

**TRANSPORTATION DISTRICT COMMISSION  
OF HAMPTON ROADS**

**ANNUAL FINANCIAL REPORT**

*As of and for the Years Ended June 30, 2019 and 2018*

*And Report of Independent Auditor*

# TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

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JUNE 30, 2019 AND 2018

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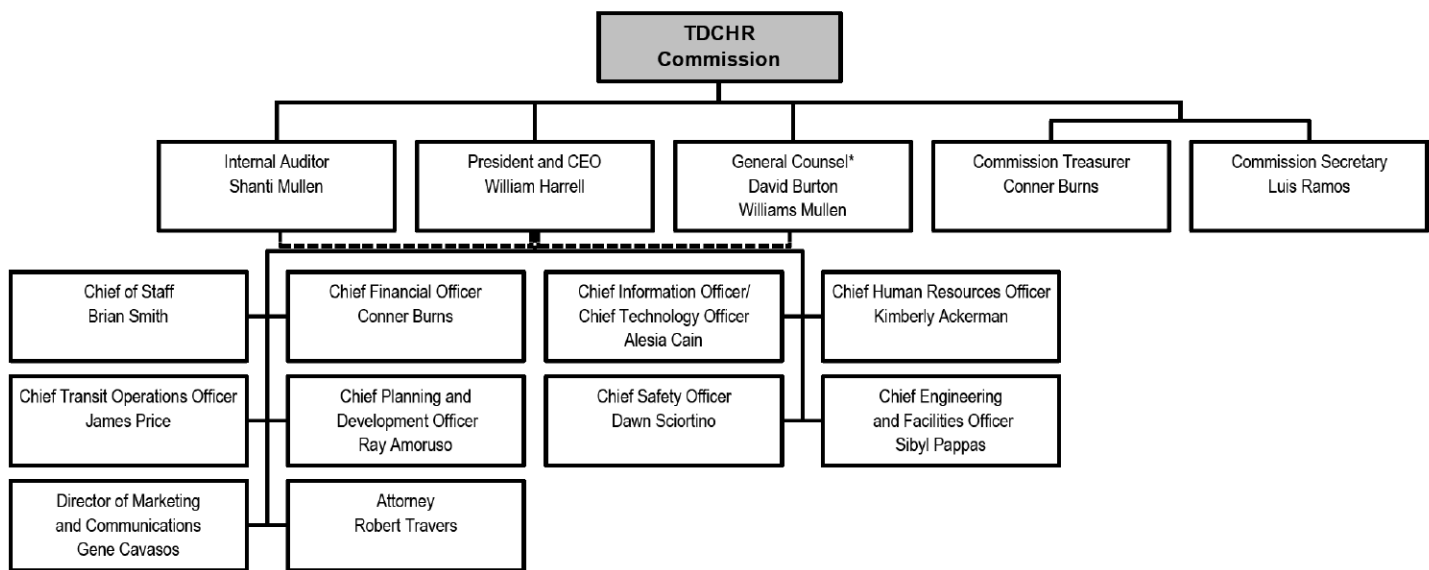
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## **INTRODUCTORY SECTION**

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**ORGANIZATIONAL CHART**  
**JUNE 30, 2019**

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**Note:**

The General Counsel and Internal Auditor report to the President/CEO on daily business matters; but they serve at the pleasure of the Commission and have direct access to the Commission as required.

\*Additional support provided by Attorney.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**MEMBERS OF THE COMMISSION**  
**JUNE 30, 2019**

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**CHAIRMAN**

Douglas W. Fuller  
City of Chesapeake

**VICE – CHAIRMAN**

Charles B. Hunter  
City of Portsmouth

**COMMISSIONERS**

Robert Coleman  
City of Newport News

Jimmy Gray  
City of Hampton

Matthew Hamel  
City of Chesapeake

Gaylene Kanoyton  
City of Hampton

Andria McClellan  
City of Norfolk

Jennifer Mitchell  
Virginia Department of Rail and Public Transportation

William J. Moffett  
City of Hampton

Keith Parnell  
City of Norfolk

Amelia Ross-Hammond  
City of Virginia Beach

Aaron Rouse  
City of Virginia Beach

John L. Rowe  
City of Portsmouth

Patricia P. Woodbury  
City of Newport News

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**EXECUTIVE LEADERSHIP TEAM AND FINANCE STAFF**  
**JUNE 30, 2019**

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**EXECUTIVE LEADERSHIP TEAM**

|  |                     |
|--|---------------------|
| President and Chief Executive Officer              | William E. Harrell  |
| Chief Financial Officer                            | Conner Burns        |
| Chief Human Resources Officer                      | Kimberly Ackerman   |
| Chief Planning and Development Officer             | Raymond Amoruso     |
| Chief Information Officer/Chief Technology Officer | Alesia Cain         |
| Chief Safety and Security Officer                  | Dawn Sciortino      |
| Chief Environmental and Facilities Officer         | Sibyl Pappas        |
| Chief Transit Operations Officer                   | James E. Price, Jr. |
| Chief of Staff                                     | Brian Smith         |
| Director of Marketing and Communications           | Gene Cavasos        |
| Attorney   | Robert Travers      |

**FINANCE STAFF**

|   |              |
|---|--------------|
| Director of Finance                       | Debbie Ball  |
| Assistant Director of Finance             | Larry Kirk   |
| Director of Budget and Financial Analysis | Angela Glass |
| Director of Procurement                   | Sonya Luther |
| Director of Treasury                      | Sheri Dixon  |

## **FINANCIAL SECTION**

## Report of Independent Auditor

To the Commissioners  
Transportation District Commission of Hampton Roads  
Hampton, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Transportation District Commission of Hampton Roads (the "Commission"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specification for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of June 30, 2019 and 2018, and the respective changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Other Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2020, 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.



Virginia Beach, Virginia  
May 26, 2020

# TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS MANAGEMENT'S DISCUSSION AND ANALYSIS

*JUNE 30, 2019 AND 2018*

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The following Management Discussion and Analysis ("MD&A") of the Transportation District Commission of Hampton Roads' ("Commission") activities and financial performance provides the reader with an introduction and overview to the basic financial statements for the years ended June 30, 2019 and June 30, 2018. Following this MD&A are the basic financial statements of the Commission together with the notes thereto which are essential to a full understanding of the data contained in the basic financial statements. We encourage readers to read the information presented in conjunction with additional information that we have furnished in the Commission's basic financial statements, which follow this narrative.

## **Financial Operations Highlights**

Below are highlights of the Commission's activities for fiscal year 2019 and 2018.

- The Commission capitalized \$18,746,247 on asset additions during FY19. The majority of the increase was \$11,317,360 for buses and \$6,417,590 for renovation of the Hampton facility.
- The Commission spent \$9.7 million on asset additions during FY18. The majority of the increase was \$4.6 million on facility renovations and \$1.5 million for a new ferryboat.
- The Commission's net position decreased by \$13,467,561 in FY19 to \$257,979,403. This decrease is mainly due to depreciation expense.
- The Commission's net position decreased by \$15.1 million in FY18 to \$271.5 million. This decrease is mainly due to depreciation expense.
- At the end of the fiscal year, unrestricted net deficit was \$5,275,632, a decrease of \$1,441,764. The restricted net position consists of reserves for self-insurance.
- During FY18 the Commission had a \$4.5 million increase in the proceeds from capital grants. This increase was largely due to funds utilized for bus purchase, ferryboat and facility renovations.

## **Overview of the Financial Statements**

The Commission's basic financial statements, the statement of net position, statement of revenue, expenses, and changes in net position, and statement of cash flows, are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") promulgated by the Governmental Accounting Standards Board ("GASB"). The Commission is structured as a single enterprise fund with revenue recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and, except land and construction in progress, are depreciated over their useful lives. Certain amounts are restricted for debt service and, where applicable, for construction activities. See the notes to basic financial statements for a summary of the Commission's significant accounting policies.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2019 AND 2018*

**Financial Position Summary**

Net position may serve over time as a useful indicator of the Commission's financial position. The Commission's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$257,979,403 at June 30, 2019. A condensed summary of the Commission's net position is shown below:

|                                  | <b>Year Ended<br/>June 30, 2019</b> | <b>Year Ended<br/>June 30, 2018</b> | <b>*As Restated<br/>Year Ended<br/>June 30, 2017</b> |
|----------------------------------|-------------------------------------|-------------------------------------|--|
| <b>Assets:</b>                   |                                     |                                     |  |
| Current assets                   | \$ 43,740,392                       | \$ 45,731,621                       | \$ 34,407,971  |
| Capital assets, net              | 262,198,417                         | 277,093,262                         | 296,457,111  |
| Other assets                     | 2,914,002                           | 2,352,200                           | 156,474  |
| Total Assets                     | <u>308,852,811</u>                  | <u>325,177,083</u>                  | <u>331,021,556</u>                                   |
| Deferred Outflows of Resources   | <u>8,773,584</u>                    | <u>5,669,024</u>                    | <u>9,606,166</u>                                     |
| <b>Liabilities:</b>              |                                     |                                     |  |
| Current liabilities              | 36,265,534                          | 39,436,371                          | 36,857,252   |
| Long-term liabilities            | 19,911,406                          | 15,873,949                          | 16,276,867   |
| Total Liabilities                | <u>56,176,940</u>                   | <u>55,310,320</u>                   | <u>53,134,119</u>                                    |
| Deferred Inflows of Resources    | <u>3,470,052</u>                    | <u>4,088,823</u>                    | <u>919,035</u>                                       |
| <b>Net Position:</b>             |                                     |                                     |  |
| Net investment in capital assets | 260,947,348                         | 275,449,210                         | 292,493,576  |
| Restricted                       | 2,307,687                           | 2,715,150                           | 3,697,854  |
| Unrestricted                     | (5,275,632)                         | (6,717,396)                         | (9,616,862)  |
| Total Net Position               | <u>\$ 257,979,403</u>               | <u>\$ 271,446,964</u>               | <u>\$ 286,574,568</u>                                |

\*Restated for GASB75 implementation.

The largest portion of the Commission's net position each period represents its net investment in capital assets (e.g., land, buildings, improvements, and equipment). The Commission uses these capital assets to provide services to its passengers. Consequently, these assets are not available for future spending.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2019 AND 2018*

**Summary of Operations and Changes in Net Position**

|  | <b>Year Ended<br/>June 30, 2019</b> | <b>Year Ended<br/>June 30, 2018</b> | <b>*As Restated<br/>Year Ended<br/>June 30, 2017</b> |
|--|-------------------------------------|-------------------------------------|--|
| Operating revenues                                 | \$ 18,827,777                       | \$ 18,786,826                       | \$ 19,027,226  |
| Operating expenses                                 | 124,875,187                         | 125,585,295                         | 129,846,411  |
| Operating loss before subsidies and grants         | (106,047,410)                       | (106,798,469)                       | (110,819,185)  |
| Subsidies and grants                               | 78,456,438                          | 79,828,501                          | 80,224,573   |
| Operating loss before other expenses               | (27,590,972)                        | (26,969,968)                        | (30,594,612)   |
| Other expenses, net                                | (10,439,714)                        | (7,919,184)                         | (10,062,214)   |
| Loss before proceeds from capital grants           | (38,030,686)                        | (34,889,152)                        | (40,656,826)   |
| Proceeds from capital grants                       | 24,563,125                          | 19,761,548                          | 15,272,596   |
| Cumulative effect of change in accounting standard | -                                   | -                                   | (1,558,000)  |
| Change in net position                             | (13,467,561)                        | (15,127,604)                        | (26,942,230)   |
| Net position, beginning of year                    | 271,446,964                         | 286,574,568                         | 313,516,798  |
| Net position, end of year                          | <u>\$ 257,979,403</u>               | <u>\$ 271,446,964</u>               | <u>\$ 286,574,568</u>                                |

**Revenue**

A summary of revenue is as follows:

|                                       | <b>2019<br/>Amount</b> | <b>Percent<br/>of Total</b> | <b>2018<br/>Amount</b> | <b>Percent<br/>of Total</b> | <b>*As Restated<br/>2017<br/>Amount</b> | <b>Percent<br/>of Total</b> |
|---------------------------------------|------------------------|-----------------------------|------------------------|-----------------------------|---|-----------------------------|
| Operating:                            |                        |                             |                        |                             |   |                             |
| Passenger fares                       | \$ 15,319,483          | 81.3%                       | \$ 15,619,873          | 82.2%                       | \$ 15,671,061                           | 87.4%                       |
| Charges and contracts                 | 2,261,886              | 12.0%                       | 2,215,994              | 11.7%                       | 2,149,290                               | 12.0%                       |
| Auxiliary                             | 1,138,852              | 6.0%                        | 844,716                | 4.4%                        | 1,124,275                               | 6.3%                        |
| Nontransportation                     | 107,556                | 0.6%                        | 106,243                | 0.6%                        | 82,600                                  | 0.5%                        |
| Total Operating                       | <u>18,827,777</u>      | <u>99.9%</u>                | <u>18,786,826</u>      | <u>98.9%</u>                | <u>19,027,226</u>                       | <u>106.2%</u>               |
| Nonoperating:                         |                        |                             |                        |                             |   |                             |
| Gain (loss) on sale of capital assets | 21,710                 | 0.1%                        | 162,623                | 0.9%                        | (303,634)                               | -1.7%                       |
| Interest income                       | -                      | 0.0%                        | 49,675                 | 0.3%                        | 17,940                                  | 0.1%                        |
| Total Nonoperating                    | <u>21,710</u>          | <u>0.1%</u>                 | <u>212,298</u>         | <u>1.1%</u>                 | <u>(285,694)</u>                        | <u>-6.2%</u>                |
| Total Revenues                        | <u>\$ 18,849,487</u>   | <u>100.0%</u>               | <u>\$ 18,999,124</u>   | <u>100.0%</u>               | <u>\$ 18,741,532</u>                    | <u>100.0%</u>               |

\*Restated for GASB75 implementation.

# TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019 AND 2018

## Expenses

A summary of expenses is as follows:

|  | 2019                  |                     | 2018                  |                     | *As Restated<br>2017  |                     |
|--|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|
|  | Amount                | Percent<br>of Total | Amount                | Percent<br>of Total | Amount                | Percent<br>of Total |
| Operating:                               |                       |                     |                       |                     |                       |                     |
| Labor                                    | \$ 48,417,080         | 36.2%               | \$ 48,466,557         | 36.2%               | \$ 48,420,295         | 35.5%               |
| Fringe benefits                          | 14,218,004            | 10.6%               | 15,812,947            | 11.8%               | 15,916,751            | 11.1%               |
| Depreciation and<br>amortization         | 29,053,413            | 21.7%               | 29,247,649            | 21.9%               | 30,433,974            | 22.3%               |
| Materials and supplies                   | 11,726,745            | 8.8%                | 9,980,402             | 7.5%                | 11,101,816            | 8.1%                |
| Purchase of transportation<br>services   | 7,891,394             | 5.9%                | 8,549,457             | 6.4%                | 8,321,926             | 6.1%                |
| Contractual services                     | 7,864,266             | 5.9%                | 8,187,924             | 6.1%                | 8,252,631             | 6.0%                |
| Insurance, net of ordinary<br>recoveries | 3,144,338             | 2.4%                | 3,166,124             | 2.4%                | 4,220,619             | 3.1%                |
| Utilities                                | 1,160,013             | 0.9%                | 1,205,506             | 0.9%                | 1,307,840             | 1.0%                |
| Other                                    | 1,399,934             | 1.0%                | 968,729               | 0.7%                | 1,870,559             | 1.4%                |
| <b>Total Operating</b>                   | <b>124,875,187</b>    | <b>93.4%</b>        | <b>125,585,295</b>    | <b>93.9%</b>        | <b>129,846,411</b>    | <b>94.6%</b>        |
| Nonoperating:                            |                       |                     |                       |                     |                       |                     |
| Interest expense                         | 342,716               | 0.3%                | 256,016               | 0.2%                | 471,920               | 0.3%                |
| Noncapitalized grant<br>expenditures     | 10,264,625            | 7.7%                | 7,875,466             | 5.9%                | 9,304,600             | 5.1%                |
| <b>Total Nonoperating</b>                | <b>10,607,341</b>     | <b>7.9%</b>         | <b>8,131,482</b>      | <b>6.1%</b>         | <b>9,776,520</b>      | <b>5.4%</b>         |
| <b>Total Expenses</b>                    | <b>\$ 135,482,528</b> | <b>101.3%</b>       | <b>\$ 133,716,777</b> | <b>100.0%</b>       | <b>\$ 139,622,931</b> | <b>100.0%</b>       |

\*Restated for GASB75 implementation.

## Capital Assets

During the year ended June 30, 2019, the Commission capitalized \$18,746,247 on capital activities from grant and operating funds. This amount included \$6,417,590 for facility renovations, \$11,317,360 for buses, and \$1,011,297 for other capital items.

During the year ended June 30, 2018, the Commission expended \$9.7 million on capital activities from grant and operating funds. This amount included \$4.6 million for facility renovations, \$1.5 million for a ferryboat, and \$80,000 for other capital items.

Capital asset acquisitions and improvements exceeding \$5,000 are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including Federal grants with matching State grants and local funds. Additional information about Hampton Roads Transit's capital assets can be found in Note 6 to the financial statements.

## Debt

At June 30, 2019, the Commission owed \$16,605,091 against its \$17,000,000 revolving line of credit, primarily due to the timing of government receivables.

At June 30, 2018, the Commission owed \$15,500,000 against its \$17,000,000 revolving line of credit, primarily due to the timing of government receivables.

# TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS MANAGEMENT'S DISCUSSION AND ANALYSIS

*JUNE 30, 2019 AND 2018*

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## **Industry Outlook**

During the 1st quarter of 2020, the world has been faced with the Coronavirus (COVID-19) pandemic which has spread to the United States, including the Hampton Roads Region. The Commission has been working in close coordination with its federal partners at the Federal Transit Administration ("FTA") and state and local governments related to COVID-19 activities. With numerous business closings, lower passenger counts, and free fare assistance provided by the Commission, the long-term financial implications to the Commission are difficult to assess.

