TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

FINANCIAL REPORT

June 30, 2021

BROWNEDWARDS
certified public accountants

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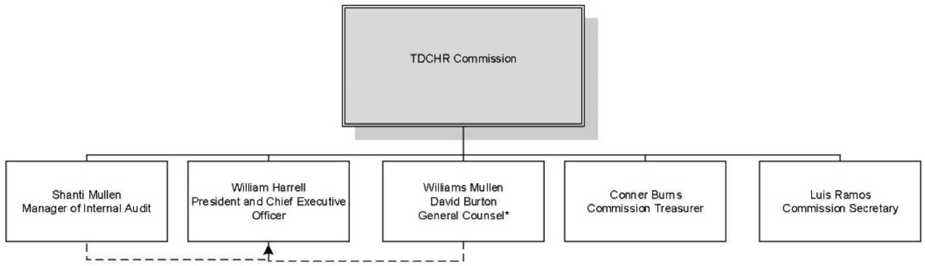
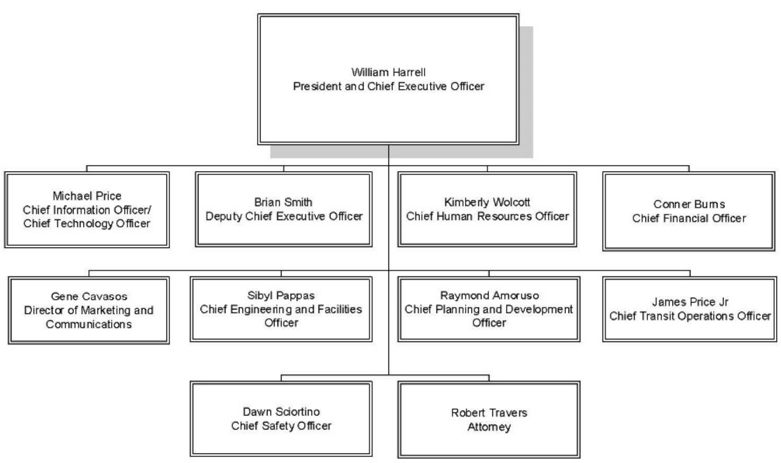
ORGANIZATIONAL CHART



Note: The General Counsel and Manager of Internal Audit 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.

SENIOR EXECUTIVE TEAM



TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

MEMBERS OF THE COMMISSION

Chairman

Jimmy Gray
City of Hampton

Vice-Chairman

Andria McClellan
City of Norfolk

Commissioners

August Bullock
City of Newport News

Douglas W. Fuller
City of Chesapeake

Shannon Glover
City of Portsmouth

Matthew Hamel
City of Chesapeake

Amelia Ross-Hammond
City of Virginia Beach

Kirk Houston
City of Norfolk

Charles B. Hunter
City of Portsmouth

Gaylene Kanoyton
City of Hampton

Jennifer Mitchell
Virginia Department of Rail and Public Transportation

Aaron Rouse
City of Virginia Beach

Patricia P. Woodbury
City of Newport News

TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

EXECUTIVE LEADERSHIP TEAM

President and Chief Executive Officer	William E. Harrell
Deputy Chief Executive Officer	Brian Smith
Chief Financial Officer	Conner Burns
Chief Human Resource Officer	Kimberly Wolcott
Chief Planning and Development Officer	Raymond Amoruso
Chief Information Office/Chief Technology Officer	Michael Price
Chief Safety Officer	Dawn Sciortion
Chief Engineering and Facilities Officer	Sibyl Pappas
Chief Transit Operations Office	James Price Jr.
Director of Marketing and Communications	Gene Cavasos
Attorney	Robert Travers

FINANCE STAFF

Director of Finance	Donna Brumbaugh
Assistance Director of Finance	Adrian Tate
Director of Budget and Financial Analysis	Angela Glass
Director of Procurement	Sonya Luther
Director of Revenue Services	Sheri Dixon

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of
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 year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States and *Specifications 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.

701 Town Center Drive, Suite 700 • Newport News VA 23606 • 757-873-1033 • Fax 757-873-1106 • www.BEcpas.com

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, 2021, and the changes in financial position and 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 required supplementary 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has elected to omit management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission’s basic financial statements. The introductory section is presented for purpose of additional analysis and is 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and related notes 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated August 29, 2023, 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, VA
August 29, 2023

BASIC FINANCIAL STATEMENTS

TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

STATEMENT OF NET POSITION
June 30, 2021

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	$	10,126,500
Due from governments (Note 4)		27,484,010
Accounts receivable		1,062,574
Inventories (Note 5)		10,912,262
Prepaid expenses		4,222,513
Total current assets		53,807,859
NONCURRENT ASSETS		
Capital assets, net (Note 6)		256,047,763
Net pension asset (Note 15)		661,499
Total noncurrent assets		256,709,262
Total assets		310,517,121
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals (Note 15)		5,500,935
Other post-employment benefit deferrals (Note 16)		395,786
Total deferred outflows of resources		5,896,721
Total assets and deferred outflows of resources	$	316,413,842

(Continued)

The Notes to Financial Statements are an integral part of this statement.

TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

STATEMENT OF NET POSITION
June 30, 2021

LIABILITIES	
CURRENT LIABILITIES	
Current portion of long-term capital lease (Note 10)	$ 436,576
Accounts payable	25,545,671
Accrued expenses	7,943,410
Unearned reimbursements (Note 7)	3,972,561
Self-insurance liability (Note 12)	4,394,141
Advanced capital contributions (Note 14)	8,887,475
Total current liabilities	51,179,834
OTHER LIABILITIES	
Notes payable - bank (Note 8)	7,339,057
Long-term capital lease (Note 10)	37,040
Unearned revenues	5,483,012
Net pension liability (Note 15)	71,273
Net other post-employment liabilities (Note 16)	1,452,394
Total long-term liabilities	14,382,776
Total liabilities	65,562,610
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals (Note 15)	7,791,303
Other post-employment benefit deferrals (Note 16)	159,337
Total deferred inflows of resources	7,950,640
Total liabilities and deferred inflows of resources	73,513,250
NET POSITION	
Net investment in capital assets	255,574,147
Restricted for pension	661,499
Unrestricted (deficit)	(13,335,054)
Total net position	242,900,592
Total liabilities, deferred inflows of resources, and net position	$ 316,413,842

The Notes to Financial Statements are an integral part of this statement.

TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2021

OPERATING REVENUES	
Passenger fares	$ 8,445,307
Charters and contracts	2,316,156
Auxiliary	1,022,926
Nontransportation	98,139
Total operating revenues	11,882,528
OPERATING EXPENSES	
Labor	53,539,484
Fringe benefits	12,713,979
Depreciation and amortization	28,689,026
Materials and supplies	10,602,408
Purchase of transportation services	6,812,594
Contractual services	11,151,406
Insurance, net of ordinary recoveries	3,859,971
Utilities	1,158,797
Other	1,506,533
Total operating expenses	130,034,198
Operating loss before subsidies and grants	(118,151,670)
SUBSIDIES AND GRANTS (Note 13)	91,860,835
Operating loss before other income (expenses)	(26,290,835)
OTHER INCOME (EXPENSES)	
Interest income	70,786
Interest expense	(100,063)
Loss on sale of capital assets	(23,446)
Total other expenses	(52,723)
Loss before proceeds from capital grants	(26,343,558)
PROCEEDS FROM CAPITAL GRANTS (Note 13)	30,434,713
Change in net position	4,091,155
NET POSITION	
Beginning of year	238,809,437
End of year	$ 242,900,592

The Notes to Financial Statements are an integral part of this statement.

TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

STATEMENT OF CASH FLOWS
Year Ended June 30, 2021

OPERATING ACTIVITIES	
Receipts from customers and users	$ 11,147,811
Payments to suppliers for goods and services	(67,075,124)
Payments to employees	(24,691,749)
Net cash used by operating activities	(80,619,062)
INVESTING ACTIVITIES	
Interest income	70,786
CAPITAL AND RELATED FINANCING ACTIVITIES	
Decrease in advanced capital contributions	(243,576)
Interest expense	(100,063)
Acquisition of capital assets and intangible assets	(30,585,815)
Proceeds from disposition of capital assets	55,258
Proceeds from capital grants	30,983,845
Payments on long-term capital lease	(422,327)
Net cash used by capital financing activities	(312,678)
NONCAPITAL FINANCING ACTIVITIES	
Operating subsidies and grants received	82,825,756
Net increase in note payable - bank	1,084,057
Net cash provided by noncapital financing activities	83,909,813
Increase in cash and cash equivalents	3,048,859
CASH AND CASH EQUIVALENTS	
Beginning of year	7,077,641
End of year	$ 10,126,500

(Continued)

The Notes to Financial Statements are an integral part of this statement.

TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

STATEMENT OF CASH FLOWS
Year Ended June 30, 2021

RECONCILIATION OF OPERATING LOSS BEFORE SUBSIDIES AND GRANTS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss before subsidies and grants	$	(118,151,670)
Adjustments to reconcile operating loss before subsidies and grants to net cased used by operating activities:		
Depreciation and amortization		28,689,026
Pension expense, net of employer contributions		(2,800,090)
OPEB expense, net of employer contributions		(77,145)
Change in current assets and liabilities:		
Accounts receivable		(734,717)
Inventories		9,708
Prepaid expenses		(1,561,613)
Accounts payable		11,638,515
Accrued expenses		2,055,574
Self-insurance liability		313,350
Net cash used by operating activities	$	(80,619,062)

The Notes to Financial Statements are an integral part of this statement.

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.

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.

2. Summary of Significant Accounting Policies (Continued)

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 the disposition of property and equipment purchased with grant proceeds is restricted by the grant requirements.

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

Buildings	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 assets 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 assets that applies to a future period and will not be recognized as revenue until that time.

Pensions

For purposes of measuring the net pension asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's Retirement Plan and the additions to/deductions from the Commission's Retirement Plan's 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.

2. Summary of Significant Accounting Policies (Continued)

Group life insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance 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 Group Life Insurance 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 Group Life Insurance Program other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance 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.

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 pensions; 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 pension are related to amounts restricted for the net pension asset. Unrestricted amounts may be designated for specific purposes by action of management or the board of commissioners.

(Continued)

2. Summary of Significant Accounting Policies (Continued)

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 30th. 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 the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses reported during that period. Actual results could differ from those estimates and assumptions.

Cash and cash equivalents

Deposits

At June 30, 2021, the carrying value of the Commission's deposits with banks was $7,330,601, and the bank balances were $11,405,602. 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, 2021, the Commission had $2,794,899 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.

2. Summary of Significant Accounting Policies (Continued)

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 statue, 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, 2021, 100% of the Commission's cash equivalents were invested in money market funds and the LGIP.

3. Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, checking accounts, and investment in the Virginia Local Government Investment Pool (LGIP). All investment accounts maintained by the Commission must abide by the general investment criteria established by the Commonwealth of Virginia for public funds.

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.

(Continued)

4. Due from Governments

Government receivables consisted of the following:

Federal Transit Administration	$ 17,161,257
Commonwealth of Virginia	8,659,202
Local governments	1,663,551
Total	$ 27,484,010

5. Inventories

Inventories consisted of the following:

Bus and service vehicle parts	$ 5,640,066
Light rail parts	5,076,817
Fuel and oil	195,379
Total	$ 10,912,262

(Continued)

6. Capital and Intangible Assets

A summary of changes in capital assets is as follows:

	Balance at June 30, 2020	Additions	Transfers and Disposals	Balance at June 30, 2021
Capital assets not being depreciated:				
Land	$ 8,900,798	$ -	$ -	$ 8,900,798
Construction in progress:				
Buildings and improvements	-	56,341	-	56,341
Other	7,442,206	10,354,346	(5,466,774)	12,329,778
Total capital assets not being depreciated	16,343,004	10,410,687	(5,466,774)	21,286,917
Capital assets being depreciated:				
Buses	121,168,158	19,719,856	(9,150,600)	131,737,414
Buildings and improvements	96,499,385	-	-	96,499,385
Equipment	24,921,073	-	(1,435,555)	23,485,518
Ferries and docks	7,207,394	-	(140,082)	7,067,312
Other	9,964,294	5,750,260	(96,924)	15,617,630
Vehicles	10,064,885	170,288	(1,778,951)	8,456,222
Intangibles	4,497,664	32,598	-	4,530,262
Light rail	256,108,229	147,368	-	256,255,597
Total capital assets being depreciated	530,431,082	25,820,370	(12,602,112)	543,649,340
Accumulated depreciation:				
Buses	(81,315,333)	(7,528,870)	9,150,606	(79,693,597)
Buildings and improvements	(44,776,609)	(4,363,255)	-	(49,139,864)
Equipment	(23,821,571)	(252,345)	1,379,044	(22,694,872)
Ferries and docks	(3,596,573)	(194,169)	-	(3,790,742)
Other	(8,334,273)	(985,216)	87,569	(9,231,920)
Vehicles	(6,046,014)	(1,553,265)	1,727,721	(5,871,558)
Intangibles	(4,446,342)	(83,920)	-	(4,530,262)
Light rail	(120,207,693)	(13,727,986)	-	(133,935,679)
Total accumulated depreciation	(292,544,408)	(28,689,026)	12,344,940	(308,888,494)
Total capital assets being depreciated, net	237,886,674	(2,868,656)	(257,172)	234,760,846
Total capital assets, net	$254,229,678	$ 7,542,031	$ (5,723,946)	$ 256,047,763

(Continued)

7. Unearned Reimbursements

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

City of Chesapeake	$	193,202
City of Hampton		357,753
City of Newport News		616,997
City of Norfolk		2,011,938
City of Portsmouth		232,087
City of Virginia Beach		560,584
Total	$	3,972,561

For 2021, the amounts owed by participating municipalities are included in due from governments in the statement of net position.

