865,000	80,020,625
2037-2041	33,670,000	69,361,000
2042-2046	11,635,000	64,898,375
2047-2051	86,565,000	57,509,750
2052-2056	158,155,000	30,529,620
2057-2060	72,400,000	2,897,481
	<u>\$ 407,875,000</u>	<u>\$ 390,847,976</u>

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

Year Ending June 30,	Governmental Activities Intermediate Lien Bond Anticipation Notes, Series 2023A	
	Principal	Interest
2027	\$ -	\$ 7,050,000
2028	141,000,000	3,525,000
	<u>\$ 141,000,000</u>	<u>\$ 10,575,000</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. In October 2022 and February 2023, the Commission made additional withdrawals totaling \$330,000,000. Then in May 2024, the Commission made an additional withdrawal of \$70,789,463. Payments are due in annual installments ranging from \$2,922,957 to \$39,175,242, beginning in July 2025. Capitalized interest was \$14,379,866 at June 30, 2026.

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

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Liabilities (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
2027	\$ 2,922,957	\$ 9,483,705
2028	3,467,161	9,419,515
2029	4,101,916	9,342,920
2030	4,721,691	9,255,096
2031	5,423,685	9,154,216
2032-2036	38,326,236	43,781,289
2037-2041	61,271,732	38,979,657
2042-2046	90,497,420	31,702,812
2047-2051	127,620,106	21,281,755
2052-2056	174,446,646	6,879,171
	<u>\$ 512,799,550</u>	<u>\$ 189,280,136</u>

In 2021, the Commission entered into a TIFIA loan agreement, TIFIA 20211008A, for up to \$817,990,000 at 1.86% interest. In 2023, the Commission withdrew the full amount of the loan. Loan proceeds were used in the defeasance of Series 2021A bond anticipation notes. Principal payments are due in installments ranging from \$3,078,921 to \$45,184,815, beginning in July 2027. Capitalized interest was \$49,777,074 at June 30, 2026.

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

Year(s) Ending June 30,	Governmental Activities	
	TIFIA 20211008A Loan	
	Principal	Interest
2027	\$ -	\$ -
2028	3,078,921	15,780,287
2029	3,164,471	15,738,106
2030	3,164,477	15,694,752
2031	8,210,499	15,651,399
2032-2036	76,720,106	75,775,455
2037-2041	108,133,246	67,718,321
2042-2046	128,648,129	57,191,447
2047-2051	151,446,751	44,451,275
2052-2056	177,350,361	29,433,088
2057-2061	207,850,113	11,879,259
	<u>\$ 867,767,074</u>	<u>\$ 349,313,389</u>

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Liabilities (Continued)

In October 2024, the Commission issued \$151,385,000 in senior lien revenue bonds, Series 2024A, due in annual installments of \$1,665,000 to \$8,945,000, plus semi-annual interest at 5.0% to 5.25%. The bonds were issued at a premium of \$16,658,207, which will be amortized over the life of the bonds.

Year(s) Ending June 30,	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2024A	
	Principal	Interest
2027	\$ -	\$ 7,748,825
2028	-	7,748,825
2029	-	7,748,825
2030	-	7,748,825
2031	1,665,000	7,665,575
2032-2036	9,670,000	36,924,125
2037-2041	12,345,000	34,118,625
2042-2046	15,755,000	30,537,625
2047-2051	20,105,000	25,967,625
2052-2056	25,660,000	20,121,013
2057-2061	32,990,000	12,354,563
2062	33,195,000	2,725,275
	<u>\$ 151,385,000</u>	<u>\$ 201,409,726</u>

In 2021, the Commission entered into an additional TIFIA loan agreement, TIFIA 20211009A, for up to \$345,000,000. In 2026, the Commission withdrew the full amount of the loan. Principal payments are due in installments ranging from \$1,274,802 to \$18,815,153, beginning in July 2029. Capitalized interest was \$1,353,723 at June 30, 2026.