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act of 2020 totaling \$2 trillion was signed into law in March 2020, which provided relief for the economy including \$25 billion specifically for the FTA, which has allocated \$25 billion to recipients of urbanized area and rural area formula funds in proportion to the FY2020 program apportionments. The \$25 billion in funding is provided at 100% federal share with no local match requirements and are eligible for reimbursement of all COVID-19 related operating and capital costs, as well as, all net operating expenses incurred beginning on January 20, 2020. Operating expenses to maintain transit services and costs of administrative leave due to reduced operations during an emergency are also eligible. Based on current allocations, the Commission is scheduled to receive approximately \$61,731,853 from the CARES FTA allocation for urbanized and rural area formula funds.

The Commission is working closely with its state and local partners, financial advisors, and financial institutions, regarding the economic impact to the transportation industry. The Commission's ability to meet current obligations remains the same; however, the outlook for the transportation industry has been lowered from "Stable" to "Negative" for the foreseeable future. In response, the Commission has reduced operating costs where possible and will continue to work with its partners to assess the situation as it evolves. While the economic impact to the transportation industry may be significant in the short-term, the Commission's liquidity and the CARES Act Grant will provide a stable financial position during this difficult time.

## **Request for Information**

This financial report is designed to provide a general overview of the Commission's finances for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Chief Financial Officer, Hampton Roads Transit, 3400 Victoria Boulevard, Hampton, VA 23661.

## **FINANCIAL STATEMENTS**

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**STATEMENTS OF NET POSITION**

*JUNE 30, 2019 AND 2018*

| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                          | <b>2019</b>           | <b>2018</b>           |
|---|-----------------------|-----------------------|
| <b>Current Assets:</b>  |                       |                       |
| Cash and cash equivalents   | \$ 12,030,111         | \$ 15,080,277         |
| Due from governments  | 22,097,920            | 22,266,740            |
| Accounts receivable   | 468,782               | 398,139               |
| Inventories   | 7,159,783             | 6,565,123             |
| Prepaid expenses  | 1,983,796             | 1,421,342             |
| <b>Total Current Assets</b>   | <b>43,740,392</b>     | <b>45,731,621</b>     |
| <b>Noncurrent Assets:</b>   |                       |                       |
| Capital assets, net   | 262,198,417           | 277,093,262           |
| Intangible assets, net  | 53,418                | 55,645                |
| Net pension asset   | 2,860,584             | 2,296,555             |
| <b>Total Noncurrent Assets</b>  | <b>265,112,419</b>    | <b>279,445,462</b>    |
| <b>Total Assets</b>   | <b>308,852,811</b>    | <b>325,177,083</b>    |
| <b>Deferred Outflows of Resources:</b>                                    |                       |                       |
| Deferred outflows of resources - pension                                  | 8,571,042             | 5,548,309             |
| Deferred outflows of resources - OPEB group life insurance                | 157,044               | 89,584                |
| Deferred outflows of resources - OPEB disability program                  | 45,498                | 31,131                |
| <b>Total Deferred Outflows of Resources</b>                               | <b>8,773,584</b>      | <b>5,669,024</b>      |
| <b>Total Assets and Deferred Outflows of Resources</b>                    | <b>\$ 317,626,395</b> | <b>\$ 330,846,107</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>       |                       |                       |
| <b>Current Liabilities:</b>   |                       |                       |
| Notes payable - bank  | \$ 16,605,091         | \$ 15,500,000         |
| Current portion of long-term capital lease                                | 408,544               | 395,210               |
| Accounts payable  | 4,579,337             | 8,975,556             |
| Accrued expenses  | 4,062,894             | 4,301,762             |
| Self-insurance liability  | 3,307,687             | 3,715,150             |
| Advanced capital contributions  | 7,301,981             | 6,548,693             |
| <b>Total Current Liabilities</b>  | <b>36,265,534</b>     | <b>39,436,371</b>     |
| <b>Other Liabilities:</b>   |                       |                       |
| Long-term capital lease   | 895,943               | 1,304,487             |
| Unearned revenues   | 5,183,598             | 5,090,281             |
| Net pension liability   | 12,438,865            | 8,046,181             |
| Net OPEB liability - group life insurance                                 | 1,377,000             | 1,421,000             |
| Net OPEB liability - disability program                                   | 16,000                | 12,000                |
| <b>Total Other Liabilities</b>  | <b>19,911,406</b>     | <b>15,873,949</b>     |
| <b>Total Liabilities</b>  | <b>56,176,940</b>     | <b>55,310,320</b>     |
| <b>Deferred Inflows of Resources:</b>                                     |                       |                       |
| Deferred inflows of resources - pension                                   | 3,287,052             | 3,928,823             |
| Deferred inflows of resources - OPEB group life insurance                 | 179,000               | 158,000               |
| Deferred inflows of resources - OPEB disability program                   | 4,000                 | 2,000                 |
| <b>Total Deferred Inflows of Resources</b>                                | <b>3,470,052</b>      | <b>4,088,823</b>      |
| <b>Total Liabilities and Deferred Inflows of Resources</b>                | <b>59,646,992</b>     | <b>59,399,143</b>     |
| <b>Net Position:</b>  |                       |                       |
| Net investment in capital assets  | 260,947,348           | 275,449,210           |
| Restricted  | 2,307,687             | 2,715,150             |
| Unrestricted (deficit)  | (5,275,632)           | (6,717,396)           |
| <b>Total Net Position</b>   | <b>257,979,403</b>    | <b>271,446,964</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b> | <b>\$ 317,626,395</b> | <b>\$ 330,846,107</b> |

See accompanying notes to the financial statements.



**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

YEARS ENDED JUNE 30, 2019 AND 2018

|  | <u>2019</u>           | <u>2018</u>           |
|--|-----------------------|-----------------------|
| Operating Revenues:                                    |                       |                       |
| Passenger fares  | \$ 15,319,483         | \$ 15,619,873         |
| Charters and contracts                                 | 2,261,886             | 2,215,994             |
| Auxiliary  | 1,138,852             | 844,716               |
| Nontransportation                                      | 107,556               | 106,243               |
| Total Operating Revenues                               | <u>18,827,777</u>     | <u>18,786,826</u>     |
| Operating Expenses:                                    |                       |                       |
| Labor  | 48,417,080            | 48,466,557            |
| Fringe benefits  | 14,218,004            | 15,812,947            |
| Depreciation and amortization                          | 29,053,413            | 29,247,649            |
| Materials and supplies                                 | 11,726,745            | 9,980,402             |
| Purchase of transportation services                    | 7,891,394             | 8,549,457             |
| Contractual services                                   | 7,864,266             | 8,187,924             |
| Insurance, net of ordinary recoveries                  | 3,144,338             | 3,166,124             |
| Utilities  | 1,160,013             | 1,205,506             |
| Other  | 1,399,934             | 968,729               |
| Total Operating Expenses                               | <u>124,875,187</u>    | <u>125,585,295</u>    |
| Operating loss before subsidies and grants             | (106,047,410)         | (106,798,469)         |
| Subsidies and grants                                   | <u>78,456,438</u>     | <u>79,828,501</u>     |
| Operating loss before other income (expenses)          | <u>(27,590,972)</u>   | <u>(26,969,968)</u>   |
| Other Income (Expenses):                               |                       |                       |
| Interest income  | 145,917               | 49,675                |
| Interest expense                                       | (342,716)             | (256,016)             |
| Gain on sale of capital assets                         | 21,710                | 162,623               |
| Noncapitalized grant expenditures                      | (10,264,625)          | (7,875,466)           |
| Total Other Expenses, net                              | <u>(10,439,714)</u>   | <u>(7,919,184)</u>    |
| Loss before proceeds from capital grants               | (38,030,686)          | (34,889,152)          |
| Proceeds from capital grants                           | <u>24,563,125</u>     | <u>19,761,548</u>     |
| Change in net position                                 | (13,467,561)          | (15,127,604)          |
| Net position, beginning of year, as restated (note 18) | <u>271,446,964</u>    | <u>286,574,568</u>    |
| Net position, end of year                              | <u>\$ 257,979,403</u> | <u>\$ 271,446,964</u> |

See accompanying notes to the financial statements.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2019 AND 2018

|   | <u>2019</u>            | <u>2018</u>            |
|---|------------------------|------------------------|
| <b>Cash flows from operating activities:</b>  |                        |                        |
| Receipts from customers and users   | \$ 18,757,134          | \$ 18,810,573          |
| Payments to suppliers for goods and services  | (39,147,486)           | (27,222,383)           |
| Payments to employees   | (62,808,628)           | (64,511,152)           |
| Net cash used in operating activities   | <u>(83,198,980)</u>    | <u>(72,922,962)</u>    |
| <b>Cash flows from noncapital financing activities:</b>   |                        |                        |
| Operating subsidies and grants received   | 78,549,755             | 84,918,782             |
| Net increase / (decrease) in note payable - bank  | 1,105,091              | (1,500,000)            |
| Net cash provided by noncapital financing activities  | <u>79,654,846</u>      | <u>83,418,782</u>      |
| <b>Cash flows from capital and related financing activities:</b>  |                        |                        |
| Increase in advanced capital contributions  | 753,288                | 1,374,804              |
| Interest expense  | (342,716)              | (256,016)              |
| Acquisition of capital assets and intangible assets   | (14,298,499)           | (9,790,971)            |
| Noncapitalized grant expenditures   | (10,264,625)           | (7,875,466)            |
| Proceeds from disposition of capital assets   | 163,868                | 162,623                |
| Proceeds from capital grants  | 24,731,945             | 16,131,271             |
| Payments on long-term capital lease   | (395,210)              | (382,312)              |
| Payments on long-term debt  | -                      | (2,030,000)            |
| Net cash provided by (used in) capital and related financing activities                                       | <u>348,051</u>         | <u>(2,666,067)</u>     |
| <b>Cash flows from investing activities:</b>  |                        |                        |
| Interest income   | <u>145,917</u>         | <u>49,675</u>          |
| Net change in cash and cash equivalents   | (3,050,166)            | 7,879,428              |
| Cash and cash equivalents, beginning of year  | 15,080,277             | 7,200,849              |
| Cash and cash equivalents, end of year  | <u>\$ 12,030,111</u>   | <u>\$ 15,080,277</u>   |
| <b>Reconciliation of operating loss before subsidies and grants to net cash from operating activities:</b>    |                        |                        |
| Operating loss before subsidies and grants  | \$ (106,047,410)       | \$ (106,798,469)       |
| Adjustments to reconcile operating loss before subsidies and grants to net cash used in operating activities: |                        |                        |
| Depreciation and amortization   | 29,053,413             | 29,247,649             |
| Change in:  |                        |                        |
| Accounts receivable   | (70,643)               | 23,747                 |
| Inventories   | (594,660)              | (398,790)              |
| Prepaid expenses  | (562,454)              | 561,098                |
| Accounts payable  | (4,396,219)            | 5,656,155              |
| Accrued expenses  | (238,868)              | 47,966                 |
| Net pension/OPEB liability  | 65,324                 | (279,614)              |
| Self-insurance liability  | (407,463)              | (982,704)              |
| Net cash used in operating activities   | <u>\$ (83,198,980)</u> | <u>\$ (72,922,962)</u> |

See accompanying notes to the financial statements.

# TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### **Note 1—Organization and nature of business**

The Transportation District Commission of Hampton Roads (the “Commission”) was formed on June 29, 1999, to effect the merger of the Peninsula Transportation District Commission (“PTDC”) and the Tidewater Transportation District Commission (“TTDC”), effective October 1, 1999. The Commission was established in accordance with Chapter 45 of Title 15.2 of the Code of Virginia (1950), as amended, referred to as the Transportation District Act of 1964 and by ordinances as adopted by the governing bodies of its component governments. The Commission provides public transportation facilities and services within the Cities of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, and Virginia Beach, Virginia. Oversight responsibility is exercised by all of the participating localities through their designated representatives (“Commissioners”). Responsibility for the day-to-day operations of the Commission rests with management.

### **Note 2—Summary of significant accounting policies**

*Reporting Entity* – Transit Management Company (“Subsidiary”) is a wholly owned subsidiary of the Commission. The Subsidiary is considered a component unit of the Commission for reporting purposes. The Subsidiary pays all payroll related expenses for union employees and operates on a break-even basis by having the Commission reimburse the Subsidiary’s expenses. Accounts of the Subsidiary are included in the basic financial statements. All intercompany accounts and transactions have been eliminated.

*Basis of Accounting and Financial Statement Presentation* – The financial statements are prepared 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.

*Cash and Cash Equivalents* – Cash and cash equivalents include cash on hand, bank deposits, and short-term highly liquid investments with an original purchased maturity of three months or less.

*Investments* – Investments are stated at fair value, with the exception of investments in the Virginia Local Government Investment Pool (“LGIP”), an external 2a7-like investment pool which is presented at share price. All fair market valuations are based on quoted market prices. LGIP shares are based on amortized cost of the LGIP’s underlying portfolio.

*Accounts Receivable* – The Commission evaluates its accounts receivable individually. A charge to income to absorb possible credit losses is provided when, in the opinion of management, it is appropriate. The effect of using this method approximates that of the allowance method.

*Inventories* – Parts inventories are stated at the lower of cost or market using the average cost method. The cost of fuel and oil inventories is determined using the consumption method. Inventories are used for operations and are not for resale.

*Capital Assets* – Capital assets, which include infrastructure, equipment, property (e.g., buses, ferries and docks, trolleys, and light rail vehicles), and intangible assets (e.g., computer software) are reported at cost and depreciated using the straight-line method based on estimated useful lives of 3 to 50 years. Capital assets other than equipment, property, and infrastructure assets are defined by Hampton Roads Transit (“HRT”) as an asset with initial individual cost of \$5,000 or more with a useful life greater than one year. Donated assets are valued at their estimated acquisition value on the date donated. The cost of repairs and maintenance that do not add value or extend an asset’s life are not capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recognized. Most property and equipment is acquired with grant proceeds so the method and use of proceeds from disposition of property and equipment is restricted by the grant requirements.

# TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### Note 2—Summary of significant accounting policies (continued)

Capital assets are depreciated using the straight-line method with estimated useful lives:

|  |             |
|--|-------------|
| Buildings and improvements             | 10-50 years |
| Light rail vehicles and infrastructure | 10-30 years |
| Ferries and docks                      | 10-20 years |
| Buses                                  | 7-12 years  |
| Equipment and other                    | 3-13 years  |
| Vehicles                               | 3-4 years   |
| Intangibles                            | 3-5 years   |

*Deferred Outflows/Inflows of Resources* – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an expense until that time. 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 represents an acquisition of net position that applies to a future period and will not be recognized as revenue until that time.

*Pensions* – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Transportation District Commission of Hampton Roads' Retirement Plan and the additions to/deductions from the Transportation District Commission of Hampton Roads' net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System ("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.

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

*Disability Program* – The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program ("VLDP") is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee VLDP OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB, and the Political Subdivision Employee VLDP OPEB expense, information about the fiduciary net position of the VRS Political Subdivision Employee VLDP; and the additions to/deductions from the VRS Political Subdivision Employee VLDP's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### Note 2—Summary of significant accounting policies (continued)

*Unearned Revenues* – Federal funds originally designated for the extension of light rail to the City of Virginia Beach is currently being held for the purchase of buses.

*Revenues* – Revenues are recognized when services are provided. Operating grant subsidies and expense reimbursements are recognized in accordance with the grant document or reimbursement agreement. Generally, these agreements provide for reimbursement to the Commission for operating expenses incurred. Operating subsidies from the municipalities provide for reimbursement to the Commission based on services provided within the various jurisdictions.

*Net Position* – Net position represents the residual interest in the Commission's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consist of three sections: net investment in capital assets; restricted for self-insurance; and unrestricted. Net investment in capital assets includes capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to capital expenditures. The Commissions' restricted amounts for self-insurance are expendable and relate to amounts restricted for the self-insurance liability. Unrestricted amounts may be designated for specific purposes by action of management or the board of commissioners.

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

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

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

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

The Commissioners formally approve the annual budget but greater emphasis is placed on complying with the grant budget, whose terms and conditions are on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances.

*Estimates* – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and deferred inflows and outflows of resources, and disclosure of contingent assets and liabilities for the reported period. Actual results could differ from those estimates and assumptions.

# TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### Note 2—Summary of significant accounting policies (continued)

#### Cash and cash equivalents

*Deposits* – At June 30, 2019 and 2018, the carrying value of the Commission's deposits with banks was \$9,221,639 and \$11,836,126, respectively, and the bank balances were \$9,909,141 and \$14,860,308, respectively. All of the bank balance was insured by the Federal Deposit Insurance Corporation (“FDIC”) or collateralized in accordance with the Virginia Security for Public Deposits Act (“Act”). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of such excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

At June 30, 2019 and 2018, the Commission had \$2,808,472 and \$2,822,263, respectively, invested in money market funds valued at fair value. These cash equivalents are not insured by FDIC or the Act and are, therefore, subject to investment risk.

#### Investments

*Investment Policy* – In accordance with the Code of Virginia and other applicable laws, including regulations, the Commission's investment policy (“Policy”) permits investments in U.S. government obligations, obligations of the Commonwealth of Virginia (the “Commonwealth”) or political subdivisions thereof, prime quality commercial paper, and certain corporate notes, bankers acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, and the State Treasurer's LGIP. Pursuant to 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 LGIP values portfolio securities by the amortized cost method and on a monthly basis this valuation is compared to current market to monitor any variance. The LGIP is in compliance with the requirements of generally accepted accounting principles in the United States of America (“U.S. GAAP”) and elects to measure its investments at amortized cost for financial reporting. Therefore, participants in LGIP should also measure their investments in the LGIP at amortized cost for financial reporting. The Policy establishes an investment committee consisting of the Chief Financial Officer, the President and Chief Executive Officer. The members of this committee meet quarterly to determine general investment strategies and to monitor results. The investment committee includes in its deliberations such topics as: economic outlook, portfolio diversification and maturity structure, potential risks to Commission funds, authorized depositories and dealers, and the target rate of return on the investment portfolio.