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%. The American Interbank Offered Rate (AMERIBOR) replaced the LIBOR rate beginning on April 1, 2022, as the LIBOR rate is being phased out.

At June 30, 2021, the Commission owed $7,339,057 against the line of credit and had $9,660,943 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.

(Continued)

9. Long-Term Liabilities

Following is a summary of liabilities transactions of the Commission

	2020	Additions	Reductions	2021	Due Within One Year
Self-insurance	$ 4,080,791	$ 1,587,277	$ (1,273,927)	$ 4,394,141	$ 4,394,141
Compensated absences	1,580,184	1,141,443	(1,032,095)	1,689,532	1,689,532
Capital lease	895,943	-	(422,327)	473,616	436,576
Net OPEB liability	1,478,791	-	(26,397)	1,452,394	-
Net pension liability	2,726,394	-	(2,655,121)	71,273	-
	$ 10,762,103	$ 1,972,782	$ (4,653,939)	$ 8,080,946	$ 6,520,249

10. Lease Transactions

Operating leases

In 2008, the Commission entered into agreements to lease warehouse and storage facilities expiring in various years through February 2022. For 2021, lease expense was $263,709.

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 the year ended June 30, 2021. This resulted in accumulated depreciation of $1,799,205 as of June 30, 2021.

Future minimum lease payments under this lease as of June 30, 2021, are as follows:

Year Ending June 30,	
2022	$ 445,704
2023	37,142
Total future minimum lease payments	482,846
Less amounts representing interest	(9,230)
Total principal due under capital lease obligation	473,616
Less current portion	(436,576)
Long-term portion of capital lease obligation	$ 37,040

11. Compensated Absences

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

Length of Service	Days Earned Per Year
0 - 5 years	10 days
6 - 10 years	15 days
11 or more years	20 days

All non-union 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.

The Commission has accrued $1,689,532 at June 30, 2021 for compensated absences. Compensated absences are included in accrued expenses on the statement of net position.

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.

(Continued)

12. Self-Insurance (Continued)

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

	Beginning Balance	Claims and Reserves	Claim Payments	Ending Balance
2021	$ 4,080,791	$ 1,587,277	$ 1,273,927	$ 4,394,141
2020	3,307,687	2,228,282	1,455,178	4,080,791

13. Subsidies and Grants

Subsidies and grants for operating purposes were as follows:

Federal	$ 41,843,444
State	38,243,296
Local	40,611,733
	120,698,473
Capital grants	(28,837,638)
	$ 91,860,835

14. Advanced Capital Contributions

Advanced capital contributions result from local government contributions received in excess of the local government share on capital grants. Contributions received from local governments exceeded amounts expended by $8,887,475 at June 30, 2021.

15. Defined Benefit Pension Plan

The Commission contributes to the Virginia Retirement System (VRS), an agent, multiple-employer defined benefit pension plan administered by the VRS. The Commission also administers a single-employer defined benefit 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 upon employment. This multi-employer agent plant is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

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

Employees covered by benefit terms

As of the June 30, 2019, actuarial valuation, the following employees were covered by the benefit terms of the pension plan.

	Number
Inactive members or their beneficiaries currently receiving benefits	109
Inactive members:	
Vested	58
Nonvested	148
Active elsewhere in VRS	51
Total inactive members	257
Active members	273
	639

15. Defined Benefit Pension Plan (Continued)

Virginia Retirement Plan (continued)

Contributions

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

The Commission's contractually required contribution rate for the year ended June 30, 2021, was 5.99% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were $565,379 for the year ended June 30, 2021.

Net Pension liability (asset)

The net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability (asset) determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability (asset) was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

Actuarial assumptions

The total pension liability for employees in the Commission's Retirement Plan was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees - 15 to 20% of deaths are assumed to be service related. Public Safety Employees - 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various setbacks or set forwards for both males and females.

15. Defined Benefit Pension Plan (Continued)

Virginia Retirement Plan (continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees - Largest 10 - Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

Long-term expected rate of return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public equity	34.00%	4.65%	1.58%
Fixed income	15.00%	0.46%	0.07%
Credit strategies	14.00%	5.38%	0.75%
Real assets	14.00%	5.01%	0.70%
Private equity	14.00%	8.34%	1.17%
Multi-asset public strategies	6.00%	3.04%	0.18%
Private investment partnership	3.00%	6.49%	0.19%
	100.00%		4.64%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.14%

*The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 19, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

15. Defined Benefit Pension Plan (Continued)

Virginia Retirement Plan (continued)

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	$ 43,224,314	$ 45,545,077	$ (2,320,763)
Changes for the year:			
Service cost	1,509,002	-	1,509,002
Interest	2,854,135	-	2,854,135
Difference between expected and actual	(443,211)	-	(443,211)
Contributions - employer	-	590,920	(590,920)
Contributions - employee	-	829,915	(829,915)
Net investment income	-	870,320	(870,320)
Benefit payments, including refunds of employee contributions	(1,881,653)	(1,881,653)	-
Administrative expense	-	(29,458)	29,458
Other	-	(1,035)	1,035
Net changes	2,038,273	379,009	1,659,264
Balances at June 30, 2020	$ 45,262,587	$ 45,924,086	$ (661,499)

15. Defined Benefit Pension Plan (Continued)

Virginia Retirement Plan (continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate

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

	1% Decrease 5.75%	Current Rate 6.75%	1% Increase 7.75%
Commission's net pension liability (asset)	$ 4,734,013	$ (661,499)	$ (5,158,324)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2021, the Commission recognized pension expense of $705,773. At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to measurement date	$ 565,379	$ -
Differences between expected and actual experience	2,218	598,624
Changes of assumptions	535,812	-
Net difference between projected and actual earnings	1,377,936	-
	$ 2,481,345	$ 598,624