Year(s) Ending June 30,	Business-type Activities	
	TIFIA 20211009A Loan	
	Principal	Interest
2027	\$ -	\$ -
2028	-	-
2029	-	-
2030	1,274,802	6,679,313
2031	1,692,660	6,653,675
2032-2036	13,136,918	32,655,194
2037-2041	27,190,234	31,012,465
2042-2046	50,407,230	27,431,231
2047-2051	73,612,856	21,848,255
2052-2056	84,265,053	14,284,086
2057-2061	89,024,027	6,369,749
2062	18,815,152	263,602
	<u>\$ 359,418,932</u>	<u>\$ 147,197,570</u>

The amortization table above includes future capitalized interest of \$13,065,209 through June 30, 2028.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Liabilities (Continued)

In 2023, the Commission entered into a TIFIA loan agreement, TIFIA 20241002A, for up to \$141,000,000. In 2026, the Commission entered into an additional TIFIA loan agreement, TIFIA 20261001A, for up to \$310,194,800. As of June 30, 2026 the unused line of credit was \$451,194,800.

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 9.3 cents per gallon on gasoline and gasohol (and 9.4 cents per gallon on diesel) on wholesale 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.
- 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)

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2024 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Active Members

4

Contributions

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

The Commission's contractually required contribution rate for the year ended June 30, 2026 was 10.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 \$95,383 and \$81,063 for the years ended June 30, 2026 and 2025, respectively.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$2,756 for the year ended June 30, 2026. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$6,624 for the year ended June 30, 2026. The total Hybrid plan participant covered payroll totaled \$275,610 for the year ended June 30, 2026.

B. Net Pension Liability

The net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Commission's net pension asset was measured as of June 30, 2025. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2024, rolled forward to the measurement date of June 30, 2025.

Actuarial Assumptions

The total pension asset for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2024, 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, 2025.

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

Mortality Rates:	Non-Metro – Non-Hazardous Duty: 15% of deaths are assumed to be service-related.
Pre-retirement:	Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; males set forward 2 years; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.
Post-disablement:	Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.
Beneficiaries and Survivors	Pub-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally.
Mortality Improvement	Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of the MP-2021 rates.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Continued)

The actuarial assumptions used in the June 30, 2024 valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020 through June 30, 2024. 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)	Maintain PUB2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%.
Retirement Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Termination Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis.
Disability Rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin.
Salary Scale	Increase Merit & Longevity 50 basis points.
Discount Rate	No change.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Asset) (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	32.00%	6.60%	2.11%
Fixed Income	16.00%	5.09%	0.81%
Credit Strategies	16.00%	8.21%	1.31%
Real Assets	15.00%	7.10%	1.07%
Private Equity	15.00%	8.60%	1.29%
PIP - Private Investment Partnership	1.00%	7.95%	0.08%
Diversifying Strategies	6.00%	6.82%	0.41%
Cash	2.00%	4.07%	0.08%
Leverage	(3.00%)	4.57%	(0.14%)
Total	100.00%		7.02%
Expected arithmetic nominal return*			7.02%

*The above allocation provides a one-year expected return of 7.02% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.06%, including expected inflation of 2.50%.

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

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Asset) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2025, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2024, actuarial valuations. From July 1, 2025, 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, 2024	\$ 576,108	\$ 707,647	\$ (131,539)
Changes for the year:			
Service cost	106,434	-	106,434
Interest	46,072	-	46,072
Changes of assumptions	(4,552)	-	(4,552)
Differences between expected and actual experience	(21,107)	-	(21,107)
Contributions - employer	-	81,063	(81,063)
Contributions - employee	-	34,530	(34,530)
Net investment income	-	82,475	(82,475)
Administrative expense	-	(379)	379
Other changes	-	23	(23)
Net changes	126,847	197,712	(70,865)
Balances at June 30, 2025	\$ 702,955	\$ 905,359	\$ (202,404)

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

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Plan's net pension liability (asset)	\$ (112,862)	\$ (202,404)	\$ 275,930