*Credit Risk* – As required by the Commonwealth's statute, the Policy requires that commercial paper have a short-term debt rating of not less than “A-1” (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, and Fitch Investor's Service. Corporate notes, negotiable certificates of deposit, and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor's and “P-1” by Moody's Investor Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor's and “Aa” by Moody's Investor Service.

At June 30, 2019 and 2018, 100% of the Commission's cash equivalents were invested in money market funds and the LGIP.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 3—Cash and cash equivalents and investments**

*Concentration of Credit Risk* – The Commission’s main depository is selected through a formal procurement process at least once every five years. The Chief Financial Officer selects dealers, brokers, and other depositories after a competitive evaluation process. In selecting depositories or dealers, the creditworthiness of the institutions, financial stability, credit characteristics, financial history, and interest rates offered are considered.

Dealers and financial institutions seeking to establish eligibility for the Commission’s competitive certificate of deposit purchase programs for amounts not covered under FDIC or Federal Savings and Loan Insurance Corporation (“FSLIC”) insurance submits information as required, which shall be reviewed by the investment committee.

Before accepting funds or engaging in investment transactions with the Commission, the supervising officer at each depository submits a certification evidencing that he or she has reviewed the investment policies and objectives and agrees to disclose potential conflicts or risks to public funds that might arise out of business transactions between the depository and the Commission. All financial institutions shall agree to exercise due diligence in monitoring the activities of other officers and subordinate staff members engaged in transactions with this entity.

Employees of any firm or financial institution offering securities or investment to the Commission are trained in the precautions appropriate to public sector investments and are required to familiarize themselves with the Commission’s investment objectives and constraints.

*Interest Rate Risk* – As a means of limiting exposure to fair value losses arising from rising interest rates, the Commission’s Policy limits the investment of operating funds to investments with a stated maturity of no more than five years from the date of purchase.

*Fair Value* – The Commission categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy base on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Commission’s investments in other money market funds are considered to be Level 1.

*Custodial Credit Risk* – The assets of the Commission shall be secured through third party custody and safekeeping procedures. Bearer instruments shall be held only through third party institutions. Investment officials shall be bonded to protect against possible embezzlement and malfeasance. Unless prevailing practices or economic circumstances dictate otherwise, ownership shall be protected through third-party custodial safekeeping.

**Note 4—Due from governments**

Government receivables (payable) consisted of the following:

|                                | <u>2019</u>          | <u>2018</u>          |
|--------------------------------|----------------------|----------------------|
| Federal Transit Administration | \$ 19,417,681        | \$ 17,647,139        |
| Commonwealth of Virginia       | 1,634,459            | 4,952,768            |
| Local governments              | 1,045,780            | (333,167)            |
|                                | <u>\$ 22,097,920</u> | <u>\$ 22,266,740</u> |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 5—Inventories**

Inventories consisted of the following:

|                               | <u>2019</u>         | <u>2018</u>         |
|-------------------------------|---------------------|---------------------|
| Bus and service vehicle parts | \$ 4,469,991        | \$ 3,982,284        |
| Light rail parts              | 2,467,730           | 2,375,971           |
| Fuel and oil                  | 222,062             | 206,868             |
|                               | <u>\$ 7,159,783</u> | <u>\$ 6,565,123</u> |

**Note 6—Capital and intangible assets**

A summary of changes in capital assets is as follows:

|  | <u>Balance<br/>June 30, 2018</u> | <u>Increases</u>      | <u>Decreases</u>    | <u>Balance<br/>June 30, 2019</u> |
|--|----------------------------------|-----------------------|---------------------|----------------------------------|
| Capital assets not being depreciated:                  |                                  |                       |                     |                                  |
| Land   | \$ 8,900,798                     | \$ -                  | \$ -                | \$ 8,900,798                     |
| Construction in process:                               |                                  |                       |                     |                                  |
| Buildings and improvements                             | 3,276,104                        | 9,988                 | 3,276,104           | 9,988                            |
| Other  | 7,472,024                        | 4,885,584             | 6,067,216           | 6,290,392                        |
| Total capital assets not<br>being depreciated          | <u>19,648,926</u>                | <u>4,895,572</u>      | <u>9,343,320</u>    | <u>15,201,178</u>                |
| Capital assets being depreciated:                      |                                  |                       |                     |                                  |
| Buses  | 111,057,234                      | 11,317,360            | 7,634,635           | 114,739,959                      |
| Buildings and improvements                             | 90,081,795                       | 6,417,590             | -                   | 96,499,385                       |
| Equipment  | 25,164,478                       | 24,415                | 76,895              | 25,111,998                       |
| Ferries and docks                                      | 8,992,772                        | 138,657               | 1,924,035           | 7,207,394                        |
| Other  | 9,441,861                        | 836,442               | 539,254             | 9,739,049                        |
| Vehicles   | 7,575,929                        | -                     | -                   | 7,575,929                        |
| Intangibles  | 4,497,664                        | -                     | -                   | 4,497,664                        |
| Light rail   | 256,096,446                      | 11,783                | -                   | 256,108,229                      |
| Total capital assets<br>being depreciated              | <u>512,908,179</u>               | <u>18,746,247</u>     | <u>10,174,819</u>   | <u>521,479,607</u>               |
| Less accumulated depreciation and<br>amortization for: |                                  |                       |                     |                                  |
| Buses  | 78,403,199                       | 10,173,685            | 7,634,366           | 80,942,518                       |
| Buildings and improvements                             | 36,403,306                       | 3,957,807             | -                   | 40,361,113                       |
| Equipment  | 23,372,943                       | 437,564               | 76,895              | 23,733,612                       |
| Ferries and docks                                      | 4,960,074                        | 223,058               | 1,782,146           | 3,400,986                        |
| Other  | 6,842,478                        | 1,107,209             | 539,254             | 7,410,433                        |
| Vehicles   | 7,531,737                        | 21,436                | -                   | 7,553,173                        |
| Intangibles  | 4,442,019                        | 2,227                 | -                   | 4,444,246                        |
| Light rail   | 93,452,442                       | 13,130,427            | -                   | 106,582,869                      |
| Total accumulated depreciation<br>and amortization     | <u>255,408,198</u>               | <u>29,053,413</u>     | <u>10,032,661</u>   | <u>274,428,950</u>               |
| Total capital assets<br>being depreciated - net        | <u>257,499,981</u>               | <u>(10,307,166)</u>   | <u>142,158</u>      | <u>247,050,657</u>               |
| Total capital assets - net                             | <u>\$ 277,148,907</u>            | <u>\$ (5,411,594)</u> | <u>\$ 9,485,478</u> | <u>\$ 262,251,835</u>            |



**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 6—Capital and intangible assets (continued)**

|  | <b>Balance<br/>June 30, 2017</b> | <b>Increases</b>       | <b>Decreases</b>    | <b>Balance<br/>June 30, 2018</b> |
|--|----------------------------------|------------------------|---------------------|----------------------------------|
| Capital assets not being depreciated:                  |                                  |                        |                     |                                  |
| Land   | \$ 8,900,798                     | \$ -                   | \$ -                | \$ 8,900,798                     |
| Construction in process:                               |                                  |                        |                     |                                  |
| Buildings and improvements                             | 5,778,920                        | 2,530,900              | 5,033,716           | 3,276,104                        |
| Other  | 2,058,415                        | 7,207,166              | 1,793,557           | 7,472,024                        |
| Total capital assets not<br>being depreciated          | <u>16,738,133</u>                | <u>9,738,066</u>       | <u>6,827,273</u>    | <u>19,648,926</u>                |
| Capital assets being depreciated:                      |                                  |                        |                     |                                  |
| Buses  | 117,221,819                      | 447,086                | 6,611,671           | 111,057,234                      |
| Buildings and improvements                             | 85,508,650                       | 4,573,145              | -                   | 90,081,795                       |
| Equipment  | 25,429,997                       | 29,900                 | 295,419             | 25,164,478                       |
| Ferries and docks                                      | 7,501,631                        | 1,497,142              | 6,001               | 8,992,772                        |
| Other  | 9,114,679                        | 395,324                | 68,142              | 9,441,861                        |
| Vehicles   | 8,203,413                        | -                      | 627,484             | 7,575,929                        |
| Intangibles  | 4,557,792                        | -                      | 60,128              | 4,497,664                        |
| Light rail   | 256,096,446                      | -                      | -                   | 256,096,446                      |
| Total capital assets<br>being depreciated              | <u>513,634,427</u>               | <u>6,942,597</u>       | <u>7,668,845</u>    | <u>512,908,179</u>               |
| Less accumulated depreciation and<br>amortization for: |                                  |                        |                     |                                  |
| Buses  | 77,151,727                       | 7,862,871              | 6,611,399           | 78,403,199                       |
| Buildings and improvements                             | 32,446,839                       | 3,956,467              | -                   | 36,403,306                       |
| Equipment  | 22,934,524                       | 733,617                | 295,198             | 23,372,943                       |
| Ferries and docks                                      | 4,567,715                        | 396,562                | 4,203               | 4,960,074                        |
| Other  | 6,208,543                        | 702,076                | 68,141              | 6,842,478                        |
| Vehicles   | 7,458,317                        | 700,905                | 627,485             | 7,531,737                        |
| Intangibles  | 4,409,317                        | 32,702                 | -                   | 4,442,019                        |
| Light rail   | 78,589,993                       | 14,862,449             | -                   | 93,452,442                       |
| Total accumulated depreciation<br>and amortization     | <u>233,766,975</u>               | <u>29,247,649</u>      | <u>7,606,426</u>    | <u>255,408,198</u>               |
| Total capital assets<br>being depreciated - net        | <u>279,867,452</u>               | <u>(22,305,052)</u>    | <u>62,419</u>       | <u>257,499,981</u>               |
| Total capital assets - net                             | <u>\$ 296,605,585</u>            | <u>\$ (12,566,986)</u> | <u>\$ 6,889,692</u> | <u>\$ 277,148,907</u>            |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2019 AND 2018*

**Note 7—Unearned reimbursements – net**

Amounts advanced (owed) by participating municipalities to various operating subsidy and/or grant agreements are as follows:

|                        | <u>2019</u>       | <u>2018</u>       |
|------------------------|-------------------|-------------------|
| City of Chesapeake     | \$ 82,598         | \$ 16,810         |
| City of Hampton        | 71,325            | (65,865)          |
| City of Newport News   | 170,930           | (73,509)          |
| City of Norfolk        | 73,542            | 219,277           |
| City of Portsmouth     | (84,838)          | 87,166            |
| City of Virginia Beach | (84,516)          | 278,979           |
|                        | <u>\$ 229,041</u> | <u>\$ 462,858</u> |

For 2019 and 2018, the amounts owed by (due to) participating municipalities are included in due from governments in the statement of net position.

**Note 8—Notes payable – bank**

The Commission has a revolving line of credit of \$17,000,000, which matures January 31, 2024. Advances on the line of credit were collateralized by the pledging of all revenue, federal grants, and nonfederal operating subsidies of the Commission. Interest on advances is payable monthly at a fluctuating rate per annum equal to 83% of the London Interbank Offered Rate (LIBOR) plus 140 basis points with a floor of 3%.

At June 30, 2019 and 2018, the Commission owed \$16,605,091 and \$15,500,000 against the line of credit, respectively. At June 30, 2019 and 2018, the Commission had \$394,909 and \$1,500,000, respectively, available under the line of credit agreement. The agreement provides for certain actions to be taken in events of default including acceleration of payment of the line of credit balance, termination of the lender’s commitment to make further advances, foreclosure against collateral pledged under the provisions of the agreement, and increasing the interest rate in effect by the 3% default rate until paid in full.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 9—Long-term debt**

Following is a summary of debt transactions of the Commission:

|   | <b>2018</b>          | <b>Additions</b>     | <b>Reductions</b>    | <b>2019</b>          | <b>Due Within<br/>One Year</b> |
|---|----------------------|----------------------|----------------------|----------------------|--------------------------------|
| Self-insurance                                  | 3,715,150            | 822,940              | 1,230,403            | 3,307,687            | 3,307,687                      |
| Compensated absences                            | 1,273,430            | 2,359,905            | 2,276,963            | 1,356,372            | 1,356,372                      |
| Revenue bonds                                   | -                    | -                    | -                    | -                    | -                              |
| Capital lease                                   | 1,699,697            | -                    | 395,210              | 1,304,487            | 408,544                        |
| Net OPEB liability                              | 1,433,000            | 6,000                | 46,000               | 1,393,000            | -                              |
| Net pension liability,<br>net of pension assets | 5,749,626            | 15,062,967           | 11,234,312           | 9,578,281            | -                              |
|   | <u>\$ 13,870,903</u> | <u>\$ 18,251,812</u> | <u>\$ 15,182,888</u> | <u>\$ 16,939,827</u> | <u>\$ 5,072,603</u>            |

|   | <b>2017</b>          | <b>Additions</b>    | <b>Reductions</b>    | <b>2018</b>          | <b>Due Within<br/>One Year</b> |
|---|----------------------|---------------------|----------------------|----------------------|--------------------------------|
| Self-insurance                                  | 4,697,854            | 809,239             | 1,791,943            | 3,715,150            | 3,715,150                      |
| Compensated absences                            | 1,328,072            | 728,264             | 782,906              | 1,273,430            | 1,273,430                      |
| Revenue bonds                                   | 2,030,000            | -                   | 2,030,000            | -                    | -                              |
| Capital lease                                   | 2,082,009            | -                   | 382,312              | 1,699,697            | 395,210                        |
| Net OPEB liability                              | 1,666,000            | 34,000              | 267,000              | 1,433,000            | -                              |
| Net pension liability,<br>net of pension assets | 13,011,170           | 3,278,146           | 10,539,690           | 5,749,626            | -                              |
|   | <u>\$ 24,815,105</u> | <u>\$ 4,849,649</u> | <u>\$ 15,793,851</u> | <u>\$ 13,870,903</u> | <u>\$ 5,383,790</u>            |

*Revenue Bonds* – On June 1, 2006, the Commission entered into a financing arrangement with the Virginia Resources Authority (“VRA”), whereby VRA provided \$12,770,000 of proceeds from the VRA’s issuance of Infrastructure Revenue Bonds, Series 2006A. The debt requires the Commission to pay interest at variable rates ranging from 3.5838% to 4.2416%. Interest was payable semi-annually each April 1<sup>st</sup> and October 1<sup>st</sup>. Annual principal payments of varying amounts began October 1, 2007, through the termination date of October 1, 2017, at which time it was paid off. Proceeds from the debt were used to establish a fund for the acquisition of buses and related equipment during fiscal year 2007.

On June 1, 2007, the Commission entered into a second financing arrangement with the VRA providing \$4,975,000 of proceeds from the VRA’s issuance of Infrastructure Revenue Bonds, Series 2007A. The debt requires the Commission to pay interest at variable rates ranging from 4.10% to 4.595%. Interest was payable semi-annually each April 1<sup>st</sup> and October 1<sup>st</sup>. Annual principal payments of varying amounts began October 1, 2008, through the termination date of October 1, 2017. Proceeds from the debt were used to establish a fund for the acquisition of buses and related equipment during fiscal year 2008.

During the term of financing, title to the buses will remain with the Commission. To secure its obligations, VRA created a security interest in all property and equipment purchased with the proceeds. The Commission also agreed to maintain the equipment free of any liens, pledges and/or encumbrances of any kind.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 10—Lease transactions**

*Operating Leases* – In 2008, the Commission entered into agreements to lease warehouse and storage facilities expiring in various years through February 2020. For 2019 and 2018, lease expense was \$99,069 and \$96,494, respectively. Future minimum lease payments under this lease are approximately \$100,000 for the fiscal year ending June 30, 2020.

*Capital Leases* – In 2015, the Commission entered into a capital lease to purchase seven 40-foot buses to add to their fleet. The buses were capitalized at a cost of \$3,127,291. Depreciation expense of \$260,575, on the assets under lease, is included in depreciation expense on the statement of revenue, expenses, and changes in net position for each of the years ended June 30, 2019 and 2018, respectively. This resulted in accumulated depreciation of \$1,302,875 and \$1,042,300 as of June 30, 2019 and 2018, respectively.

Future minimum lease payments under this lease as of June 30, 2019 are as follows:

**Fiscal Years Ending June 30:**

|  |                   |
|--|-------------------|
| 2020   | \$ 445,704        |
| 2021   | 445,704           |
| 2022   | 445,704           |
| Thereafter   | <u>37,143</u>     |
| Total future minimum lease payments                | 1,374,255         |
| Less amounts representing interest                 | <u>(69,768)</u>   |
| Total principal due under capital lease obligation | 1,304,487         |
| Less current portion                               | <u>(408,544)</u>  |
| Long-term portion of capital lease obligation      | <u>\$ 895,943</u> |

**Note 11—Compensated absences**

All full-time administrative employees not covered under collective bargaining agreements earn vacation in accordance with Commission policy as follows:

| <u>Length of Service</u> | <u>Days Earned<br/>Per Year</u> |
|--------------------------|---------------------------------|
| 0 - 5 years              | 10 days                         |
| 6 - 10 years             | 15 days                         |
| 11 or more years         | 20 days                         |

All nonunion employees may accumulate and roll-over annual leave from year to year with no limits, and up to a maximum of 320 hours may be paid upon separation. All union employees under collective bargaining agreements earn vacation on a pay-as-you-take-it policy and vacation balances do not carry over into the next calendar year. At June 30, 2019 and 2018, the Commission has accrued \$1,356,372 and \$1,273,430, respectively, for compensated absences. Compensated absences are included in accrued expenses on the statements of net position.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 12—Self-Insurance**

*General Liability Self-Insurance* – The Commission is self-insured with a retention amount of \$1,000,000 of each occurrence. The Commission purchases excess insurance above the retention.

The Commission is a defendant in various lawsuits incidental to its business relating primarily to bodily injury claims for which it self-insures. Management has reviewed the various lawsuits and accrued an amount for the estimated financial exposure resulting from these lawsuits. Management believes any potential additional liability from these lawsuits will not have a material adverse effect on the Commission's financial condition.