The $565,379 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction (increase) to the net pension liability (asset) in fiscal year end June 30, 2022. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions as of June 30, 2021, will be recognized in pension expense in future periods as follows:

Year Ending June 30,	Increase to Pension Expense
2022	$ 79,430
2023	363,726
2024	436,707
2025	437,479
	$ 1,317,342

15. Defined Benefit Pension Plan (Continued)

Virginia Retirement Plan (continued)

Pension plan data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Inactive members or their beneficiaries currently receiving benefits	330
Inactive members entitled to but not yet receiving benefits	52
Active members	587
Total	969

15. Defined Benefit Pension Plan (Continued)

Retirement Plan of the Transportation District Commission of Hampton Roads (continued)

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 $290,000 per year for 2020, 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, 2021, the actuarially determined total rate was 10.74% of annual pay. A one-time special bonus ("thirteenth check") to be paid in 2021 was reflected in this year's valuation. Contributions to the pension plan from the Commission were $2,604,332 for the year ended June 30, 2021.

Discount rate

The discount rate used to measure the Total Pension Liability (TPL) was 7.00% as of December 31, 2020. 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, 2020. The TPL used to calculate the net pension liability was determined by an actuarial valuation performed as of January 1, 2021, using updated actuarial assumptions.

(Continued)

15. Defined Benefit Pension Plan (Continued)

Retirement Plan of the Transportation District Commission of Hampton Roads (continued)

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, 2020 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-percentagepoint higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Plan's net pension liability (asset)	$ 8,737,836	$ 71,273	$ (7,273,330)

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2020, 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 nine years.

15. Defined Benefit Pension Plan (Continued)

Retirement Plan of the Transportation District Commission of Hampton Roads (continued)

Long-term expected rate of return

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, 2020, are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Long-Term Real Rate of Return
Domestic equity	35.00%	6.42%
International developed markets equity	8.00%	7.15%
Emerging markets equity	2.00%	9.01%
Core fixed income	25.00%	0.39%
High yield fixed income	5.00%	3.04%
Core real estate	5.00%	3.57%
Global fixed income	5.00%	0.39%
Emerging market debt	5.00%	3.23%
Alternatives	10.00%	2.40%
	100.00%	

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2019	$ 77,333,913	$ 72,286,756	$ 5,047,157
Changes for the year:			
Service cost	2,164,795	-	2,164,795
Interest	5,403,407	-	5,403,407
Contributions - employer	-	2,564,460	(2,564,460)
Contributions - employee	-	993,285	(993,285)
Difference between expected and actual experience	479,218	-	479,218
Change of benefit terms	356,948	-	356,948
Net investment income	-	9,935,975	(9,935,975)
Benefit payments, net of refunds	(4,614,356)	(4,614,356)	-
Administrative expense	-	(125,441)	125,441
Other changes	-	11,973	(11,973)
Net changes	3,790,012	8,765,896	(4,975,884)
Balances at December 31, 2020	$ 81,123,925	$ 81,052,652	$ 71,273

(Continued)

15. Defined Benefit Pension Plan (Continued)

Retirement Plan of the Transportation District Commission of Hampton Roads (continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2021, the Commission recognized pension recovery of $336,152. At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 388,130	$ 1,148,371
Employer contributions made subsequent to measurement date	2,604,332	-
Changes of assumptions	27,128	-
Net difference between projected and actual earnings	-	6,044,308
	$ 3,019,590	$ 7,192,679

The $2,604,332 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, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2021, will be recognized in pension expense as follows:

Year Ending June 30,	Increase (Reduction) to Pension Expense
2022	$ (2,295,012)
2023	(1,177,627)
2024	(2,377,477)
2025	(927,305)
	$ (6,777,421)

Aggregating Pension Information

	VRS	Local	Total
Net pension asset	$ 661,499	$ -	$ 661,499
Deferred outflows of resources	2,481,345	3,019,590	5,500,935
Net pension liability	-	71,273	71,273
Deferred inflows of resources	598,624	7,192,679	7,791,303
Pension expense/(recovery)	705,773	(336,152)	369,621

16. Other Postemployment Benefit Programs

In addition to their participation in the pension plan offered through the Virginia Retirement System (VRS), the Commission also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Group Life Insurance Program

Plan description

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

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

Specific information for the GLI is available at https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp.

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% x 60%) and the employer component was 0.54% (1.34% x 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 $98,153 for the year ended June 30, 2021.

16. Other Postemployment Benefit Programs (Continued)

Group Life Insurance Program (continued)

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, 2021, the Commission reported a liability of $1,432,028 for its proportionate share of the Net GLI OPEB liability. The Net GLI OPEB liability was measured as of June 30, 2020, and the total GLI OPEB liability used to calculate the Net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB liability was based on the Commission's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Commission's proportion was 0.08581% as compared to 0.08833% at June 30, 2019.

For the year ended June 30, 2021, the Commission recognized GLI OPEB expense of $34,106. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 91,851	$ 12,862
Net difference between projected and actual earnings on GLI OPEB program investments	43,017	-
Changes of assumptions	71,618	29,902
Changes in proportion	-	90,619
Employer contributions subsequent to the measurement date	98,153	-
	$ 304,639	$ 133,383

$98,153 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 to the Net GLI OPEB liability in the fiscal year ending June 30, 2022. 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:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2022	$ 1,295
2023	13,443
2024	24,530
2025	31,013
2026	3,422
Thereafter	(600)
	$ 73,103

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 Virginia Local Disability Program. 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 Virginia Local Disability Program (VLDP).

Specific information about the VLDP is available at:
https://www.varetirement.org/hybrid/benefits/disability/virginia-local-disability-program.html

Contributions

Contributions to the VRS VLDP OPEB program were based on actuarially determined rates from an actuarial valuation as of June 30, 2019. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Governed by:	*Code of Virginia* 51.1-1178(C) and may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly.
Total rate:	0.83% of covered employee compensation.
June 30, 2021 Contribution	$ 71,542

VLDP OPEB liabilities, VLDP OPEB expense, and deferred outflows of resources and deferred inflows of resources related to VLDP OPEB

The Net VLDP OPEB Liability was measured as of June 30, 2020, and the total VLDP OPEB liability used to calculate the Net VLDP OPEB Liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The covered employee's portion of the net VLDP OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers.