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, 2026, the Commission recognized pension expense of \$(36,083). At June 30, 2026, 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	\$ 95,383	\$ -
Differences between expected and actual experience	-	(51,158)
Changes of assumptions	759	(4,714)
Net difference between projected and actual earnings on plan investments	-	(29,068)
	<u>\$ 96,142</u>	<u>\$ (84,940)</u>

The \$95,383 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as an increase to the net pension asset in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2026 will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2027	\$ (18,153)
2028	(23,500)
2029	(20,555)
2030	(13,858)
2031	(4,713)
Thereafter	(3,402)
Total	<u><u>\$ (84,181)</u></u>

E. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2025 Annual Report (Annual Report). A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/publications/?category=annual>, 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. Other Post-employment Benefits

A. Plan Description

The Commission provides post-retirement health benefits to retirees who were hired prior to 7/1/2010 and were vested at 1/1/2013 and are age 50 or older with 10 years of service or age 55 or older with 5 years of service. All others are eligible at age 60 with 5 years of service or reach the Rule of 90. These benefits are provided for in a single-employer defined benefit healthcare plan administered by the Commission.

Employees Covered by Benefit Terms

As of the June 30, 2025 actuarial valuation, the following employees were covered by the benefit terms of the OPEB plan:

Active eligible employees	5
Total	5

B. Net OPEB Liability

Actuarial Assumptions

The total OPEB liability for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2025, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and was also measured as of that date.

Plan type	Single Employer
Discount Rate	6.08%
Long-term investment return assumption	6.75%
Inflation rate	2.50%
Mortality	
Healthy mortality	From the 2024 Virginia Retirement System (VRS) experience study. Mortality rates were based on Pub-2010 General mortality tables with projected mortality improvements based on 75% of scale MP-2021, and other adjustments.
Healthcare cost trend rate	
Medical, not Medicare eligible	9.0% for FY2026, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.
Medical, Medicare eligible	7.5% for FY2026, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-employment Benefits (Continued)

C. Changes in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance for fiscal year ending June 30, 2025 (Measured at 6/30/2024)	\$ 210,138	\$ -	\$ 210,138
Changes for the year:			
Service cost	19,336	-	19,336
Interest	9,110	-	9,110
Differences between expected and actual experience	132,407	-	132,407
Changes of assumptions	(65,769)	-	(65,769)
Employer contributions	-	210,138	(210,138)
Net investment income	-	10,458	(10,458)
Net changes	95,084	220,596	(125,512)
Balance for fiscal year ending June 30, 2026 (Measured at 6/30/2025)	\$ 305,222	\$ 220,596	\$ 84,626

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

The following represents the net OPEB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a stated discount rate that is one-percentage point lower (5.08%) or one-percentage-point higher 7.08%) than the current rate:

	1% Decrease (5.08%)	Discount Rate (6.08%)	1% Increase (7.08%)
Total OPEB liability	\$ 132,686	\$ 84,626	\$ 45,947

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 40,145	\$ 84,626	\$ 140,025

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-employment Benefits (Continued)

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

For the year ended June 30, 2026, the Commission recognized OPEB expense of \$31,016. At June 30, 2026, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 115,856	\$ (2,066)
Changes of assumptions	-	(59,957)
Net difference between projected and actual earnings on plan investments	-	(5,444)
	<u>\$ 115,856</u>	<u>\$ (67,467)</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to other post-employment benefits as of June 30, 2026 will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2027	\$ 6,223
2028	6,223
2029	6,223
2030	6,223
2031	7,584
Thereafter	<u>15,913</u>
Total	<u><u>\$ 48,389</u></u>

Note 9. Interfund Transfers

Transfers from the Special Revenue Funds to the General Fund are for general administration. Transfers from the Capital Projects Fund to the Special Revenue Funds were made to cover the costs of capital projects incurred by the Special Revenue Funds. Transfers from the Special Revenue Funds to the Debt Service Fund were made to cover debt service requirements. Transfers from the General Fund to the Special Revenue Funds were for shared general administration. Transfers to the Special Revenue Funds from the Enterprise Fund were for expenditures incurred in those funds for capital projects in prior years.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 10. Risk Management