*Workers' Compensation Self-Insurance* – The Commission is also self-insured for workers' compensation. To minimize the potential for excessive claims, the Commission obtained excess workers' compensation insurance. The Commission is self-insured with a retention amount of \$600,000 of each occurrence. The Commission purchases excess insurance above the retention.

Following is a summary of changes in self-insurance claims payable for the last three fiscal years ended June 30:

|      | <u>Beginning<br/>Balance</u> | <u>Claims and<br/>Reserves</u> | <u>Claim<br/>Payments</u> | <u>Ending<br/>Balance</u> |
|------|------------------------------|--------------------------------|---------------------------|---------------------------|
| 2019 | \$ 3,715,150                 | \$ 822,940                     | \$ 1,230,403              | \$ 3,307,687              |
| 2018 | 4,697,854                    | 809,239                        | 1,791,943                 | 3,715,150                 |
| 2017 | 4,373,999                    | 1,768,464                      | 1,444,609                 | 4,697,854                 |

**Note 13—Subsidies and grants**

Subsidies and grants for operating purposes were as follows:

|         | <u>2019</u>          | <u>2018</u>          |
|---------|----------------------|----------------------|
| Federal | \$ 15,655,534        | \$ 16,520,546        |
| State   | 20,062,372           | 19,505,598           |
| Local   | 42,738,532           | 43,802,357           |
|         | <u>\$ 78,456,438</u> | <u>\$ 79,828,501</u> |

**Note 14—Advanced capital contributions**

Advanced capital contributions result from local government contributions received in excess of the local government share on capital grants. At June 30, 2019 and 2018, contributions received from local governments exceeded amounts expended by \$7,301,981 and \$6,548,693, respectively.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan**

HRT participates in an agent, multiple employer defined benefit pension plan administered by the Virginia Retirement System (“VRS” or “System”). HRT also administers a single employer defined pension plan for its collectively bargained employees.

**Virginia Retirement Plan**

*Plan Description* – All full-time, salaried permanent employees of the Commission are automatically covered by the VRS Retirement Plan (“Plan”) upon employment. This Plan is administered by the Virginia Retirement 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 different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the following table.

| <b>RETIREMENT PLAN PROVISIONS</b>   |   |   |
|---|---|---|
| <b>PLAN 1</b>   | <b>PLAN 2</b>   | <b>HYBRID RETIREMENT PLAN</b>   |
| <p><b>About Plan 1</b><br/>           Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p> | <p><b>About Plan 2</b><br/>           Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p> | <p><b>About Hybrid Retirement Plan</b><br/>           The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul> |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

| <b>RETIREMENT PLAN PROVISIONS</b>   |  |   |
|---|--|---|
| <b>PLAN 1</b>   | <b>PLAN 2</b>  | <b>HYBRID RETIREMENT PLAN</b>   |
| <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>   | <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p> | <p><b>*Non-Eligible Members</b><br/>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select</p>  |
| <p><b>Retirement Contributions</b><br/>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p> | <p><b>Retirement Contributions</b><br/>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>   | <p><b>Retirement Contributions</b><br/>A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p> |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

| <b>RETIREMENT PLAN PROVISIONS</b>  |   |   |
|--|---|---|
| <b>PLAN 1</b>  | <b>PLAN 2</b>   | <b>HYBRID RETIREMENT PLAN</b>   |
| <p><b>Creditable Service</b><br/>           Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> | <p><b>Creditable Service</b><br/>           Same as Plan 1.</p> | <p><b>Creditable Service</b><br/> <b><u>Defined Benefit Component:</u></b><br/>           Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> |
|  |   | <p><b><u>Defined Contribution Component:</u></b><br/>           Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>  |
| <p><b>Vesting</b><br/>           Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.<br/><br/>           Members are always 100% vested in the contributions that they make.</p>           | <p><b>Vesting</b><br/>           Same as Plan 1.</p>            | <p><b>Vesting</b><br/> <b><u>Defined Benefit Component:</u></b><br/>           Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service.<br/><br/>           Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>   |



**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

| <b>RETIREMENT PLAN PROVISIONS</b>   |   |  |
|---|---|--|
| <b>PLAN 1</b>   | <b>PLAN 2</b>   | <b>HYBRID RETIREMENT PLAN</b>  |
|   |   | <p><b><u>Defined Contributions Component:</u></b><br/>                     Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p> |
| <p><b>Calculating the Benefit</b><br/>                     The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p> | <p><b>Calculating the Benefit</b><br/>                     See definition under Plan 1.</p> | <p><b>Calculating the Benefit</b><br/> <b><u>Defined Benefit Component:</u></b><br/>                     See definition under Plan 1.</p> <p><b><u>Defined Contribution Component:</u></b><br/>                     The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions</p>  |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

| <b>RETIREMENT PLAN PROVISIONS</b>  |   |   |
|--|---|---|
| <b>PLAN 1</b>  | <b>PLAN 2</b>   | <b>HYBRID RETIREMENT PLAN</b>   |
| <p><b>Average Final Compensation</b><br/>                     A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>                                 | <p><b>Average Final Compensation</b><br/>                     A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>  | <p><b>Average Final Compensation</b><br/>                     Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>   |
| <p><b>Service Retirement Multiplier</b><br/> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> | <p><b>Service Retirement Multiplier</b><br/> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> | <p><b>Service Retirement Multiplier</b><br/> <b>Defined Benefit Component:</b><br/> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>                                      |
| <p><b>Normal Retirement Age</b><br/> <b>VRS:</b> Age 65.</p>   | <p><b>Normal Retirement Age</b><br/> <b>VRS:</b> Normal Social Security retirement age.</p>   | <p><b>Normal Retirement Age</b><br/> <b>Defined Benefit Component:</b><br/> <b>VRS:</b> Same as Plan 2.</p> <p><b>Defined Contribution Component:</b><br/>                     Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>  |
| <p><b>Earliest Unreduced Retirement Eligibility</b><br/> <b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or age 50 with at least 30 years of creditable service.</p>                                 | <p><b>Earliest Unreduced Retirement Eligibility</b><br/> <b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p>   | <p><b>Earliest Unreduced Retirement Eligibility</b><br/> <b>Defined Benefit Component:</b><br/> <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Defined Contribution Component:</b><br/>                     Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

| <b>RETIREMENT PLAN PROVISIONS</b>  |   |   |
|--|---|---|
| <b>PLAN 1</b>  | <b>PLAN 2</b>   | <b>HYBRID RETIREMENT PLAN</b>   |
| <p><b>Earliest Reduced Retirement Eligibility</b><br/> <b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>   | <p><b>Earliest Reduced Retirement Eligibility</b><br/> <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p>   | <p><b>Earliest Reduced Retirement Eligibility</b><br/> <b>Defined Benefit Component:</b><br/> <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.<br/> <b>Defined Contribution Component:</b><br/>                     Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b><br/>                     The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p>  | <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b><br/>                     The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> | <p><b>Cost-of-Living Adjustment (COLA) in Retirement</b><br/> <b>Defined Benefit Component:</b><br/>                     Same as Plan 2.<br/> <b>Defined Contribution Component:</b><br/>                     Not applicable.</p>   |
| <p><b>Eligibility:</b><br/>                     For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from retirement date.<br/>                     For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> | <p><b>Eligibility:</b><br/>                     Same as Plan 1.</p>   | <p><b>Eligibility:</b><br/>                     Same as Plan 1 and Plan 2.</p>  |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

| <b>RETIREMENT PLAN PROVISIONS</b>   |   |   |
|---|---|---|
| <b>PLAN 1</b>   | <b>PLAN 2</b>   | <b>HYBRID RETIREMENT PLAN</b>   |
| <p><b>Exceptions to COLA Effective Dates:</b><br/>                     The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul> | <p><b>Exceptions to COLA Effective Dates:</b><br/>                     Same as Plan 1.</p>  | <p><b>Exceptions to COLA Effective Dates:</b><br/>                     Same as Plan 1 and Plan 2.</p>   |
| <p><b>Disability Coverage</b><br/>                     Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>  | <p><b>Disability Coverage</b><br/>                     Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> | <p><b>Disability Coverage</b><br/>                     Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the VLDP unless their local governing body provides and employer-paid comparable program for its members.<br/><br/>                     Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p> |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

| RETIREMENT PLAN PROVISIONS  |  |   |
|---|--|---|
| PLAN 1  | PLAN 2   | HYBRID RETIREMENT PLAN  |
| <p><b>Purchase of Prior Service</b><br/> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p> | <p><b>Purchase of Prior Service</b><br/> Same as Plan 1.</p> | <p><b>Purchase of Prior Service</b><br/> <u><b>Defined Benefit Component:</b></u><br/> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <p><u><b>Defined Contribution Component:</b></u><br/> Not applicable.</p> |

*Employees Covered by Benefit Terms* – As of the June 30, 2018 and 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

|  | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Inactive members or their beneficiaries currently receiving benefits | 98          | 92          |
| Inactive Members:  |             |             |
| Vested   | 50          | 44          |
| Nonvested  | 138         | 131         |
| Active elsewhere in VRS  | 50          | 48          |
| Total Inactive Members   | <u>238</u>  | <u>223</u>  |
| Active members   | 290         | 292         |
| Total  | <u>626</u>  | <u>607</u>  |

*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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Commission’s contractually required contribution rate was 5.99% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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.

# TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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### Note 15—Defined benefit pension plan (continued)

Contributions to the pension plan from the Commission were \$610,144 and \$943,032 for the year ended June 30, 2019 and 2018, respectively.

*Net Pension Liability (Asset)* – The Commission’s net pension liability (asset) reported for the fiscal year ended June 30, 2019 was measured as of June 30, 2018. The Total Pension Liability (“TPL”) used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

The Commission’s net pension liability reported for fiscal year ended June 30, 2018 was measured as of June 30, 2017. The Total Pension Liability (“TPL”) used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

*Actuarial Assumptions* – The TPL for General Employees in the Commission’s Retirement Plan was based on an actuarial valuation as of June 30, 2017 and June 30, 2016, respectively, 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, 2018 and June 30, 2017.

|                                       |   |
|---------------------------------------|---|
| Inflation                             | 2.5%  |
| Salary increases, including inflation | 3.5% - 5.35%  |
| Investment rate of return             | 7.0%, net of pension plan investment expenses, including inflation* |

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for U.S. GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

### Largest 10 - Non-Hazardous Duty:

Mortality rates: 20% of deaths are assumed to be service related.

#### Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

#### Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

#### Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

**All Others (Non 10 Largest) – Non-Hazardous Duty:**

Mortality rates: 15% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

*Long-Term Expected Rate of Return* – The long-term expected rate of return on pension 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 investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u>             | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|-------------------------------|--------------------------------------|---|---|
| Public Equity                 | 40.00%                               | 4.54%   | 1.82%   |
| Fixed Income                  | 15.00%                               | 0.69%   | 0.10%   |
| Credit Strategies             | 15.00%                               | 3.96%   | 0.59%   |
| Real Assets                   | 15.00%                               | 5.76%   | 0.86%   |
| Private Equity                | 15.00%                               | 9.53%   | 1.43%   |
| Total                         | <u>100.00%</u>                       |   | <u>4.80%</u>  |
|                               | Inflation                            |   | <u>2.50%</u>  |
|                               | * Expected arithmetic nominal return |   | <u>7.30%</u>  |

\*The above allocation provides a one-year return of 7.30%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

*Discount Rate* – The discount rate used to measure the TPL was 7.00%. The projection of cash flows, used to determine the discount rate, assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions: political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 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 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 TPL.

**Changes in Net Pension Liability (Asset)**

|  | <b>Total Pension<br/>Liability (a)</b> | <b>Plan<br/>Fiduciary Net<br/>Position (b)</b> | <b>Net Pension<br/>Liability (Asset)<br/>(a) - (b)</b> |
|--|--|--|--|
| Balances at June 30, 2017  | \$ 37,535,599                          | \$ 39,832,154                                  | \$ (2,296,555)   |
| Changes for the year:  |  |  |  |
| Service cost   | 1,549,494                              | -  | 1,549,494  |
| Interest   | 2,572,874                              | -  | 2,572,874  |
| Difference between expected and actual                           | 12,952                                 | -  | 12,952   |
| Contributions - employer   | -                                      | 943,256  | (943,256)  |
| Contributions - employee   | -                                      | 820,005  | (820,005)  |
| Net investment income  | -                                      | 2,963,678                                      | (2,963,678)  |
| Benefit payments, including refunds of<br>employee contributions | (1,560,504)                            | (1,560,504)                                    | -  |
| Administrative expense   | -                                      | (24,923)                                       | 24,923   |
| Other  | -                                      | (2,667)  | 2,667  |
| Net changes  | 2,574,816                              | 3,138,845                                      | (564,029)  |
| Balances at June 30, 2018  | \$ 40,110,415                          | \$ 42,970,999                                  | \$ (2,860,584)   |



**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

**Changes in Net Pension Liability (Asset) (continued)**

|  | <b>Total Pension<br/>Liability (a)</b> | <b>Fiduciary Net<br/>Position (b)</b> | <b>Liability (Asset)<br/>(a) - (b)</b> |
|--|--|---------------------------------------|--|
| Balances at June 30, 2016  | \$ 35,789,182                          | \$ 34,965,484                         | \$ 823,698                             |
| Changes for the year:  |  |                                       |  |
| Service cost   | 1,722,982                              | -                                     | 1,722,982                              |
| Interest   | 2,458,439                              | -                                     | 2,458,439                              |
| Changes of assumptions   | (608,159)                              | -                                     | (608,159)                              |
| Difference between expected and actual                           | (489,591)                              | -                                     | (489,591)                              |
| Contributions - employer   | -                                      | 979,749                               | (979,749)                              |
| Contributions - employee   | -                                      | 919,527                               | (919,527)                              |
| Net investment income  | -                                      | 4,332,554                             | (4,332,554)                            |
| Benefit payments, including refunds of<br>employee contributions | (1,337,254)                            | (1,337,254)                           | -                                      |
| Administrative expense   | -                                      | (24,013)                              | 24,013                                 |
| Other  | -                                      | (3,893)                               | 3,893                                  |
| Net changes  | 1,746,417                              | 4,866,670                             | (3,120,253)                            |
| Balances at June 30, 2017  | \$ 37,535,599                          | \$ 39,832,154                         | \$ (2,296,555)                         |

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following represents the net pension liability (asset) calculated using the stated discount rate, as well as what the net position liability (asset) 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:

|  | <b>6.00%</b> | <b>Rate 7.00%</b> | <b>8.00%</b>   |
|--|--------------|-------------------|----------------|
| June 30, 2018 Plan's net pension liability (asset) | \$ 2,433,723 | \$ (2,860,584)    | \$ (7,261,758) |
| June 30, 2017 Plan's net pension liability (asset) | \$ 2,747,420 | \$ (2,296,555)    | \$ (6,483,757) |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2019 AND 2018*

**Note 15—Defined benefit pension plan (continued)**

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –*  
 For the years ended June 30, 2019 and 2018, the Commission recognized pension (benefit) expense of \$(265,554) and \$52,677, respectively. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|--|---|--|
| Employer contributions made subsequent to measurement date               | \$ 610,144                                    | \$ -   |
| Differences between expected and actual experience                       | 9,374   | 310,821                                      |
| Changes of assumptions   | -   | 286,381                                      |
| Net difference between projected and actual earnings on plan investments | -   | 396,349                                      |
|  | <u>\$ 619,518</u>                             | <u>\$ 993,551</u>                            |

\$610,144 reported as deferred outflows of resources related to pensions resulting from the commissions contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year end June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions as of June 30, 2019 will be recognized in pension expense as follows:

|      |                     |
|------|---------------------|
| 2020 | \$ (260,842)        |
| 2021 | (284,578)           |
| 2022 | (404,897)           |
| 2023 | (33,860)            |
| 2024 | -                   |
|      | <u>\$ (984,177)</u> |

At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|--|---|--|
| Employer contributions made subsequent to measurement date               | \$ 943,032                                    | \$ -   |
| Difference between expected and actual experience                        | -   | 571,388                                      |
| Changes of assumptions   | -   | 447,270                                      |
| Net difference between projected and actual earnings on plan investments | -   | 610,300                                      |
|  | <u>\$ 943,032</u>                             | <u>\$ 1,628,958</u>                          |

\$943,032 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in fiscal year end June 30, 2019.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

**Retirement Plan of the Transportation District Commission of Hampton Roads**

*Plan Description* – Effective January 1, 2012, the Transit Employees of Tidewater Disability and Retirement Allowance Plan and Retirement Plan of Hampton Roads Transportation District Commission merged to become Retirement Plan of the Transportation District Commission of Hampton Roads (“Plan”). The Plan represents Transit Management Company, a wholly owned subsidiary of the Commission, which covers principally those employees subject to the Commission’s union bargaining agreement between the Commission and the Local Union 1177 (“Union”), Norfolk, Virginia, of the Amalgamated Transit Union, dated July 1, 2010. The Plan is a single employer defined benefit plan administered by the Transportation District Commission of Hampton Roads. The Plan provides pensions for all collectively bargained employees of HRT.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported to the Commission. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

*Employees Covered by Benefit Terms* – As of the December 31, 2018 and 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

|  | <u>2018</u> | <u>2017</u>  |
|--|-------------|--------------|
| Inactive members or their beneficiaries currently receiving benefits | 325         | 302          |
| Inactive members entitled to but not yet receiving benefits          | 43          | 102          |
| Active members   | <u>580</u>  | <u>618</u>   |
| Total  | <u>948</u>  | <u>1,022</u> |

*Benefits Provided* – All collectively bargained employees are eligible to participate in the Plan upon completion of 60 consecutive days of service. Benefits vest after completing ten years of service. Employees who retire after age 65 with 10 years of service, age 61 where the sum of age and years of service is greater than or equal to 85, or any age with at least 25 years of service are entitled to a retirement benefit. The monthly benefit is determined using a formula of 1.6% of Final Average Monthly Compensation (the employees’ highest five-year average monthly compensation, plus any accumulated and unused sick leave at retirement) times years of service. Compensation is limited to \$270,000 per year, per IRC Section 401(a)(17).