June 30, 2021 proportionate share of VLDP OPEB liability	$ 20,366
June 30, 2020 proportion	2.04016%
June 30, 2019 proportion	2.04490%
June 30, 2021 expense	$ 58,444

16. Other Postemployment Benefit Programs (Continued)

Disability Program (continued)

VLDP OPEB liabilities, VLDP OPEB expense, and deferred outflows of resources and deferred inflows of resources related to VLDP OPEB (Continued)

Since there was a change in proportionate share between measurement dates, a portion of the VLDP OPEB expense above was related to deferred amounts from changes in proportion.

At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 16,499	$ 23,907
Net difference between projected and actual earnings on VLDP OPEB program investments	-	-
Changes in assumption	943	1,360
Changes in proportion	-	687
Investment experience	2,163	-
Employer contributions subsequent to the measurement date	71,542	-
	$ 91,147	$ 25,954

The deferred outflows of resources related to VLDP OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net VLDP OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will also be recognized in the VLDP OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2022	$ 1,778
2023	1,737
2024	1,777
2025	1,619
2026	(2,779)
Thereafter	(10,481)
	$ (6,349)

16. Other Postemployment Benefit Programs (Continued)

Actuarial Assumptions for Other Postemployment Benefits

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2019, 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, 2020:

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.50 - 5.35%
Public safety employees with hazardous duty benefits	3.50 - 4.75%
Teachers cost sharing plan	3.50 -5.95%
Investment rate of return, net of expenses, including inflation*	6.75%

*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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

Mortality rates

Mortality rates used for the various OPEB plans are the same as those used for the actuarial valuations of the VRS pension plan. The mortality rates are discussed in detail in Note 15.

Net OPEB liability

The net OPEB liability represents the total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, net OPEB liability amounts for the programs were as follows (amounts expressed in thousands):

	Virginia Local Disability OPEB Program	Group Life Insurance OPEB Program
Total OPEB liability	$ 4,317	$ 3,523,937
Plan fiduciary net position	3,317	1,855,102
Employers' net OPEB liability	$ 1,000	$ 1,668,835
Plan fiduciary net position as a percentage of the total OPEB liability	76.84%	52.64%

16. Other Postemployment Benefit Programs (Continued)

Actuarial Assumptions for Other Postemployment Benefits (Continued)

The total OPEB liability is calculated by the VRS actuary and the 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 GASB Statement No. 74 in the VRS notes to financial statements and required supplementary information.

Long-term expected rate of return

The long-term expended rate of return for the OPEB plan is the same as that used for the actuarial valuations of the VRS pension plan. The long-term expected rate of return is discussed in detail in Note 15.

Discount rate

The discount rate used to measure the total OPEB liability was 6.75%. 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 fiscal year ending June 30, 2020, the rate contributed by the employee for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' 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.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Commission, as well as what the Commission's net OPEB liabilities would be if it were calculated using the discount rate that is one percentage point lower (5.75%) or one-percentage-point higher (7.75%) than the current rate:

	1% Decrease Increase (5.75%)	Current Discount Rate (6.75%)	1% (7.75%)
Commission's net GLI OPEB Liability	$ 1,882,511	$ 1,432,028	$ 1,066,194
Commission's net VLDP OPEB Liability	$ 27,316	$ 20,366	$ 14,312

OPEB plan fiduciary net position

Detailed information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Financial Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

16. Other Postemployment Benefit Programs (Continued)

Aggregating OPEB Information

	GLI	VLDP	Total
Deferred outflows of resources	$ 304,639	$ 91,147	$ 395,786
Net OPEB liability	1,432,028	20,366	1,452,394
Deferred inflows of resources	133,383	25,954	159,337
Pension expense	34,106	58,444	92,550

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.

The Commission continues to face economic impacts of the Coronavirus (COVID-19) pandemic, and will rely on continued aid from state and federal sources. As of June 30, 2021, the Commission had approximately $13 million in unspent Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

18. COVID-19 Uncertainty

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Commission's operations are heavily dependent on charging fares from passengers. Additionally, access to grants and contracts from federal and state governments may decrease or may not be available depending on appropriations. The COVID-19 outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. As such, the financial condition and liquidity could be negatively impacted for the fiscal years 2022 and beyond.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Commission's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Commission is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022 and beyond.

REQUIRED SUPPLEMENTARY INFORMATION

TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
VIRGINIA RETIREMENT SYSTEM

Plan Year Ended June 30,**	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY						
Service cost	$ 1,509,003	$ 1,547,473	$ 1,549,494	$ 1,722,982	$ 1,666,613	$ 1,645,945
Interest	2,854,135	2,746,548	2,572,874	2,458,439	2,292,254	2,132,196
Changes of assumptions	-	1,264,806	-	(608,159)	-	-
Differences between expected and actual experience	(443,211)	(696,895)	12,952	(489,591)	(273,907)	(264,067)
Benefit payments, including refunds	(1,881,653)	(1,748,033)	(1,560,504)	(1,337,254)	(1,284,530)	(1,170,235)
Net change in total pension liability:	2,038,274	3,113,899	2,574,816	1,746,417	2,400,430	2,343,839
Total pension liability, beginning	43,224,314	40,110,415	37,535,599	35,789,182	33,388,752	31,044,923
Total pension liability, ending (a)	$ 45,262,588	$ 43,224,314	$ 40,110,415	$ 37,535,599	$ 35,789,182	$ 33,388,762
PLAN FIDUCIARY NET POSITION						
Contributions, employer	$ 590,920	$ 610,241	$ 943,256	$ 979,749	$ 977,368	$ 934,294
Contributions, employee	829,915	859,548	820,005	919,527	881,024	789,916
Net investment income	870,320	2,882,188	2,963,678	4,332,554	617,701	1,483,386
Benefit payments, including refunds of employee contributions	(1,881,653)	(1,748,033)	(1,560,504)	(1,337,254)	(1,284,530)	(1,170,235)
Administrative expenses	(29,458)	(28,048)	(24,923)	(24,013)	(20,514)	(19,456)
Other changes	(1,035)	(1,818)	(2,667)	(3,893)	(256)	(316)
Net change in plan fiduciary net position	379,009	2,574,078	3,138,845	4,866,670	1,170,793	2,017,589
Plan fiduciary net position, beginning	45,545,077	42,970,999	39,832,154	34,965,484	33,794,691	31,777,102
Plan fiduciary net position, ending (b)	$ 45,924,086	$ 45,545,077	$ 42,970,999	$ 39,832,154	$ 34,965,484	$ 33,794,691
Net pension (asset) liability, ending (a) - (b)	$ (661,498)	$ (2,320,763)	$ (2,860,584)	$ (2,296,555)	$ 823,698	$ (405,929)
Plan fiduciary net position as a percentage of the total pension asset	101%	105%	107%	106%	98%	101%
Covered payroll*	$ 17,642,552	$ 17,270,832	$ 17,227,619	$ 17,401,786	$ 16,989,819	$ 15,945,689
Net pension liability as a percentage of covered payroll	-4%	-13%	-17%	-13%	5%	-3%

*Covered payroll represents the total pensionable payroll for employees covered under the pension plan, in accordance with GASB Statement No. 82.