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

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

The Commission has entered into Standard Project Agreements with the Virginia Department of Transportation (VDOT) for its non-HRBT projects, a Project Administration and Funding Agreement with VDOT for the HRBT Expansion Project, and a 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 addresses 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, VDOT and the Commonwealth Transportation Board have also agreed to 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 constructed projects at no cost to the Commission. 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 Project Agreement. Based on the projects the Commission is presently funding, all capital assets constructed are reported as Commonwealth assets by the VDOT. Currently, VDOT is responsible for the operation and maintenance duties with respect to the toll collection infrastructure associated with the Hampton Roads Express Lanes Network (HRELN). When the segment of the HRELN that includes the HRBT is opened for tolling, HRTAC will assume those duties (which, for clarity, do not include O&M of the roads, bridges and tunnels, which are VDOT's responsibility), but HRTAC may contract with VDOT to perform them.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

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

Commission Projects Under Agreements with VDOT (in Millions)

	2027	2028	2029	2030	2031	2032	Total
HRELN - Segment 1A, 4A/4B, 4C, I-464 Interchange, TMP, Tolling Integration and PE Costs	\$ 209	\$ 108	\$ 99	\$ 50	\$ -	\$ -	\$ 466
I-464 Interchange, TMP, and Tolling Integration	6	3	4	4	-	-	17
I-264/I-64 Phase III-A	2	6	-	-	-	-	8
I-64/I-264 Interchange Improvements Phase A	3	3	36	36	30	30	138

Note 12. Contingency

Federal Programs

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

REQUIRED SUPPLEMENTARY INFORMATION

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

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

	Fiscal Year June 30,									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Total Pension Liability:										
Service cost	\$ 44,473	\$ 43,344	\$ 44,551	\$ 54,309	\$ 55,203	\$ 72,602	\$ 77,921	\$ 103,720	\$ 106,434	
Interest	-	5,481	8,556	11,565	15,639	23,893	28,633	36,718	46,072	
Differences between expected and actual experience	-	(4,896)	(9,099)	(5,528)	(18,447)	(31,592)	(12,570)	(4,579)	(21,107)	
Assumption changes	(5,175)	-	5,106	-	(2,717)	-	-	-	(4,552)	
Benefit payments, including refunds of employee contributions	38,997	-	-	-	-	-	-	-	-	
Net change in total pension liability	78,295	43,929	49,114	60,346	49,678	64,903	93,984	135,859	126,847	
Total pension liability - beginning	-	78,295	122,224	171,338	231,684	281,362	346,265	440,249	576,108	
Total pension liability - ending (a)	\$ 78,295	\$ 122,224	\$ 171,338	\$ 231,684	\$ 281,362	\$ 346,265	\$ 440,249	\$ 576,108	\$ 702,955	
Plan Fiduciary Net Position:										
Contributions - employer	\$ 39,187	\$ 40,173	\$ 35,265	\$ 45,199	\$ 34,596	\$ 40,244	\$ 52,703	\$ 66,764	\$ 81,063	
Contributions - employee	12,231	12,538	12,852	16,437	16,602	19,262	22,602	28,835	34,530	
Net investment income (loss)	5,504	6,867	11,406	4,103	78,504	(2,066)	32,517	58,184	82,475	
Administrative expense	20	(13)	(53)	(79)	(140)	(214)	(248)	(188)	(379)	
Other	(7)	(8)	(8)	(6)	8	11	14	20	23	
Net change in plan fiduciary net position	56,935	59,557	59,462	65,654	129,570	57,237	107,588	153,615	197,712	
Plan fiduciary net position - beginning	18,029	74,964	134,521	193,983	259,637	389,207	446,444	554,032	707,647	
Plan fiduciary net position - ending (b)	\$ 74,964	\$ 134,521	\$ 193,983	\$ 259,637	\$ 389,207	\$ 446,444	\$ 554,032	\$ 707,647	\$ 905,359	
Commission's net pension liability (asset) - ending (a)-(b)	\$ 3,331	\$ (12,297)	\$ (22,645)	\$ (27,953)	\$ (107,845)	\$ (100,179)	\$ (113,783)	\$ (131,539)	\$ (202,404)	
Plan fiduciary net position as a percentage of the total pension liability	96%	110%	113%	112%	138%	129%	126%	123%	129%	
Covered payroll	\$ 265,658	\$ 264,821	\$ 366,121	\$ 318,014	\$ 357,815	\$ 400,437	\$ 540,484	\$ 741,658	\$ 872,675	
Commission's net pension liability (asset) as a percentage of covered payroll	1.25%	(4.64%)	(6.19%)	(8.79%)	(30.14%)	(25.02%)	(21.05%)	(17.74%)	(23.19%)	