*Contributions* – The Plan is subject to minimum funding standards set out in the collective bargaining agreement. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees contribute 3% of compensation to fund the plan with a minimum contribution of \$10. The Commission is required to contribute the remainder of the actuarially determined rate, unless that rate falls outside of the predefined corridor of 7.5% to 9.5% of total compensation with a minimum contribution of \$40. To the extent the value of unused sick leave is included in the compensation used to determine retirement benefits, the employer contributes an amount equal to the combined employer and employee contribution rate on that value to the Plan. For the fiscal year ended June 30, 2018, the actuarially determined total rate was 10.50% of annual pay. For the fiscal year ended June 30, 2019, there were no changes in plan provisions from the previous measurement date. Contributions to the pension plan from the Commission were \$943,256 and \$979,749 for the years ended June 30, 2019 and 2018, respectively.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

*Discount Rate* – The discount rate used to measure the Total Pension Liability (TPL) was 7.00% as of December 31, 2018 and December 31, 2017. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are included. Projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Net Pension Liability* – The Commission's net pension liability was measured as of December 31, 2018. The TPL used to calculate the net pension liability was determined by an actuarial valuation performed as of January 1, 2019, using updated actuarial assumptions.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following represents the Net Pension Liability ("NPL") of the Plan as of December 31, 2018 using the discount rate of 7.00%, as well as what the Plan's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

|  | <b>1% Decrease</b> | <b>Current Discount</b> | <b>1% Increase</b> |
|--|--------------------|-------------------------|--------------------|
|  | <b>6.00%</b>       | <b>Rate 7.00%</b>       | <b>8.00%</b>       |
| December 31, 2018 Plan's net pension liability (asset) | \$ 20,496,380      | \$ 12,438,865           | \$ 5,617,652       |
| December 31, 2017 Plan's net pension liability (asset) | \$ 16,395,243      | \$ 8,046,181            | \$ 1,000,470       |

*Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

|                             |   |
|-----------------------------|---|
| Aggregate payroll increases | 3.50%   |
| Individual salary increases | 7.75% for the first five years after date of hire, 3.75% thereafter |
| Investment rate of return   | 7.00%, net of pension plan investment expense                       |

Pre-retirement mortality rates were based on the RP-2014 Blue Collar Employee Mortality Table, set forward two years and projected generationally using Scale MP2016 from 2014. Mortality rates for nondisabled pensioners were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table, set forward two years and projected generationally using Scale MP2016 from 2014. Mortality rates for disabled pensioners were based on RP-2014 Disabled Retiree Mortality Table, set forward two years and projected generationally using Scale MP2016 from 2014.

The underlying tables with generational projection to the ages of the participants as of the measurement date reasonably reflect the mortality experience of the Plan as of the measurement date. These mortality tables were then adjusted to future years using the generational projection to anticipate mortality improvement between the measurement date and those years.

The mortality rates were based on historical and current demographic data, estimated future experience, and professional judgment. As part of the analysis, a comparison was made between the actual number of deaths and the projected number of deaths based on the prior years' assumption over the most recent five years.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2018 are summarized in the following table:

| <u>Asset Class</u>                     | <u>Target<br/>Asset<br/>Allocation</u> | <u>Long-Term<br/>Real Rate<br/>of Return</u> |
|--|--|--|
| Domestic equity                        | 35.00%                                 | 6.70%  |
| International developed markets equity | 8.00%                                  | 7.20%  |
| Emerging markets equity                | 2.00%                                  | 10.10%                                       |
| Core fixed income                      | 30.00%                                 | 2.20%  |
| Emerging market debt                   | 10.00%                                 | 4.40%  |
| Alternative investments                | 10.00%                                 | 4.10%  |
| Real estate                            | 5.00%                                  | 5.00%  |
|  | <u>100%</u>                            |  |

**Changes in Net Pension Liability**

| <u>Asset Class</u>                                | <u>Total Pension<br/>Liability (a)</u> | <u>Plan Fiduciary<br/>Net Position (b)</u> | <u>Long-Term<br/>Net Position<br/>Liability (a) - (b)</u> |
|---|--|--|---|
| Balances at December 31, 2017                     | <u>\$ 75,113,541</u>                   | <u>\$ 67,067,360</u>                       | <u>\$ 8,046,181</u>                                       |
| Changes for the year:                             |  |  |   |
| Service cost                                      | 2,170,056                              | -  | 2,170,056   |
| Interest  | 5,256,473                              | -  | 5,256,473   |
| Contributions - employer                          | -                                      | 2,243,867                                  | (2,243,867)   |
| Contributions - employee                          | -                                      | 860,429                                    | (860,429)   |
| Difference between expected and actual experience | (3,400,081)                            | -  | (3,400,081)   |
| Net investment income                             | -                                      | (3,342,739)                                | 3,342,739   |
| Benefit payments, net of refunds                  | (4,382,248)                            | (4,382,248)                                | -   |
| Administrative expense                            | -                                      | (130,789)                                  | 130,789   |
| Other changes                                     | -                                      | 2,996                                      | (2,996)   |
| Net changes                                       | <u>(355,800)</u>                       | <u>(4,748,484)</u>                         | <u>4,392,684</u>  |
| Balances at December 31, 2018                     | <u>\$ 74,757,741</u>                   | <u>\$ 62,318,876</u>                       | <u>\$ 12,438,865</u>                                      |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

| <u>Asset Class</u>               | <u>Total Pension Liability (a)</u> | <u>Plan Fiduciary Net Position (b)</u> | <u>Long-Term Net Position Liability (a) - (b)</u> |
|----------------------------------|------------------------------------|--|---|
| Balances at December 31, 2016    | \$ 72,048,214                      | \$ 59,860,743                          | \$ 12,187,471                                     |
| Changes for the year:            |                                    |  |   |
| Service cost                     | 2,096,672                          | -                                      | 2,096,672   |
| Interest                         | 5,047,386                          | -                                      | 5,047,386   |
| Contributions - employer         | -                                  | 2,333,012                              | (2,333,012)                                       |
| Contributions - employee         | -                                  | 877,097                                | (877,097)   |
| Net investment income            | -                                  | 8,188,123                              | (8,188,123)                                       |
| Benefit payments, net of refunds | (4,078,731)                        | (4,078,731)                            | -   |
| Administrative expense           | -                                  | (112,884)                              | 112,884   |
| Net changes                      | <u>3,065,327</u>                   | <u>7,206,617</u>                       | <u>(4,141,290)</u>                                |
| Balances at December 31, 2017    | <u>\$ 75,113,541</u>               | <u>\$ 67,067,360</u>                   | <u>\$ 8,046,181</u>                               |

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –* For the years ended June 30, 2019 and 2018, the Commission recognized pension expense of \$3,445,955 and \$2,774,444, respectively. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---------------------------------------|--------------------------------------|
| Difference between expected and actual experience                        | \$ 282,016                            | \$ 2,689,850                         |
| Employer contributions made subsequent to measurement date               | 2,293,699                             | -                                    |
| Change in assumptions  | 1,205,236                             | -                                    |
| Net difference between projected and actual earnings on plan investments | 4,566,922                             | -                                    |
|  | <u>\$ 8,347,873</u>                   | <u>\$ 2,689,850</u>                  |

\$2,293,699 reported as deferred outflows of resources related to pensions resulting from the Commissions contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2019 will be recognized in pension expense as follows:

|      |                     |
|------|---------------------|
| 2020 | \$ 1,769,687        |
| 2021 | 312,322             |
| 2022 | 82,465              |
| 2023 | 1,199,850           |
|      | <u>\$ 3,364,324</u> |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 15—Defined benefit pension plan (continued)**

At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Difference between expected and actual experience                        | \$ 415,674                                    | \$ 308,505                                   |
| Employer contributions made subsequent to measurement date               | 2,131,684                                     | -  |
| Change in assumptions  | 2,057,919                                     | -  |
| Net difference between projected and actual earnings on plan investments | -   | 1,991,360                                    |
|  | <u>\$ 4,605,277</u>                           | <u>\$ 2,299,865</u>                          |

\$2,131,684 reported as deferred outflows of resources related to pensions resulting from the Commissions contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in fiscal year ended June 30, 2019.

**Note 16—Other postemployment benefit programs**

**Group Life Insurance**

*Plan Description* – All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by VRS, along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

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

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

|   |
|---|
| <p><b>Eligible Employees</b></p> <p>The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City Schools Board</li> </ul> <p>Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p> |
|---|

# TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

### Benefit Amounts

The benefits payable under the GLI Program have several components.

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - Accidental dismemberment benefit
  - Safety belt benefit
  - Repatriation benefit
  - Felonious assault benefit
  - Accelerated death benefit option

### Reduction in Benefit Amounts

The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

### Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

*Contributions* – The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the Commission were \$90,044 and \$89,584 for the year ended June 30, 2019 and 2018, respectively.

*GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB* – At June 30, 2019 and 2018, the Commission reported a liability of \$1,377,000 and \$1,421,000, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of June 30, 2018 and 2017. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the years ended June 30, 2018 and 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018 and 2017, the Commission's proportion was .09071% and .09465%, respectively.

For the year ended June 30, 2019 and 2018, the Commission recognized GLI OPEB expense of \$-0- and \$13,000, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.



**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2019 AND 2018*

**Note 16—Other postemployment benefit programs (continued)**

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

|   | <b>2019</b>                                   |  |
|---|---|--|
|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
| Differences between expected and actual experience                                      | \$ 67,000                                     | \$ 25,000                                    |
| Net difference between projected and actual earnings on GLI<br>OPEB program investments | -   | 45,000                                       |
| Change in assumptions   | -   | 57,000                                       |
| Changes in proportion   | -   | 52,000                                       |
| Employer contributions subsequent to the measurement date                               | 90,044  | -  |
| Total   | <u>\$ 157,044</u>                             | <u>\$ 179,000</u>                            |

\$90,044 reported as deferred outflows of resources related to the GLI OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows for years ended:

|            |                     |
|------------|---------------------|
| FY 2020    | \$ (30,000)         |
| FY 2021    | (30,000)            |
| FY 2022    | (30,000)            |
| FY 2023    | (18,000)            |
| FY 2021    | (6,000)             |
| Thereafter | 2,000               |
|            | <u>\$ (112,000)</u> |

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

|   | <b>2018</b>                                   |  |
|---|---|--|
|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
| Differences between expected and actual experience                                      | \$ -  | \$ 32,000                                    |
| Net difference between projected and actual earnings on GLI<br>OPEB program investments | -   | 53,000                                       |
| Change in assumptions   | -   | 73,000                                       |
| Employer contributions subsequent to the measurement date                               | 89,584  | -  |
| Total   | <u>\$ 89,584</u>                              | <u>\$ 158,000</u>                            |

\$89,584 reported as deferred outflows of resources related to the GLI OPEB resulting from the Commission's contributions subsequent to the measurement date was recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ended June 30, 2019.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS  
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 16—Other postemployment benefit programs (continued)**

**Disability program**

*Plan Description* – All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee VLDP. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the VLDP.

The specific information for each plan and the eligibility for covered groups within each plan are described in the table below:

| <b>POLITICAL SUBDIVISION EMPLOYEE<br/>VLDP PLAN PROVISIONS</b> |   |
|--|---|
| <b>Eligible Employees</b>                                      | <p>The Political Subdivision Employee VLDP was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits</p> <p>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none"> <li>• Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.</li> </ul>   |
| <b>Benefit Amounts</b>   | <p>The Political Subdivision Employee VLDP provides the following benefits for eligible employees:</p> <p><b><u>Short-Term Disability</u></b> –</p> <ul style="list-style-type: none"> <li>• The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.</li> <li>• During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related of work-related disability.</li> <li>• Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.</li> </ul> <p><b><u>Long-Term Disability</u></b> –</p> <ul style="list-style-type: none"> <li>• The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.</li> <li>• Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.</li> </ul> |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 16—Other postemployment benefit programs (continued)**

**VLDP Notes:**

- Members approved for short-term or long-term disability at age 60 or older will be eligible for benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long term care services.

*Contributions* – The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision’s contractually required employer contribution rate for the year ended June 30, 2019 was 0.72% of covered employee compensation for employees in the VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate 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 from the Commission to the VLDP were \$45,498 and \$31,131 for the years ended June 30, 2019 and June 30, 2018, respectively.

*VLDP OPEB Liabilities, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB* – At June 30, 2019 and 2018, the Commission reported a liability of \$16,000 and \$12,000, respectively, for its proportionate share of the VLDP Net OPEB Liability. The Net VLDP OPEB Liability was measured as of June 30, 2018 and 2017, and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2017. The Commission’s proportion of the Net VLDP OPEB Liability was based on the Commission’s actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2018 and 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018 and 2017, the Commission’s proportion of the VRS Political Subdivision Employee VLDP was 2.14917% and 2.21134%, respectively.

For the year ended June 30, 2019 and 2018, the Commission recognized VRS Political Subdivision Employee VLDP OPEB expense of \$37,000 and \$21,000, respectively.

At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee VLDP OPEB from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Change in assumptions                                     | \$ -  | \$ 2,000                                     |
| Differences between expected and actual experience        | -   | 2,000  |
| Employer contributions subsequent to the measurement date | 45,498  | -  |
| Total   | <u>\$ 45,498</u>                              | <u>\$ 4,000</u>                              |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 16—Other postemployment benefit programs (continued)**

\$45,498 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Commission’s contributions subsequent to the measurement date will be recognized as a reduction of the VLDP OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to the VLDP OPEB will also be recognized in the VLDP OPEB expense in future reporting periods as follows for years ending:

|            |                   |
|------------|-------------------|
| FY 2020    | \$ (1,000)        |
| FY 2021    | (1,000)           |
| FY 2022    | -                 |
| FY 2023    | (1,000)           |
| FY 2024    | (1,000)           |
| Thereafter | -                 |
|            | <u>\$ (4,000)</u> |

At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee VLDP OPEB from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Change in assumptions                                     | \$ -  | \$ 2,000                                     |
| Employer contributions subsequent to the measurement date | 31,131  | -  |
| Total   | <u>\$ 31,131</u>                              | <u>\$ 2,000</u>                              |

\$31,131 reported as deferred outflows of resources related to the VLDP OPEB resulting from the Commission’s contributions subsequent to the measurement date were recognized as a reduction of the VLDP OPEB Liability in the fiscal year ended June 30, 2019.

**Actuarial Assumptions for Other Postemployment Benefits:**

The total OPEB liability was based on an actuarial valuation as of June 30, 2017 and June 30, 2016, respectively, 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, 2018 and June 30, 2017.

- Inflation 2.5%
- Salary increases, including inflation –
  - Locality – General employees 3.5% – 5.35%
- Investment rate of return 7.0%, net of investment expenses, including inflation\*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for U.S. GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 16—Other postemployment benefit programs (continued)**

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

*Net OPEB Liability* – The net OPEB liability (NOL) represents the program’s total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of June 30, 2018 and June 30, 2017, NOL amounts were as follows (amounts expressed in thousands):

|  | <u>2019</u>                                   | <u>2018</u>                                   |
|--|---|---|
|  | <b>Group Life Insurance OPEB Program</b>      | <b>Group Life Insurance OPEB Program</b>      |
| Total GLI OPEB Liability   | \$ 3,113,508                                  | \$ 2,942,426                                  |
| Plan Fiduciary Net Position  | 1,594,773                                     | 1,437,586                                     |
| Employers’ Net GLI OPEB Liability  | <u>\$ 1,518,735</u>                           | <u>\$ 1,504,840</u>                           |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability  | 51.22%  | 48.86%  |
|  | <u>2019</u>                                   | <u>2018</u>                                   |
|  | <b>Virginia Local Disability OPEB Program</b> | <b>Virginia Local Disability OPEB Program</b> |
| Total VLDP OPEB Liability  | \$ 1,588                                      | \$ 914  |
| Plan Fiduciary Net Position  | 816   | 351   |
| Employers’ Net VLDP OPEB Liability   | <u>\$ 563</u>                                 | <u>\$ 563</u>                                 |
| Plan Fiduciary Net Position as a Percentage of the Total VLDP OPEB Liability | 51.39%  | 38.40%  |

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

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 16—Other postemployment benefit programs (continued)**

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

| <u>Asset Class (Strategy)</u> | <u>Target<br/>Allocation</u>       | <u>Arithmetic<br/>Long-Term<br/>Expected<br/>Rate of Return</u> | <u>Weighted<br/>Average<br/>Long-Term<br/>Expected<br/>Rate of Return</u> |
|-------------------------------|------------------------------------|---|---|
| Public Equity                 | 40.00 %                            | 4.54 %  | 1.82 %  |
| Fixed Income                  | 15.00 %                            | 0.69 %  | 0.10 %  |
| Credit Strategies             | 15.00 %                            | 3.69 %  | 0.59 %  |
| Real Assets                   | 15.00 %                            | 5.76 %  | 0.86 %  |
| Private Equity                | 15.00 %                            | 9.53 %  | 1.43 %  |
|                               | <u>100.00 %</u>                    |   | <u>4.80 %</u>   |
|                               | Inflation                          |   | <u>2.50 %</u>   |
|                               | Expected arithmetic nominal return |   | <u>7.30 %</u>   |

\*The above allocation provides a one-year return of 7.30%. 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. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

*Discount Rate* – The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 forward, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019 AND 2018

**Note 16—Other postemployment benefit programs (continued)**

*Sensitivity of the Political Subdivision’s Proportionate Share Net OPEB Liability to Changes in the Discount Rate* – The following presents the Commission’s proportionate share of the OPEB liability using the discount rate of 7.00%, as well as what the Commission’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

| <u>Group Life Insurance</u>  | <u>1%<br/>Decrease<br/>(6.00%)</u> | <u>Current<br/>Discount Rate<br/>(7.00%)</u> | <u>1%<br/>Increase<br/>(8.00%)</u> |
|--|------------------------------------|--|------------------------------------|
| June 30, 2018 employer’s proportionate share of the GLI Program Net OPEB Liability | \$ 1,800,000                       | \$ 1,377,000                                 | \$ 1,034,000                       |
| June 30, 2017 employer’s proportionate share of the GLI Program Net OPEB Liability | \$ 1,838,000                       | \$ 1,421,000                                 | \$ 1,083,000                       |
| <u>VRS Political Subdivision VLDP</u>  | <u>1%<br/>Decrease<br/>(6.00%)</u> | <u>Current<br/>Discount Rate<br/>(7.00%)</u> | <u>1%<br/>Increase<br/>(8.00%)</u> |
| June 30, 2018 employer’s proportionate share of the VLDP OPEB Liability            | \$ 14,000                          | \$ 16,000                                    | \$ 11,000                          |
| June 30, 2017 employer’s proportionate share of the VLDP OPEB Liability            | \$ 19,000                          | \$ 12,000                                    | \$ 14,000                          |

*Fiduciary Net Positions* – Detailed information about the various VRS pension and OPEB programs’ Fiduciary Net Positions are available in the separately issued VRS 2018 CAFR. A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Hampton Roads Transit Group Life Insurance HRT**

*Plan Description* – Employees within the group “grandfathered retired Northside employees” are covered by a term life insurance plan administered by Minnesota Life Insurance and Ochs, Inc. (“Minnesota Life”). The basic life insurance amount is the amount in force on the date of employment. Benefit payments are made directly from Minnesota Life. The Commission paid Minnesota Life \$167 and \$329 for this benefit for years ended June 30, 2019 and 2018, respectively.