** The plan years above are reported in the entity's financial statements in the fiscal year following the plan year.

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented. Information prior to 2015 measurement date is not redily available.

See accompanying notes and Independent Auditor's Report.

TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
RETIREMENT PLAN OF THE TRANSPORTATION DISTRICT OF HAMPTON ROADS

Plan Year Ended December 31,	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY						
Service cost	$ 2,164,795	$ 2,091,589	$ 2,170,056	$ 2,096,672	$ 1,942,521	$ 1,937,014
Interest	5,403,407	5,213,926	5,256,473	5,047,386	4,716,744	4,465,478
Changes of assumptions	356,948	-	(3,400,081)	-	682,990	(104,384)
Differences between expected and actual experience	479,218	-	-	-	1,260,323	3,109,006
Benefit payments, including refunds	(4,614,356)	(4,729,343)	(4,382,248)	(4,078,731)	(3,681,036)	(3,574,555)
Net change in total pension liability:	3,790,012	2,576,172	(355,800)	3,065,327	4,921,542	5,832,559
Total pension liability, beginning	77,333,913	74,757,741	75,113,541	72,048,214	67,126,672	61,294,113
Total pension liability, ending (a)	$ 81,123,925	$ 77,333,913	$ 74,757,741	$ 75,113,541	$ 72,048,214	$ 67,126,672
PLAN FIDUCIARY NET POSITION						
Contributions, employer	$ 2,564,460	$ 2,197,312	$ 2,243,867	$ 2,333,012	$ 2,184,142	$ 2,019,707
Contributions, employee	993,285	816,780	860,429	877,097	894,542	803,688
Net investment income	9,935,975	11,797,747	(3,342,739)	8,188,123	4,817,005	(674,158)
Benefit payments, including refunds of employee contributions	(4,614,356)	(4,729,343)	(4,382,248)	(4,078,731)	(3,681,036)	(3,574,555)
Administrative expenses	(125,441)	(132,712)	(130,789)	(112,884)	(128,321)	(146,392)
Other changes	11,973	18,096	2,996	-	(329,075)	-
Net change in plan fiduciary net position	8,765,896	9,967,880	(4,748,484)	7,206,617	3,757,257	(1,571,710)
Plan fiduciary net position, beginning	72,286,756	62,318,876	67,067,360	59,860,743	56,103,486	57,675,196
Plan fiduciary net position, ending (b)	$ 81,052,652	$ 72,286,756	$ 62,318,876	$ 67,067,360	$ 59,860,743	$ 56,103,486
Net pension liability, ending (a) - (b)	$ 71,273	$ 5,047,157	$ 12,438,865	$ 8,046,181	$ 12,187,471	$ 11,023,186
Plan fiduciary net position as a percentage of the total pension liability	100%	93%	83%	89%	83%	84%
Covered payroll*	$ 30,553,591	$ 29,394,356	$ 29,193,068	$ 29,517,820	$ 28,172,411	$ 25,916,719
Net pension liability as a percentage of covered payroll	0.23%	17%	43%	27%	43%	43%

*Covered payroll represents the total pensionable payroll for employees covered under the pension plan, in accordance with GASB Statement No. 82.

Note: Information in this schedule is presented for the year in which information is available. Information will be added each year until a full 10-year trend is presented. Information prior to 2015 measurement date is not redily available.

See accompanying notes and Independent Auditor's Report.

TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,*	Actuarially Determined Contribution	Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
VIRGINIA RETIREMENT SYSTEM					
2021	$ 565,379	$ 565,379	$ -	$ 17,642,552	3.20%
2020	590,939	590,939	-	17,642,552	3.35%
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%
RETIREMENT PLAN OF THE TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS					
2021	$ 2,604,332	$ 2,604,332	$ -	$ 30,553,591	8.52%
2020	2,267,251	2,267,251	-	29,394,356	7.71%
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%

*These schedules are intended to show information for 10 years. Information prior to 2015 is not readily available. Additional years will be included as they become available.

Year Ended June 30,*	Actuarially Determined Contribution	Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
GROUP LIFE INSURANCE PROGRAM					
2021	$ 98,153	$ 98,153	$ -	$ 18,192,403	0.54%
2020	91,805	91,805	-	17,660,146	0.52%
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%
VIRGINIA LOCAL DISABILITY PROGRAM					
2021	$ 71,542	$ 71,542	$ -	$ 8,637,107	0.83%
2020	54,711	54,711	-	7,602,427	0.72%
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.

See accompanying notes and Independent Auditor's Report.

TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

SCHEDULES OF EMPLOYER'S SHARE OF NET OPEB LIABILITY

Plan Year Ended June 30,*	Employer's Proportion of Net GLI OPEB Liability	Employer's Proportionate Share of Net GLI OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of Net GLI OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total GLI OPEP Liability
GROUP LIFE INSURANCE PROGRAM					
2020	0.08581%	$ 1,432,028	$ 17,660,146	0.081%	52.64%
2019	0.08833%	1,437,000	17,316,059	0.083%	52.00%
2018	0.09071%	1,377,000	17,227,619	0.080%	51.22%
2017	0.09446%	1,421,000	17,422,839	0.082%	48.86%
2016	0.09465%	1,656,000	17,009,149	0.095%	41.18%
VIRGINIA LOCAL DISABILITY PROGRAM					
2020	2.04016%	$ 20,366	$ 7,602,427	0.0027%	76.84%
2019	2.04490%	41,426	6,319,235	0.0066%	49.19%
2018	2.14917%	16,000	5,188,540	0.0031%	51.39%
2017	2.21134%	12,000	4,060,662	0.0030%	38.40%
2016	2.59536%	10,000	3,205,499	0.0031%	0.00%

*The plan years above are reported in the entity's financial statements in the fiscal year following the plan year.

Note: These schedules are intended to show information for 10 years. Information prior to 2017 is not readily available. Additional years will be included as they become available

VIRGINIA RETIREMENT SYSTEM

Changes of benefit terms

There have been no actuarially material changes to the System benefit provisions since the actuarial valuation.