Notes 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.
- (2) This schedule is presented based on the measurement date used in the actuarial valuation, which is one year prior to the date of the financial statements.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF COMMISSION CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,									
	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Contractually required contribution (CRC)	\$ 40,173	\$ 35,265	\$ 45,199	\$ 34,596	\$ 40,244	\$ 52,703	\$ 66,764	\$ 81,063	\$ 95,383	
Contributions in relation to the CRC	40,173	35,265	45,199	34,596	40,244	52,703	66,764	81,063	95,383	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Employer's covered payroll	\$ 265,658	\$ 264,821	\$ 366,121	\$ 318,014	\$ 357,815	\$ 400,437	\$ 540,484	\$ 741,658	\$ 872,675	
Contributions as a percentage of covered payroll	15.12%	13.32%	12.35%	10.88%	11.25%	13.16%	12.35%	10.93%	10.93%	

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, 2026

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, 2024 valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020 through June 30, 2024. 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)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Termination Rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Disability Rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margins
Salary Scale	Increase Merit & Longevity 50 basis points
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, 2026

	Original Budget	Final Budget	Variance with Original Budget Over (Under)	Actual Amounts	Variance with Final Budget Over (Under)
Budgetary Revenues					
Other Income	\$ -	\$ -	\$ -	\$ 623	\$ 623
Total budgetary revenues	-	-	-	623	623
Budgetary Expenditures					
General and administrative	2,119,167	2,170,167	51,000	1,470,155	(700,012)
Total budgetary expenditures	2,119,167	2,170,167	51,000	1,470,155	(700,012)
Budgetary deficiency of revenues under expenditures	(2,119,167)	(2,170,167)	(51,000)	(1,469,532)	700,635
Budgetary Other Financing Sources (Uses)					
Transfers in	2,119,167	2,170,167	51,000	1,900,885	(269,282)
Transfers out	-	-	-	(283,429)	(283,429)
Total budgetary other financing sources	2,119,167	2,170,167	51,000	1,617,456	(552,711)
Net change in fund balance	-	-	-	147,924	147,924
Budgetary Fund Balance (Deficit), beginning of year	(18,728)	(18,728)	-	(18,728)	-
Budgetary Fund Balance (Deficit), end of year	\$ (18,728)	\$ (18,728)	\$ -	\$ 129,196	\$ 147,924

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, 2026

Expenditures	
Salaries and wages	\$ 938,213
Employee benefits	171,648
VRS contributions	80,147
Support services - HRTPO/HRPDC	95,840
Office rent	30,727
Office supplies	27,194
Travel and meeting	17,532
Insurance	9,199
Computer hardware	59,478
Public notice and advertising	1,321
Capital outlay	28,222
Other	10,634
Total expenditures	\$ 1,470,155

COMPLIANCE SECTION

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

To the Honorable Commission Board Members
Hampton Roads Transportation Accountability Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, business-type activity each major fund, and the remaining fund information 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, 2026, 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 29, 2026.

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 29, 2026