**Note 17—Contingencies**

*Federally Assisted Grant Programs* – The Commission participates in a number of federally assisted grant programs. Although the Commission has been audited in accordance with the provisions of Uniform Guidance, these programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Commission believes such disallowances, if any, will not be significant.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2019 AND 2018*

**Note 18—Retrospective application of a change in accounting principle and restatement of prior period net position**

For fiscal year 2018, the Commission has adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. As a result, the beginning net position was restated as follows:

|                                  | <b>(As Previously<br/>Reported)<br/>June 30, 2017</b> | <b>Effects of<br/>GASB 75</b> | <b>(As Adjusted)<br/>June 30, 2017</b> |
|----------------------------------|---|-------------------------------|--|
| Total assets                     | \$ 331,013,556  | \$ -                          | \$ 331,013,556                         |
| Total deferred outflows          | 9,606,166   | 108,000                       | 9,714,166                              |
| Total liabilities                | 51,568,119  | 1,666,000                     | 53,234,119                             |
| Total deferred inflows           | 919,035   | -                             | 919,035                                |
| Net position:                    |   |                               |  |
| Net investment in capital assets | 292,493,576   | -                             | 292,493,576                            |
| Restricted                       | 3,697,854   | -                             | 3,697,854                              |
| Unrestricted                     | <u>(8,058,862)</u>                                    | <u>(1,558,000)</u>            | <u>(9,616,862)</u>                     |
| Total net position               | <u>\$ 288,132,568</u>                                 | <u>\$ (1,558,000)</u>         | <u>\$ 286,574,568</u>                  |

**Note 19—Subsequent events**

During the first quarter of 2020, the world faced the Coronavirus (COVID-19) pandemic which spread to the United States, including the Hampton Roads region. The Commission has been working in close coordination with its federal partners at the Federal Transit Administration (“FTA”) and state and local governments related to COVID-19 activities. With numerous business closings, lower passenger counts, and free fare assistance provided by the Commission, the long-term financial implications to the Commission are difficult to assess.

The Coronavirus Aid, Relief, and Economic Security (“CARES”) Act of 2020 totaling \$2 trillion was signed into law in March 2020, which provided relief for the economy including \$25 billion specifically for the FTA, which has allocated \$25 billion to recipients of urbanized area and rural area formula funds in proportion to the FY2020 program apportionments. The \$25 billion in funding is provided at 100% federal share with no local match requirements and are eligible for reimbursement of all COVID-19 related operating and capital costs, as well as, all net operating expenses incurred beginning on January 20, 2020. Operating expenses to maintain transit services and costs of administrative leave due to reduced operations during an emergency are also eligible. Based on current allocations, the Commission is scheduled to receive approximately \$61,731,853 from the CARES FTA allocation for urbanized and rural area formula funds.

The Commission is working closely with its state and local partners, financial advisors, and financial institutions, regarding the economic impact to the transportation industry. The Commission’s ability to meet current obligations remains the same; however, the outlook for the transportation industry has been lowered from “Stable” to “Negative” for the foreseeable future. In response, the Commission has reduced operating costs where possible and will continue to work with its partners to assess the situation as it evolves. While the economic impact to the transportation industry may be significant in the short-term, the Commission’s liquidity and the CARES Act Grant will provide a stable financial position during this difficult time.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

YEARS ENDED JUNE 30,

**Virginia Retirement System**

|  | <u>* 2019</u>         | <u>* 2018</u>         | <u>* 2017</u>      | <u>* 2016</u>       |
|--|-----------------------|-----------------------|--------------------|---------------------|
| Total pension liability:   |                       |                       |                    |                     |
| Service cost   | \$ 1,549,494          | \$ 1,722,982          | \$ 1,666,613       | \$ 1,645,945        |
| Interest   | 2,572,874             | 2,458,439             | 2,292,254          | 2,132,196           |
| Changes of assumptions   | -                     | (608,159)             | -                  | -                   |
| Differences between expected and actual experience                         | 12,952                | (489,591)             | (273,907)          | (264,067)           |
| Benefit payments, including refunds of employee contributions              | <u>(1,560,504)</u>    | <u>(1,337,254)</u>    | <u>(1,284,530)</u> | <u>(1,170,235)</u>  |
| Net change in total pension liability                                      | 2,574,816             | 1,746,417             | 2,400,430          | 2,343,839           |
| Total pension liability, beginning of year                                 | <u>37,535,599</u>     | <u>35,789,182</u>     | <u>33,388,752</u>  | <u>31,044,923</u>   |
| Total pension liability, end of year                                       | <u>40,110,415</u>     | <u>37,535,599</u>     | <u>35,789,182</u>  | <u>33,388,762</u>   |
| Plan fiduciary net position:   |                       |                       |                    |                     |
| Contributions - employer   | 943,256               | 979,749               | 977,368            | 934,294             |
| Contributions - employee   | 820,005               | 919,527               | 881,024            | 789,916             |
| Net investment income  | 2,963,678             | 4,332,554             | 617,701            | 1,483,386           |
| Benefit payments, including refunds of employee contributions              | (1,560,504)           | (1,337,254)           | (1,284,530)        | (1,170,235)         |
| Administrative expense   | (24,923)              | (24,013)              | (20,514)           | (19,456)            |
| Other  | <u>(2,667)</u>        | <u>(3,893)</u>        | <u>(256)</u>       | <u>(316)</u>        |
| Net change in plan fiduciary net position                                  | 3,138,845             | 4,866,670             | 1,170,793          | 2,017,589           |
| Plan fiduciary net position, beginning of year                             | <u>39,832,154</u>     | <u>34,965,484</u>     | <u>33,794,691</u>  | <u>31,777,102</u>   |
| Plan fiduciary net position, end of year                                   | <u>42,970,999</u>     | <u>39,832,154</u>     | <u>34,965,484</u>  | <u>33,794,691</u>   |
| Net pension liability (asset), end of year                                 | <u>\$ (2,860,584)</u> | <u>\$ (2,296,555)</u> | <u>\$ 823,698</u>  | <u>\$ (405,929)</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 107%                  | 106%                  | 98%                | 101%                |
| Covered payroll  | \$ 17,227,619         | \$ 17,401,786         | \$ 16,989,819      | \$ 15,945,689       |
| Net pension liability (asset) as a percentage of covered payroll           | -17%                  | -13%                  | 5%                 | -3%                 |

**Note:** Information prior to 2015 is not readily available

\* The measurement date is one year prior.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

YEARS ENDED JUNE 30,

**Retirement Plan of the Transportation District Commission of Hampton Roads**

|  | <u>* 2019</u>        | <u>* 2018</u>       | <u>* 2017</u>        | <u>* 2016</u>        |
|--|----------------------|---------------------|----------------------|----------------------|
| Total pension liability:   |                      |                     |                      |                      |
| Service cost   | \$ 2,170,056         | \$ 2,096,672        | \$ 1,942,521         | \$ 1,937,014         |
| Interest   | 5,256,473            | 5,047,386           | 4,716,744            | 4,465,478            |
| Differences between expected and actual experience                         | (3,400,081)          | -                   | 682,990              | (104,384)            |
| Changes in assumptions   | -                    | -                   | 1,260,323            | 3,109,006            |
| Benefit payments, including refunds of employee contributions              | <u>(4,382,248)</u>   | <u>(4,078,731)</u>  | <u>(3,681,036)</u>   | <u>(3,574,555)</u>   |
| Net change in total pension liability                                      | (355,800)            | 3,065,327           | 4,921,542            | 5,832,559            |
| Total pension liability, beginning of year                                 | <u>75,113,541</u>    | <u>72,048,214</u>   | <u>67,126,672</u>    | <u>61,294,113</u>    |
| Total pension liability, end of year                                       | <u>74,757,741</u>    | <u>75,113,541</u>   | <u>72,048,214</u>    | <u>67,126,672</u>    |
| Plan fiduciary net position:   |                      |                     |                      |                      |
| Contributions - employer   | 2,243,867            | 2,333,012           | 2,184,142            | 2,019,707            |
| Contributions - employee   | 860,429              | 877,097             | 894,542              | 803,688              |
| Net investment income  | (3,342,739)          | 8,188,123           | 4,817,005            | (674,158)            |
| Benefit payments, including refunds of employee contributions              | (4,382,248)          | (4,078,731)         | (3,681,036)          | (3,574,555)          |
| Administrative expense   | (130,789)            | (112,884)           | (128,321)            | (146,392)            |
| Other  | 2,996                | -                   | (329,075)            | -                    |
| Net change in plan fiduciary net position                                  | (4,748,484)          | 7,206,617           | 3,757,257            | (1,571,710)          |
| Plan fiduciary net position, beginning of year                             | <u>67,067,360</u>    | <u>59,860,743</u>   | <u>56,103,486</u>    | <u>57,675,196</u>    |
| Plan fiduciary net position, end of year                                   | <u>62,318,876</u>    | <u>67,067,360</u>   | <u>59,860,743</u>    | <u>56,103,486</u>    |
| Net pension liability, end of year   | <u>\$ 12,438,865</u> | <u>\$ 8,046,181</u> | <u>\$ 12,187,471</u> | <u>\$ 11,023,186</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 83%                  | 89%                 | 83%                  | 84%                  |
| Covered payroll  | \$ 29,517,820        | \$ 28,172,411       | \$ 25,916,719        | \$ 27,075,414        |
| Net pension liability as a percentage of covered payroll                   | 42%                  | 29%                 | 47%                  | 41%                  |

**Note:** Information prior to 2015 is not readily available

\* The measurement date is one year prior.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

YEARS ENDED JUNE 30,

| <u>Date</u>                       | <u>Contractually<br/>Required<br/>Contribution</u> | <u>Contributions in<br/>Relation to<br/>Contractually<br/>Required<br/>Contribution</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>Employer's<br/>Covered<br/>Payroll</u> | <u>Contributions<br/>as a % of<br/>Covered<br/>Payroll</u> |
|-----------------------------------|--|---|---|---|--|
| <b>Virginia Retirement System</b> |  |   |   |   |  |
| 2019                              | \$ 610,144   | \$ 610,144  | \$ -  | \$ 17,270,832                             | 3.53%  |
| 2018                              | \$ 943,032   | \$ 943,032  | \$ -  | \$ 17,227,619                             | 5.47%  |
| 2017                              | \$ 974,399   | \$ 974,399  | \$ -  | \$ 17,401,786                             | 5.60%  |
| 2016                              | \$ 977,271   | \$ 977,271  | \$ -  | \$ 16,989,819                             | 5.75%  |
| 2015                              | \$ 1,029,823                                       | \$ 1,029,823  | \$ -  | \$ 15,945,689                             | 6.46%  |

\*The schedule is intended to show information for 10 years. Information prior to 2015 is not readily available. Additional years will be included as they become available.

| <b>Retirement Plan of Transportation District Commission</b> |              |              |      |               |       |
|--|--------------|--------------|------|---------------|-------|
| 2019   | \$ 2,293,699 | \$ 2,293,699 | \$ - | \$ 29,193,068 | 7.86% |
| 2018   | \$ 2,131,684 | \$ 2,131,684 | \$ - | \$ 29,517,820 | 7.22% |
| 2017   | \$ 2,333,012 | \$ 2,333,012 | \$ - | \$ 28,172,411 | 8.28% |
| 2016   | \$ 2,078,056 | \$ 2,078,056 | \$ - | \$ 25,916,719 | 8.02% |
| 2015   | \$ 1,950,314 | \$ 1,950,314 | \$ - | \$ 27,075,414 | 7.20% |

\*The schedule is intended to show information for 10 years. Information prior to 2015 is not readily available. Additional years will be included as they become available.

| <b>Group Life Insurance Program</b> |           |           |      |               |       |
|-------------------------------------|-----------|-----------|------|---------------|-------|
| 2019                                | \$ 90,044 | \$ 90,044 | \$ - | \$ 17,316,059 | 0.52% |
| 2018                                | \$ 89,584 | \$ 89,584 | \$ - | \$ 17,227,619 | 0.52% |
| 2017                                | \$ 90,599 | \$ 90,599 | \$ - | \$ 17,422,839 | 0.52% |
| 2016                                | \$ 81,644 | \$ 81,644 | \$ - | \$ 17,009,149 | 0.48% |
| 2015                                | \$ 76,653 | \$ 76,653 | \$ - | \$ 15,969,374 | 0.48% |
| 2014                                | \$ 74,219 | \$ 74,219 | \$ - | \$ 15,462,239 | 0.48% |
| 2013                                | \$ 75,274 | \$ 75,274 | \$ - | \$ 15,682,072 | 0.48% |
| 2012                                | \$ 40,916 | \$ 40,916 | \$ - | \$ 14,612,726 | 0.28% |
| 2011                                | \$ 33,175 | \$ 33,175 | \$ - | \$ 11,848,173 | 0.28% |
| 2010                                | \$ 22,466 | \$ 22,466 | \$ - | \$ 8,320,702  | 0.27% |

| <b>Virginia Local Disability Program</b> |           |           |      |              |       |
|--|-----------|-----------|------|--------------|-------|
| 2019                                     | \$ 45,498 | \$ 45,498 | \$ - | \$ 6,319,235 | 0.72% |
| 2018                                     | \$ 31,131 | \$ 31,131 | \$ - | \$ 5,188,540 | 0.60% |
| 2017                                     | \$ 24,364 | \$ 24,364 | \$ - | \$ 4,060,662 | 0.60% |
| 2016                                     | \$ 19,233 | \$ 19,233 | \$ - | \$ 3,205,499 | 0.60% |
| 2015                                     | \$ 11,719 | \$ 11,719 | \$ - | \$ 1,953,239 | 0.60% |
| 2014                                     | \$ 1,355  | \$ 1,355  | \$ - | \$ 225,819   | 0.60% |

\*The schedule is intended to show information for 10 years. Information prior to 2014 is not readily available. Additional years will be included as they become available.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY**

YEARS ENDED JUNE 30,

| <u>Date</u>                              | <u>Employer's Proportion of Net GLI OPEB Liability</u> | <u>Employer's Proportionate Share of Net GLI OPEB Liability</u> | <u>Employer's Covered Payroll</u> | <u>Employer's Proportionate Share of Net GLI OPEB Liability as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability</u> |
|--|--|---|-----------------------------------|--|--|
| <b>Group Life Insurance Program</b>      |  |   |                                   |  |  |
| 2019                                     | 0.09071%   | \$ 1,377,000  | \$ 17,227,619                     | 0.080%   | 51.22%   |
| 2018                                     | 0.09446%   | \$ 1,421,000  | \$ 17,422,839                     | 0.082%   | 48.86%   |
| 2017                                     | 0.09465%   | \$ 1,656,000  | \$ 17,009,149                     | 0.095%   | 41.18%   |
| <b>Virginia Local Disability Program</b> |  |   |                                   |  |  |
| 2019                                     | 2.14917%   | \$ 16,000   | \$ 5,188,540                      | 0.0025%  | 51.39%   |
| 2018                                     | 2.21134%   | \$ 12,000   | \$ 4,060,662                      | 0.0023%  | 38.40%   |
| 2017                                     | 2.59536%   | \$ 10,000   | \$ 3,205,499                      | 0.0025%  | 0.00%  |

\*The schedule is intended to show information for 10 years. Information prior to 2017 is not readily available. Additional years will be included as they become available.

\*\*Per GAAP, net OPEB liability is reported using the measurement date, which is one year prior to the reporting date.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018

**Virginia Retirement Plan**

*Changes of Benefit Terms* – There have been no actuarially significant changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2018 and 2017 are not material.