Changes of assumptions

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period of July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and change 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%
Discount Rate	Decrease rate from 7% to 6.75%

RETIREMENT PLAN OF THE TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

Valuation date	Actuarially determined contribution rates are calculated as of January 1st 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 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 five years. Unrecognized return is equal to the difference between actual market return and expected return the market value, 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. 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 provided by Segal Marco Advisors, 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	

Age	Retirement Probability
50-55	7%
56-59	4%
60	10%
61	15%
62-63	40%
64	30%
65 & older	100%

Mortality rates	RP-2014 Blue Collar Employee Mortality, set forward two years and projected generationally using Scale MP2016 from 2014 for pre-retirement lives. RP-2014 Blue Collar Healthy Annuitant Mortality Table, set forward two years and projected generationally using Scale MP2016 from 2014 for health annuitant lives. RP-2014 Disabled Retiree Mortality Table, set forward two years and projected generationally using Scale MP2016 from 2014 for disabled lives.

(Continued)

GROUP LIFE INSURANCE 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 actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, expect the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions are a result of the experience study and VRS Board action are as follows:

Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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%
Discount Rate	Decrease rate from 7% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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 age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decrease rate from 7% to 6.75%

(Continued)

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 actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period of July 1, 2012, through June 30, 2016, expect the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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%
Discount Rate	Decrease rate from 7% to 6.75%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update 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 15%
Discount Rate	Decrease rate from 7% to 6.75%

COMPLIANCE SECTION

BROWN EDWARDS
certified public accountants

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

To the Commissioners of
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 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 (the "Commission") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated August 29, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing 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 codes 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 Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questions costs, as items 2021-001 and 2021-002, that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 that are required to be reported under *Government Auditing Standards*.

Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the findings identified in our audit and 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 Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, VA
August 29, 2023

BROWN EDWARDS
certified public accountants

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

To the Commissioners of
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' (the "Commission") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect the Commission's major federal program for the year ended June 30, 2021. 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 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 of the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Transportation District Commission of Hampton Roads 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, 2021.

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 the 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2021-003, that we consider to be material weaknesses.

The Commission's response to the internal control over compliance findings 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 compliance and, accordingly, we express no opinion on the response.

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.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, VA
August 29, 2023

TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2021

Federal Granting Agency/Recipient State Agency/Grant Program		Year	CFDA Number	Grant Number	Total Awards Expended
Department of Transportation					
Direct Payments:					
Federal Transit Administration Formula Grants	5337, 5307, 5309, STIP and CMAQ Grant	2014	20.507	VA-95-X178	$ 2,524
	Bus Refurbishment and EMS project	2014	20.507	VA-95-X118	95,968
	FY15&16 Partial 5307 and CMAQ grant-PM and TRAFFIX	2016	20.507	VA-95-X167	6,995
	VBTES RSTP	2015	20.507	VA-95-X141	665,193
	HRT's 5339, 5337, 5307, STP and CMAQ Grant	2018	20.507	VA-90-X550	250,322
	FY17 Capital Cost of Contracting and Preventive Maintenance	2018	20.507	VA-54-X001	600,412
	FY 14 Passenger Ferry Discretionary Grant	2018	20.507	VA-90-X546	2,749,259
	Hampton Roads Transit (HRT) FFY 2020 STP Bus Purchase and Victoria Boulevard Upgrade Phase 2 - CMAQ - Replacement Buses and Ferries	2019	20.507	VA-95-X209	67,012
	HRT FFY18 STP and CMAQ	2019	20.507	VA-95-X192	402,387
	FFY 2107, FFY 2019, and FFY 2019 Section 5307 Capital Grant	2020	20.507	VA-90-X576	5,866,491
	Hampton Roads Transit Section 5307 CARES ACT Operating Grant	2020	20.507	VA-90-X587	26,054,005
Total Federal Transit Administration Formula Grants					36,760,568
Passed through from Department of Rail and Public Transportation:					
State of Good Repair Grants Program	HRT's 5339, 5337, 5307, STP and CMAQ Grant	2018	20.525	VA-54-0006	269,405
	FY18 and FY19 Section 5337 Fixed Guideway Light Rail System Software Upgrade and Rehabilitation of the Light Rail System Components	2020	20.525	VA-54-0010	150,530
Total State of Good Repair Grants Program					419,935
Bus Facilities Formula Program	5337, 5307, 5309, STIP and CMAQ Grant	2014	20.526	VA-34-0011	1,605,900
	FY15&16 Partial 5307 and CMAQ Grant - PM and TRAFFIX	2015	20.526	VA-34-0028	439,372
	FFY 2017 & FFY 2018 Section 5339 Low No Discretionary Grant - Bus Purchase, Engineering and Design, and Workforce Development	2019	20.526	VA-34-0023	1,445,750
Total Bus Facilities Formula Program					3,491,022
Subtotal - Federal Transit Cluster					40,671,525
Department of Transportation					
Direct Payments:					
Federal Transit Federal Railroad Administration Grant	OLI Lifesaver Grant Federal Admin Grant	2019	20.301	VA-2019-004	348,700
Passed through from Department of Rail and Public Transportation:					
Federal Transit Administration Job Access and Reverse Commute Program	Job Access/Reverse Commute	2011	20.516	VA-37-X014	643,530
Federal Transit New Freedom Program	New Freedom Grant	2011	20.521	VA-57-X001	53,223
Subtotal - Transit Services Programs Cluster					696,753

(Continued)

See Independent Auditor’s Report.

TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2021

Federal Granting Agency/Recipient State Agency/Grant Program		Year	CFDA Number	Grant Number	Total Awards Expended
Passed through from Hampton Roads Transportation Planning Organization:					
Unified Planning Work Program	Unified Planning Work Program	2020	20.205	FY2020 UPWP	15,403
	Unified Planning Work Program	2021	20.205	FY2021 UPWP	111,063
Subtotal - Highway Planning and Construction Cluster					126,466
Total Department of Transportation					$ 41,843,444

See Independent Auditor's Report.

TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2021

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.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual method of accounting

3. Indirect Cost Rate

The Commission does not elect to use 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
June 30, 2021

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements.

2. Two material weaknesses relating to the audit of financial statements were reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements were disclosed.

4. One material weakness relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal award program expresses an unmodified opinion.