*Changes of Assumptions* – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**Largest 10 – Non-Hazardous Duty:**

|   |   |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020                            |
| Retirement Rates  | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates  | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates  | Lowered rates   |
| Salary Scale  | No change   |
| Line of Duty Disability   | Increased rate from 14% to 20%  |

**All Others (Non 10 Largest) – Non-Hazardous Duty:**

|   |   |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020                            |
| Retirement Rates  | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates  | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates  | Lowered rates   |
| Salary Scale  | No change   |
| Line of Duty Disability   | Increased rate from 14% to 15%  |

**Largest 10 – Hazardous Duty:**

|   |  |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020 |
| Retirement Rates  | Lowered rates at older ages  |
| Withdrawal Rates  | Adjusted rates to better fit experience                              |
| Disability Rates  | Increased rates  |
| Salary Scale  | No change  |
| Line of Duty Disability   | Increased rate from 60% to 70%                                       |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

*YEARS ENDED JUNE 30, 2019 AND 2018*

**Virginia Retirement Plan (continued)**

**All Others (Non 10 Largest) – Hazardous Duty:**

|   |   |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to a more current mortality table – RP-2014 projected to 2020                            |
| Retirement Rates  | Increased age 50 rates, and lowered rates at older ages   |
| Withdrawal Rates  | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates  | Adjusted rates to better fit experience   |
| Salary Scale  | No change   |
| Line of Duty Disability   | Decreased rate from 60% to 45%  |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018

**Retirement Plan of the Transportation District Commission of Hampton Roads**

|                               |   |
|-------------------------------|---|
| Valuation date                | Actuarially determined contribution rates are calculated as of January 1 <sup>st</sup> 18 months prior to the beginning of the fiscal year in which contributions are reported.   |
| Actuarial cost method         | Entry Age Normal Actuarial Cost Method  |
| Amortization method           | Open level dollar for remaining unfunded liability without benefit improvements   |
| Remaining amortization period | 30 years, with benefit improvements over 5 years closed   |
| Asset valuation method        | The market value of assets less unrecognized returns in each of the last four years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a four-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 20% of the market value of assets. |

Actuarial assumptions:

| Investment rate of return   | 7.00%, net of pension plan investment expense, including inflation.<br><br>The net investment return assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the portfolio's asset classes, as well as the Plan's target asset allocation.   |            |                               |       |    |       |    |    |     |    |     |       |     |    |     |            |      |
|-----------------------------|---|------------|-------------------------------|-------|----|-------|----|----|-----|----|-----|-------|-----|----|-----|------------|------|
| Aggregate payroll increases | 3.50%   |            |                               |       |    |       |    |    |     |    |     |       |     |    |     |            |      |
| Individual salary increases | 7.75% for the first five years after date of hire, 3.75% thereafter   |            |                               |       |    |       |    |    |     |    |     |       |     |    |     |            |      |
| Retirement rates            | <table> <thead> <tr> <th><u>Age</u></th> <th><u>Retirement Probability</u></th> </tr> </thead> <tbody> <tr> <td>50-55</td> <td>7%</td> </tr> <tr> <td>56-59</td> <td>4%</td> </tr> <tr> <td>60</td> <td>10%</td> </tr> <tr> <td>61</td> <td>15%</td> </tr> <tr> <td>62-63</td> <td>40%</td> </tr> <tr> <td>64</td> <td>30%</td> </tr> <tr> <td>65 &amp; older</td> <td>100%</td> </tr> </tbody> </table>  | <u>Age</u> | <u>Retirement Probability</u> | 50-55 | 7% | 56-59 | 4% | 60 | 10% | 61 | 15% | 62-63 | 40% | 64 | 30% | 65 & older | 100% |
| <u>Age</u>                  | <u>Retirement Probability</u>   |            |                               |       |    |       |    |    |     |    |     |       |     |    |     |            |      |
| 50-55                       | 7%  |            |                               |       |    |       |    |    |     |    |     |       |     |    |     |            |      |
| 56-59                       | 4%  |            |                               |       |    |       |    |    |     |    |     |       |     |    |     |            |      |
| 60                          | 10%   |            |                               |       |    |       |    |    |     |    |     |       |     |    |     |            |      |
| 61                          | 15%   |            |                               |       |    |       |    |    |     |    |     |       |     |    |     |            |      |
| 62-63                       | 40%   |            |                               |       |    |       |    |    |     |    |     |       |     |    |     |            |      |
| 64                          | 30%   |            |                               |       |    |       |    |    |     |    |     |       |     |    |     |            |      |
| 65 & older                  | 100%  |            |                               |       |    |       |    |    |     |    |     |       |     |    |     |            |      |
| Mortality rates             | <p>RP-2014 Blue Collar Employee Mortality Table with sex-distinct rates, set forward two years and projected generationally with Scale MP2016 from 2014 for pre-retirement lives.</p> <p>RP-2014 Blue Collar Healthy Annuitant Mortality Table with sex-distinct rates, set forward two years and projected generationally with Scale MP2016 from 2014 for nondisabled pensioner lives.</p> <p>RP-2014 Disabled Retiree Mortality Table with sex-distinct rates, set forward two years and projected generationally with Scale MP2016 from 2014 for disabled pensioner lives.</p> |            |                               |       |    |       |    |    |     |    |     |       |     |    |     |            |      |



**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018

**Group Life Insurance**

*Changes of Benefit Terms* – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

*Changes of Assumptions* – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**Largest Ten Locality Employers - General Employees**

|  |  |
|--|--|
| Mortality Rates (Pre-retirement, postretirement healthy, and disabled) | Updated to a more current mortality table – RP2014 projected to 2020                   |
| Retirement Rates   | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates   | Adjusted termination rates to better fit experience at each age and service year       |
| Disability Rates   | Lowered disability rates   |
| Salary Scale   | No change  |
| Line of Duty Disability  | Increased rate from 14% to 20%   |

**Non-Largest Ten Locality Employers - General Employees**

|  |  |
|--|--|
| Mortality Rates (Pre-retirement, postretirement healthy, and disabled) | Updated to a more current mortality table – RP2014 projected to 2020             |
| Retirement Rates   | Lowered retirement rates at older ages   |
| Withdrawal Rates   | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates   | Increased disability rates   |
| Salary Scale   | No change  |
| Line of Duty Disability  | Increased rate from 60% to 70%   |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018

**Virginia Local Disability Program**

*Changes of Benefit Terms* – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

*Changes of Assumptions* – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

**Largest Ten Locality Employers - General and Non-Hazardous Duty Employees**

|   |  |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020                  |
| Retirement Rates  | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates  | Adjusted termination rates to better fit experience at each year age and service year  |
| Disability Rates  | Lowered disability rates   |
| Salary Scale  | No change  |
| Line of Duty Disability   | Increased rate from 14% to 20%   |

**Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees**

|   |   |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table – RP-2014 projected to 2020                   |
| Retirement Rates  | Lowered retirement rates at older ages and extended final retirement age from 70 to 75. |
| Withdrawal Rates  | Adjusted termination rates to better fit experience at each year age and service        |
| Disability Rates  | Lowered disability rates  |
| Salary Scale  | No change   |
| Line of Duty Disability   | Increased rate from 14 to 15%   |

## **OTHER SUPPLEMENTARY INFORMATION**

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**ENTERPRISE FUND - TRANSIT ACTIVITY**  
**SCHEDULE OF REVENUES - ACTUAL AND BUDGETED**

YEAR ENDED JUNE 30, 2019

|                                       | <u>Actual</u>        | <u>Budgeted</u>      | <u>Actual<br/>Over (Under)<br/>Budget</u> |
|---------------------------------------|----------------------|----------------------|---|
| Revenues:                             |                      |                      |   |
| Passenger fares                       | \$ 15,319,483        | \$ 15,160,400        | \$ 159,083                                |
| Charters and contracts                | 2,261,886            | 2,046,700            | 215,186                                   |
| Auxiliary                             | 1,138,852            | 800,000              | 338,852                                   |
| Nontransportation                     | 107,556              | 60,000               | 47,556                                    |
| Total Revenues                        | <u>18,827,777</u>    | <u>18,067,100</u>    | <u>760,677</u>                            |
| Subsidies and Grants:                 |                      |                      |   |
| Municipal subsidies                   | 42,738,532           | 43,288,900           | (550,368)                                 |
| State operating subsidies             | 20,062,372           | 19,507,900           | 554,472                                   |
| Federal operating grants              | 15,655,534           | 18,024,700           | (2,369,166)                               |
| Total Subsidies and Grants            | <u>78,456,438</u>    | <u>80,821,500</u>    | <u>(2,365,062)</u>                        |
| Total Revenues, Subsidies, and Grants | <u>\$ 97,284,215</u> | <u>\$ 98,888,600</u> | <u>\$ (1,604,385)</u>                     |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**ENTERPRISE FUND - TRANSIT ACTIVITY**  
**SCHEDULE OF EXPENSES - ACTUAL AND BUDGETED**

YEAR ENDED JUNE 30, 2019

|   | <u>Actual</u>        | <u>Budgeted</u>      | <u>Actual<br/>Over (Under)<br/>Budget</u> |
|---|----------------------|----------------------|---|
| Transit Activity Expenses:  |                      |                      |   |
| Labor and fringe benefits   | \$ 62,635,084        | \$ 64,055,800        | \$ (1,420,716)                            |
| Materials and supplies  | 11,726,745           | 10,287,100           | 1,439,645                                 |
| Insurance, net of ordinary recoveries                                   | 2,736,875            | 4,200,900            | (1,464,025)                               |
| Purchase of transportation services                                     | 7,891,394            | 9,006,800            | (1,115,406)                               |
| Contractual services  | 7,864,266            | 8,212,100            | (347,834)                                 |
| Utilities   | 1,160,013            | 1,212,200            | (52,187)                                  |
| Other   | 1,399,934            | 1,913,700            | (513,766)                                 |
| Total Transit Activity Expenses before<br>Depreciation and Amortization | <u>\$ 95,414,311</u> | <u>\$ 98,888,600</u> | <u>\$ (3,474,289)</u>                     |

Reconciliation to expenses shown in the consolidated Statement of Revenues, Expenses, and Changes in Net Position is as follows:

|   |                       |
|---|-----------------------|
| Total transit activity expenses before depreciation | \$ 95,414,311         |
| Depreciation and amortization                       | 29,053,413            |
| Self-insurance net increase in net position         | 407,463               |
|   | <u>\$ 124,875,187</u> |

## **STATISTICAL SECTION**

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS  
CHANGES IN NET POSITION**

**Table I**

LAST TEN FISCAL YEARS

|   | 2019                  | 2018                  | As Restated<br>2017   | 2016                  | 2015                  | As Restated<br>2014   | 2013                  | 2012                  | 2011                  | 2010                  |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Operating Revenues:</b>                        |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Passenger fares                                   | \$ 15,319,483         | \$ 15,619,873         | \$ 15,671,061         | \$ 16,516,616         | \$ 17,058,634         | \$ 16,847,734         | \$ 15,059,102         | \$ 16,563,517         | \$ 15,329,690         | \$ 14,751,980         |
| Charters and contracts                            | 2,261,886             | 2,215,994             | 2,149,290             | 2,148,932             | 2,790,843             | 175,422               | 18                    | 13,742                | 19,200                | 76,800                |
| Vanpool rentals                                   | -                     | -                     | -                     | -                     | 99,010                | 128,864               | 177,911               | 170,138               | 174,831               | 177,058               |
| Auxiliary   | 1,138,852             | 844,716               | 1,124,275             | 916,238               | 1,166,888             | 914,629               | 1,005,820             | 731,827               | 291,817               | 269,226               |
| Nontransportation                                 | 107,556               | 106,243               | 82,600                | 71,677                | 189,307               | 197,249               | 184,424               | 189,229               | 338,116               | 266,398               |
| <b>Total Operating Revenues</b>                   | <b>18,827,777</b>     | <b>18,786,826</b>     | <b>19,027,226</b>     | <b>19,653,463</b>     | <b>21,304,682</b>     | <b>18,263,998</b>     | <b>16,427,275</b>     | <b>17,668,453</b>     | <b>16,153,654</b>     | <b>15,541,462</b>     |
| <b>Operating Expenses:</b>                        |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Labor   | 48,417,080            | 48,466,557            | 48,420,295            | 47,684,198            | 39,565,925            | 38,365,599            | 37,029,933            | 36,459,948            | 31,358,906            | 30,574,713            |
| Fringe benefits                                   | 14,218,004            | 15,812,947            | 15,916,751            | 14,011,406            | 18,679,778            | 17,881,389            | 15,935,969            | 15,919,415            | 14,841,910            | 14,947,924            |
| Depreciation and amortization                     | 29,053,413            | 29,247,649            | 30,433,974            | 29,807,263            | 28,913,830            | 28,280,028            | 30,582,193            | 23,535,796            | 10,561,359            | 11,956,938            |
| Materials and supplies                            | 11,726,745            | 9,980,402             | 11,101,816            | 14,377,178            | 15,355,599            | 14,419,137            | 14,079,082            | 14,309,606            | 12,123,871            | 11,370,908            |
| Purchase of transportation services               | 7,891,394             | 8,549,457             | 8,321,926             | 8,236,318             | 8,364,927             | 8,664,786             | 8,320,274             | 8,094,487             | 8,229,824             | 7,317,820             |
| Contractual services                              | 7,864,266             | 8,187,924             | 8,252,631             | 7,176,841             | 7,212,163             | 6,328,661             | 5,765,101             | 5,665,506             | 4,997,821             | 4,486,524             |
| Insurance - net of ordinary recoveries            | 3,144,338             | 3,166,124             | 4,220,619             | 4,227,990             | 4,860,863             | 3,469,574             | 4,308,865             | 7,196,743             | 3,274,247             | 3,765,591             |
| Utilities   | 1,160,013             | 1,205,506             | 1,307,840             | 1,209,725             | 1,242,038             | 1,402,569             | 1,361,074             | 1,312,737             | 736,784               | 678,685               |
| Other   | 1,399,934             | 968,729               | 1,870,559             | 1,773,808             | 2,315,819             | 1,001,624             | 1,285,981             | 1,083,639             | 960,543               | 669,995               |
| <b>Total Operating Expenses</b>                   | <b>124,875,187</b>    | <b>125,585,295</b>    | <b>129,846,411</b>    | <b>128,504,727</b>    | <b>128,510,942</b>    | <b>119,813,367</b>    | <b>118,668,472</b>    | <b>113,567,777</b>    | <b>87,085,265</b>     | <b>85,768,098</b>     |
| <b>Operating loss before subsidies and grants</b> | <b>(106,047,410)</b>  | <b>(106,798,469)</b>  | <b>(110,819,185)</b>  | <b>(108,851,264)</b>  | <b>(105,206,260)</b>  | <b>(101,549,469)</b>  | <b>(102,241,197)</b>  | <b>(95,899,324)</b>   | <b>(70,931,611)</b>   | <b>(70,226,636)</b>   |
| Subsidies and grants                              | 78,456,438            | 79,828,501            | 80,224,573            | 79,900,451            | 80,140,500            | 74,907,981            | 71,304,102            | 71,066,933            | 60,655,809            | 58,020,430            |
| (expenses)  | (27,590,972)          | (26,969,968)          | (30,594,612)          | (28,950,813)          | (25,065,760)          | (26,641,488)          | (30,937,095)          | (24,832,391)          | (10,375,802)          | (12,206,206)          |
| <b>Other Income (Expenses):</b>                   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Interest income                                   | 145,917               | 49,675                | 17,940                | 12,536                | 2,840                 | 2,079                 | 4,760                 | 3,109                 | 11,460                | 13,535                |
| Interest expense                                  | (342,716)             | (256,016)             | (471,920)             | (516,644)             | (538,750)             | (539,967)             | (631,645)             | (702,559)             | (725,536)             | (911,415)             |
| Pension benefit                                   | -                     | -                     | -                     | (96,529)              | 1,180,335             | -                     | -                     | -                     | -                     | -                     |
| Group life insurance                              | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| Gain (loss) on sale of capital assets             | 21,710                | 162,623               | (303,634)             | 1,497,602             | (56,954)              | (8,313)               | 25,093                | 84,969                | 165,079               | 78,881                |
| VA local disability program                       | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| Noncapitalized grant expenditures                 | (10,264,625)          | (7,875,466)           | (9,304,600)           | (15,976,572)          | (7,747,825)           | (10,201,366)          | (7,802,976)           | (11,313,086)          | (11,680,362)          | (7,210,393)           |
| <b>Total Other Expenses, Net</b>                  | <b>(10,439,714)</b>   | <b>(7,919,184)</b>    | <b>(10,062,214)</b>   | <b>(15,079,607)</b>   | <b>(7,160,354)</b>    | <b>(10,747,567)</b>   | <b>(8,404,768)</b>    | <b>(11,927,567)</b>   | <b>(12,229,359)</b>   | <b>(8,029,392)</b>    |
| Loss before proceeds from capital grants          | (38,030,686)          | (34,889,152)          | (40,656,826)          | (44,030,420)          | (32,226,114)          | (37,389,055)          | (39,341,863)          | (36,759,958)          | (22,605,161)          | (20,235,598)          |
| Proceeds from capital grants                      | 24,563,125            | 19,761,548            | 15,272,596            | 46,398,865            | 19,936,757            | 17,805,078            | 15,764,870            | 44,962,979            | 111,771,158           | 115,596,814           |
| <b>Change in net position</b>                     | <b>(13,467,561)</b>   | <b>(15,127,604)</b>   | <b>(25,384,230)</b>   | <b>1,368,445</b>      | <b>(12,289,357)</b>   | <b>(19,583,977)</b>   | <b>(23,576,993)</b>   | <b>8,203,021</b>      | <b>89,165,997</b>     | <b>95,360,216</b>     |
| Prior period adjustment                           | -                     | -                     | (1,558,000)           | -                     | -                     | (4,588,220)           | -                     | -                     | -                     | -                     |
| Net position, beginning of year                   | 271,446,964           | 286,574,568           | 313,516,798           | 312,148,353           | 324,437,710           | 348,609,907           | 372,186,900           | 363,983,879           | 274,817,882           | 179,457,666           |
| <b>Net position, end of year</b>                  | <b>\$ 257,979,403</b> | <b>\$ 271,446,964</b> | <b>\$ 286,574,568</b> | <b>\$ 313,516,798</b> | <b>\$ 312,148,353</b> | <b>\$ 324,437,710</b> | <b>\$ 348,609,907</b> | <b>\$ 372,186,900</b> | <b>\$ 363,983,879</b> | <b>\$ 274,817,882</b> |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**DEMOGRAPHIC AND OPERATING STATISTICS<sup>1</sup>**

**Table II**

LAST TEN FISCAL YEARS

|   | 2019      | 2018      | 2017      | 2016      | 2015      | 2014      | 2013      | 2012      | 2011      | 2010      |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Cities served <sup>1</sup>                  | 6         | 6         | 6         | 6         | 6         | 6         | 6         | 6         | 7         | 7         |
| Square miles <sup>1</sup>                   | 432       | 432       | 428       | 431       | 421       | 421       | 515       | 515       | 515       | 369       |
| Number of employees <sup>2</sup> :          |           |           |           |           |           |           |           |           |           |           |
| Administrative FT                           | 266       | 280       | 281       | 286       | 284       | 263       | 270       | 261       | 235       | 211       |
| Administrative PT                           | 59        | 77        | 80        | 85        | 90        | 85        | 76        | 81        | 36        | 27        |
| Bargaining Unit FT                          | 585       | 611       | 638       | 629       | 597       | 575       | 573       | 613       | 605       | 562       |
| Bargaining Unit PT                          | 24        | 28        | 24        | 55        | 59        | 79        | 103       | 99        | 134       | 72        |
|   | 934       | 996       | 1,023     | 1,055     | 1,030     | 1,002     | 1,022     | 1,054     | 1,010     | 872       |
| Maintenance facilities <sup>1</sup>         | 6         | 6         | 6         | 6         | 6         | 6         | 6         | 6         | 6         | 5         |
| Gallons of diesel fuel <sup>1</sup>         | 2,353,294 | 2,407,893 | 2,448,638 | 2,503,943 | 2,530,231 | 2,616,249 | 2,535,071 | 2,698,447 | 2,811,773 | 2,874,687 |
| Gallons of gasoline <sup>1</sup>            | 564,771   | 554,583   | 582,744   | 569,396   | 579,115   | 557,185   | 587,615   | 453,533   | 545,282   | 528,579   |
| Kilowatt hours of propulsion <sup>1,3</sup> | 3,494,750 | 3,621,825 | 3,520,125 | 3,678,500 | 3,432,625 | 4,368,975 | 3,387,625 | 2,950,078 | N/A       | N/A       |

<sup>1</sup> Source - National Transit Database

<sup>2</sup> Source - Transportation District Commission of Hampton Roads Human Resources Department

<sup>3</sup> Light Rail started operation in FY12

N/A No information available



**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**OPERATING INDICATORS<sup>1</sup>**

**Table III**

*LAST TEN FISCAL YEARS*

| <b>Fiscal Year</b> | <b>Vehicle Operated in Maximum Service</b> | <b>Annual Vehicle Revenue Miles</b> | <b>Annual Vehicle Revenue Hours</b> | <b>Annual Unlinked Passenger Trips</b> | <b>Passenger Miles Traveled</b> |
|--------------------|--|-------------------------------------|-------------------------------------|--|---------------------------------|
| <b>2010:</b>       |  |                                     |                                     |  |                                 |
| Bus                | 227  | 11,003,538                          | 808,594                             | 14,955,012                             | 98,160,468                      |
| Vanpool            | 55   | 823,994                             | 26,398                              | 171,703                                | 6,025,451                       |
| Demand Response    | 74   | 3,273,196                           | 204,380                             | 307,034                                | 3,444,866                       |
| Ferryboat          | 2  | 12,491                              | 6,218                               | 317,322                                | 160,289                         |
| Total              | 358  | 15,113,219                          | 1,045,590                           | 15,751,071                             | 107,791,074                     |
| <b>2011:</b>       |  |                                     |                                     |  |                                 |
| Bus                | 221  | 10,832,392                          | 799,657                             | 15,815,418                             | 100,436,425                     |
| Vanpool            | 52   | 901,364                             | 24,375                              | 180,000                                | 6,702,708                       |
| Demand Response    | 80   | 3,438,711                           | 218,711                             | 347,499                                | 3,919,622                       |
| Ferryboat          | 2  | 12,552                              | 5,969                               | 295,877                                | 149,529                         |
| Total              | 355  | 15,185,019                          | 1,048,712                           | 16,638,794                             | 111,208,284                     |
| <b>2012:</b>       |  |                                     |                                     |  |                                 |
| Bus                | 240  | 10,494,200                          | 799,786                             | 16,166,441                             | 99,459,300                      |
| Light Rail         | 7  | 323,239                             | 25,478                              | 1,359,915                              | 5,648,374                       |
| Vanpool            | 52   | 945,663                             | 24,641                              | 194,623                                | 7,077,317                       |
| Demand Response    | 84   | 2,692,602                           | 176,932                             | 293,002                                | 2,547,951                       |
| Demand Taxi        | 75   | 778,913                             | 44,023                              | 64,571                                 | 885,535                         |
| Ferryboat          | 2  | 13,479                              | 6,407                               | 382,394                                | 195,216                         |
| Total              | 460  | 15,248,096                          | 1,077,267                           | 18,460,946                             | 115,813,693                     |
| <b>2013:</b>       |  |                                     |                                     |  |                                 |
| Bus                | 234  | 9,975,729                           | 794,369                             | 16,217,920                             | 91,880,790                      |
| Light Rail         | 7  | 376,007                             | 30,345                              | 1,762,284                              | 7,004,670                       |
| Vanpool            | 54   | 943,950                             | 24,474                              | 188,780                                | 6,933,420                       |
| Demand Response    | 82   | 3,451,692                           | 221,875                             | 303,925                                | 2,649,310                       |
| Ferryboat          | 2  | 16,995                              | 6,118                               | 337,210                                | 184,794                         |
| Total              | 379  | 14,764,373                          | 1,077,181                           | 18,810,119                             | 108,652,984                     |
| <b>2014:</b>       |  |                                     |                                     |  |                                 |
| Bus                | 233  | 9,975,085                           | 740,586                             | 15,024,190                             | 75,683,206                      |
| Light Rail         | 6  | 372,032                             | 29,810                              | 1,587,929                              | 6,296,325                       |
| Vanpool            | 47   | 828,572                             | 21,149                              | 159,642                                | 5,343,342                       |
| Demand Response    | 86   | 2,821,403                           | 184,814                             | 311,789                                | 2,487,677                       |
| Ferryboat          | 3  | 15,208                              | 6,375                               | 332,378                                | 236,720                         |
| Total              | 375  | 14,012,300                          | 982,734                             | 17,415,928                             | 90,047,270                      |

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**OPERATING INDICATORS <sup>1</sup>**

**Table III**  
(continued)

LAST TEN FISCAL YEARS

| <b>Fiscal Year</b> | <b>Vehicle Operated in Maximum Service</b> | <b>Annual Vehicle Revenue Miles</b> | <b>Annual Vehicle Revenue Hours</b> | <b>Annual Unlinked Passenger Trips</b> | <b>Passenger Miles Traveled</b> |
|--------------------|--|-------------------------------------|-------------------------------------|--|---------------------------------|
| <b>2015:</b>       |  |                                     |                                     |  |                                 |
| Bus                | 236  | 10,218,494                          | 796,645                             | 14,218,168                             | 65,849,308                      |
| Light Rail         | 6  | 376,456                             | 29,966                              | 1,551,553                              | 5,716,308                       |
| Vanpool            | 33   | 609,793                             | 14,835                              | 97,859                                 | 3,594,392                       |
| Demand Response    | 90   | 3,370,172                           | 213,638                             | 324,510                                | 2,696,590                       |
| Ferryboat          | 3  | 18,955                              | 6,597                               | 294,625                                | 209,583                         |
| Total              | 368  | 14,593,870                          | 1,061,681                           | 16,486,715                             | 78,066,181                      |
| <b>2016:</b>       |  |                                     |                                     |  |                                 |
| Bus                | 236  | 10,616,777                          | 817,866                             | 13,241,512                             | 64,203,470                      |
| Light Rail         | 6  | 393,524                             | 29,955                              | 1,369,483                              | 5,178,799                       |
| Vanpool            | 26   | 445,988                             | 10,845                              | 74,079                                 | 2,818,601                       |
| Demand Response    | 98   | 3,788,225                           | 237,016                             | 351,654                                | 2,948,453                       |
| Ferryboat          | 3  | 19,163                              | 6,658                               | 247,013                                | 181,405                         |
| Total              | 369  | 15,263,677                          | 1,102,340                           | 15,283,741                             | 75,330,728                      |
| <b>2017:</b>       |  |                                     |                                     |  |                                 |
| Bus                | 227  | 10,624,169                          | 827,021                             | 12,586,719                             | 69,866,663                      |
| Light Rail         | 6  | 392,768                             | 29,868                              | 1,405,330                              | 5,005,506                       |
| Vanpool            | 36   | 501,855                             | 13,384                              | 98,621                                 | 3,270,223                       |
| Demand Response    | 103  | 3,804,596                           | 239,679                             | 365,610                                | 3,115,549                       |
| Ferryboat          | 3  | 18,972                              | 6,612                               | 295,983                                | 213,395                         |
| Total              | 375  | 15,342,360                          | 1,116,564                           | 14,752,263                             | 81,471,336                      |
| <b>2018:</b>       |  |                                     |                                     |  |                                 |
| Bus                | 242  | 10,397,860                          | 812,325                             | 11,644,377                             | 61,264,189                      |
| Light Rail         | 6  | 387,609                             | 29,656                              | 1,417,350                              | 4,932,543                       |
| Vanpool            | 44   | 627,442                             | 18,778                              | 122,273                                | 3,867,691                       |
| Demand Response    | 92   | 3,464,857                           | 225,397                             | 355,089                                | 3,438,583                       |
| Demand Taxi        | 10   | 223,264                             | 13,782                              | 17,197                                 | 155,385                         |
| Ferryboat          | 3  | 18,846                              | 6,550                               | 327,661                                | 235,176                         |
| Total              | 397  | 15,119,878                          | 1,106,488                           | 13,883,947                             | 73,893,567                      |
| <b>2019*:</b>      |  |                                     |                                     |  |                                 |
| Bus                | 243  | 10,479,429                          | 816,548                             | 11,102,350                             | 59,926,216                      |
| Light Rail         | 6  | 385,469                             | 29,388                              | 1,428,956                              | 4,798,117                       |
| Vanpool            | 48   | 693,712                             | 20,598                              | 126,761                                | 4,140,665                       |
| Demand Response    | 88   | 3,135,592                           | 203,642                             | 326,443                                | 3,228,117                       |
| Demand Taxi        | 20   | 583,678                             | 32,802                              | 46,933                                 | 479,077                         |
| Ferryboat          | 2  | 18,734                              | 6,516                               | 301,321                                | 214,237                         |
| Total              | 407  | 15,296,614                          | 1,109,494                           | 13,332,764                             | 72,786,429                      |

<sup>1</sup> Source: National Transit Database

\* Preliminary Data

## **COMPLIANCE SECTION**

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

Commissioners  
Transportation District Commission of Hampton Roads  
Hampton, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Transportation District Commission of Hampton Roads (“Commission”), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements and have issued our report thereon dated May 26, 2020.

### **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”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission’s financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or *Specifications for Audits of Authorities, Boards, and Commissions*.

### **Transportation District Commission of Hampton Roads’ Response to the Finding**

The Commission’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

Cheryl Bekant LLP

Virginia Beach, Virginia  
May 26, 2020



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

Commissioners  
Transportation District Commission of Hampton Roads  
Hampton, Virginia

### **Report on Compliance for the Major Federal Program**

We have audited the Transportation District Commission of Hampton Roads' ("Commission") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended June 30, 2019. The Commission's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Commission's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the Commission's compliance.

### **Opinion on the Major Federal Program**

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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

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

*Cherry Bekaert LLP*

Virginia Beach, Virginia  
May 26, 2020

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2019

| Federal Granting Agency/Recipient State<br>Agency/Grant Program/Grant Number | Year | Federal Catalogue Number  | Total Expenditures |
|--|------|---|--------------------|
| <b>Department of Transportation</b>  |      |   |                    |
| Direct Payments  |      |   |                    |
| Federal Transit Administration Capital Improvement Grants:                   |      |   |                    |
| VA-04-0050   | 2011 | Southside Facility Project - Admin Bldg.                                    | 5,667              |
| VA-04-0058   | 2014 | FY12 SGR-Paratransit Vans and TAM   | 363,671            |
|  |      | Total Federal Transit Administration Capital Improvement Grants             | 369,338            |
| Federal Transit Administration Formula Grants:                               |      |   |                    |
| VA-90-X410   | 2014 | FY14 5307 Partial   | 56,780             |
| VA-90-X430   | 2015 | FY 2015 5307 Partial  | 1,649,138          |
| VA-90-X533   | 2017 | 5337, 5307, 5339, STP and CMAQ Grant  | 1,091,115          |
| VA-95-X118   | 2014 | Bus Refurbishment and EMS Project   | 8,051              |
| VA-95-X119   | 2015 | Bus Purchase and TRAFFIX-RSTP/CMA   | 1,196              |
| VA-95-X141   | 2015 | VBTES RSTP  | 1,109,580          |
| VA-95-X167   | 2016 | FY15&16 Partial 5307 and CMAQ grant-PM and TRAFFIX                          | 107,434            |
| VA-95-X178   | 2017 | 5337, 5307, 5339, STP and CMAQ Grant  | 1,781,993          |
| VA-90-X550   | 2019 | HRT's 5339, 5337, 5307, STP and CMAQ Grant                                  | 1,023,366          |
| VA-05-0049   | 2015 | FY12 5309 Fixed Guideway  | 26,751             |
| VA-95-X192   | 2019 | HRT FFY18 STIP and CMAQ   | 597,727            |
| VA-90-X533   | 2017 | 5337, 5307, 5339, STP and CMAQ Grant  | 736,641            |
| VA-90-X546   | 2018 | FY14 Passenger Ferry Discretionary Grant                                    | 480,249            |
| VA-90-X569   | 2019 | FFY2019 Section Capital Cost of Contracting, ADA Complimentary Pa           | 13,637,573         |
|  |      | Total Federal Transit Administration Formula Grants                         | 22,307,594         |
| Passed through from Department of Rail and Public Transportation             |      |   |                    |
| 72514-04   | 2015 | Regional TDM program Traffic  | 161,297            |
| 72516-01   | 2016 | Regional TDM program Traffic  | 3,736              |
|  |      | Total Department of Rail and Public Transportation                          | 165,033            |
| State of Good Repair Grants Program:   |      |   |                    |
| VA-54-0006   | 2019 | HRT FFY 18 STP and CMAQ   | 5,926              |
| VA-54-X001   | 2018 | FY 2017 Capital Cost of Contracting and Preventive Maintenance              | 407,303            |
|  |      | Total State of Good Repair Grants Program                                   | 413,229            |
| Bus Facilities Formula Program:  |      |   |                    |
| VA-34-0011   | 2017 | FY15&16 Partial 5307 and CMAQ grant-PM and TRAFFIX                          | 1,633,187          |
|  |      | Total Bus Facilities Formula Program  | 1,633,187          |
| Federal Transit Administration Job Access and Reverse Commute Program:       |      |   |                    |
| VA-37-X014   | 2011 | Job Access/Reverse Commute  | 36,094             |
| VA-37-X022   | 2014 | JARC Projects - Cycle 6 and 8   | 32,875             |
|  |      | Total Federal Transit Administration Job Access and Reverse Commute Program | 68,969             |
| Federal Transit Administration New Freedom Program:                          |      |   |                    |
| VA-57-X001   | 2011 | New Freedom Grant   | 32,668             |
| VA-57-X004   | 2014 | Cycle 7 and 8 New Freedom Projects  | 21,370             |
|  |      | Total Federal Transit Administration New Freedom Program                    | 54,038             |
|  |      | Subtotal - Transit Services Program Cluster                                 | 123,007            |
|  |      | Total Department of Transportation  | \$ 25,011,388      |

\* The total for Federal Transit Administration Formula Grants Federal Catalogue Number 20.507 is \$22,472,627 for the fiscal year ended June 30, 2019.



**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*YEAR ENDED JUNE 30, 2019*

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**Note 1—General**

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the Transportation District Commission of Hampton Roads.

**Note 2—Basis of accounting**

The accompanying schedule of expenditures of federal awards is presented using the accrual method of accounting.

**Note 3—Indirect cost rate**

The Commission does not elect to use a 10% de minimis indirect cost rate allowed under Section 2 CFR 200.331(a)(4).

# TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

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## A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **Yes, finding 2019-001**
3. Material weaknesses in internal control disclosed by the audit of the financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None reported**
6. Material weaknesses in internal control over major programs: **No**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under Uniform Grant Guidance: **No**
9. The programs tested as major programs were:

**CFDA Number**

20.500-CL

**Name of Federal Program or Cluster**

Federal Transit Cluster

10. Dollar threshold used to distinguish between type A and type B programs: **\$750,342**
11. Transportation District Commission of Hampton Roads qualified as a low-risk auditee under Uniform Grant Guidance: **No**

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

**Finding:** 2019-001

**Type of Finding:** Significant deficiency over financial reporting

**Criteria:**

Journal entries should be reviewed for completeness and accuracy before posting.

**Condition:**

During our testing of journal entries relating to other postemployment benefits and combining grant fund entries, we noted errors that were not detected by management's review of journal entries.

**Cause:**

During fiscal year 2019, the Commission's Finance Department incurred employee turnover resulting in the department being understaffed. The Finance Department staff did not have adequate resources to perform sufficient detailed review of journal entries.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED JUNE 30, 2019*

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**Effect:**

The Commission's other postemployment benefit balances and grant fund balances required adjustments to be properly reported at June 30, 2019.

**Auditor's Recommendation:**

We recommend the Commission dedicate the necessary resources to the Finance Department in order to ensure all journal entries are reviewed in sufficient detail to detect errors prior to being posted.

**Management's Response:**

The Commission reviewed all journal entries prior to posting. The Commission agrees that more experienced staff are needed to thoroughly review complex journal entries.

**C. Findings and Questioned Costs Relating to Federal Awards:**

None reported.

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

None reported.

**TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

*YEAR ENDED JUNE 30, 2019*

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| <u>Comment Description<br/>and Number</u> | <u>Corrected<br/>Yes/No</u> | <u>In Process of<br/>Correcting</u> | <u>Valid<br/>Yes/No</u> | <u>Amount of<br/>Questioned<br/>Cost</u> | <u>Description of<br/>Action Taken<br/>by Commission</u> |
|---|-----------------------------|-------------------------------------|-------------------------|--|--|
|---|-----------------------------|-------------------------------------|-------------------------|--|--|

There were no prior year audit findings.