6. The audit disclosed one audit finding related to the major program.

7. The program tested as major was:

Name of Program	Assistance Listing Number
Federal Transit Cluster:	
Federal Transit - Formula Grants	20.507
State of Good Repair Grants Program	20.525
Bus and Bus Facilities Formula Program	20.526

8. The threshold for distinguishing Type A and Type B programs was $1,255,303.

9. The Commission was not determined to be a low-risk auditee.

(Continued)

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

Finding: 2021-001

Type of Finding: Material weakness over financial reporting

Condition:
Yearly, the Commission's Finance Department oversees the preparation, processing, and recordation of thousands of financial transactions that ultimately will be reflected in the yearly Comprehensive Annual Financial Report produced within the Finance Department. In order to ensure the transactions are fairly presented, procedures must be in place and functioning effectively to produce complete and accurate financial information. During the year-end closing and financial statement audit process, we identified misstatements which were considered material to the financial statement presentation resulting in the adjustment of the Commission's financial records.

Criteria:
In order to prepare financial statements in accordance with U.S. GAAP, accurate and complete general and subsidiary ledgers, along with supporting records, must be maintained to support the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues, and expenses to ensure an accurate presentation of the financial position and activity of the Commission for the fiscal year just ended.

Cause:
During the second quarter of fiscal year 2020, the Commission implemented a new general ledger accounting system. Significant issues stemming from the implementation of an unstable system, coupled with staff turnover and lack of staff resulted in a lack of technical critical mass to analyze the myriad of transactions the Commission enters into yearly, curtailing the Commission's ability to provide auditable and timely financial records.

Effect:
The Commission's financial statements were materially misstated.

Auditor's Recommendation:
We recommend that regular reconciliations be performed over the major general ledger accounts and reviewed by individuals other than those who performed that reconciliations and that the reviewers have the necessary background and understanding to ensure that balances are accurate and that evidence of this review be documented.

View of Responsible Officials:
Management agrees with the finding.

(Continued)

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

Finding: 2021-002

Type of Finding: Material weakness over financial reporting

Condition:
During our testing over grant revenues and expenditures, we noted that the grant activity was not appropriately tracked and reconciled. As a result, there were several material adjustments that needed to be posted to correct balances.

Criteria:
Grant activity, including receivables, revenues and expenditures, should be appropriately tracked and reconciled regularly to ensure accuracy.

Cause:
There are continued, lingering issues from the implementation of the new accounting system from the prior year that are still being corrected, combined with staff turnover that resulted in a lack of appropriate tracking over grant activity.

Effect:
There is the potential that balances related to the grants, including receivables, revenues, and expenses, could be materially misstated.

Auditor's Recommendation:
We recommend that a system be implemented to track grant activity and compare grant expenditures to grant revenue along with a comparison of cash receipts to reimbursement requests. We also recommend that grant activity be reconciled on a monthly basis and that the reconciliations be reviewed by someone other than the preparer and that evidence of this review be documented.

View of Responsible Officials:
Management agrees with the finding.

(Continued)

C. Findings Relating to the Financial Statements Reported in Accordance with the Uniform Guidance

Finding: 2021-003

Type of Finding: Material weakness over compliance

Condition:
During our testing over major federal program expenditures, we noted a number of expenditures misclassified between grants and grant years which caused material misstatements to the schedule of expenditures of federal awards (the "Schedule"). As a result, material adjustments were required in order to present the Schedule accurately.

Criteria:
All federal program expenditures should be recorded in such a way as to be able to readily determine the amount of expenditures related to a particular grant in a particular grant year.

Cause:
There are continued, lingering issues from the implementation of the new accounting system from the prior year that are still being corrected, combined with staff turnover that resulted in a lack of appropriate tracking of grant activity.

Effect:
There is the potential that balances related to the grants, including receivables, revenues, and expenses, could be materially misstated.

Auditor's Recommendation:
We recommend that a system be implemented to track grant activity and compare grant expenditures to grant revenue along with a comparison of cash receipts to reimbursement requests. We also recommend that grant activity be reconciled on a monthly basis and that the reconciliations be reviewed by someone other than the preparer and that evidence of this review be documented.

View of Responsible Officials:
Management agrees with the finding. See corrective action plan.

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

None noted.

TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

A. PRIOR YEAR AUDIT FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2020-001: Internal Control over Financial Reporting (Material Weakness)

Yearly, the Commission's Finance Department oversees the preparation, processing, and recordation of thousands of financial transactions that ultimately will be reflected in the yearly Comprehensive Annual Financial Report produced within the Finance Department. In order to ensure the transactions are fairly presented, procedures must be in place and functioning effectively to produce complete and accurate financial information. During the year-end closing and financial statement audit process, we identified misstatements which were considered material to the financial statement presentation resulting in the adjustment of the Commission's financial records. Specifically, examples of the adjustments and approximated amounts recorded included:

- During our testing of the cash reconciliation, we determined that a reconciling item of $1.6M should have been corrected before year end.

- During our testing of pension and other post-employment benefits (OPEB), we determined that $6.2M of deferred outflows and inflows of resources were not properly recorded.

- During our testing of journal entries, we identified a $6.6M accrual entry to grant revenues and expenses that should have been reversed before year end when it was entered into the project module.

- During the preparation of the financial statements, we determined that beginning net position did not rollforward by $0.7M due to the accounting and account classifications of the insurance reserves.

We recommend the Commission address this people-centric need by considering the identification, hiring, and retaining of experienced accountants as a mission-critical, long-term objective. In the current environment there is an ongoing struggle to fill vacancies with candidates possessing the skill sets needed for a fully-functioning financial accounting and reporting operation. We cannot stress enough the need for the Commission to identify, hire, and retain experienced governmental accountants.

STATUS: Still applicable. See IC-2021-001 and IC-2021-002.

B. PRIOR YEAR AUDIT FINDINGS – MAJOR FEDERAL AWARDS

None noted.

CORRECTIVE ACTION PLAN PURSUANT TO FINANCIAL AUDIT FY 2021

08/29/2023

Corrective Action Number: 2021-003

Corrective Action Description: During auditor testing over major federal program expenditures, a number of noted expenditures were found to be misclassified between grants and grant years which caused material misstatements to the schedule of expenditures of federal awards (the "Schedule"). As a result, material adjustments were required in order to present the Schedule accurately.

Corrective Action Plan: Going forward, both grants and projects will be reconciled on a monthly basis. Per the detailed project activity listing, all project transactions will be reviewed to ensure that all expenses and reimbursements are posted in the correct fiscal year. In addition, reimbursement for all grants will be supported by corresponding documents to further guarantee that transactions are posted in the correct period. Reconciliations will be completed by the senior staff accountant and reviewed by the Director of Finance.

Person Responsible: Donna Brumbaugh, Director of Finance
dbrumbaugh@hrtransit.org
(757) 222-6000 ext. 6611

Date of Corrective Action implementation: September 1, 2023