



# **Transportation District Commission of Hampton Roads**

## **Financial Report**

June 30, 2024

# Transportation District Commission of Hampton Roads

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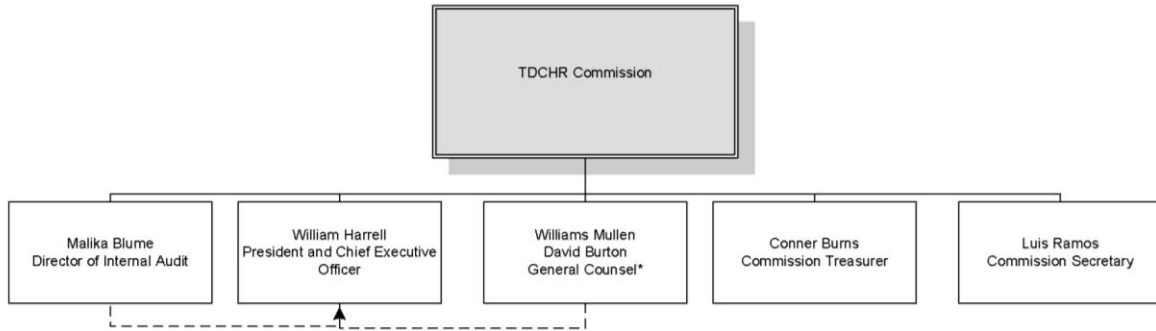


# Introductory Section



# HAMPTON ROADS TRANSIT TRANSPORTATION DISTRICT COMMISSION OF HAMPTON ROADS ORGANIZATIONAL CHART

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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.

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# **Transportation District Commission of Hampton Roads**

## **Members of the Commission**

**June 30, 2024**

### **Chairman**

Patricia Woodbury  
City of Newport News

### **Vice-Chairman**

Don Carey  
City of Chesapeake

### **Commissioners**

August Bullock  
City of Newport News

Shannon Glover  
City of Portsmouth

Anthony Goodwin  
City of Portsmouth

Jimmy Gray  
City of Hampton

Amelia Ross-Hammond  
City of Virginia Beach

Kirk Houston  
City of Norfolk

Stephen Johnson  
City of Chesapeake

Andria McClellan  
City of Norfolk

Roland White  
City of Hampton

Jennifer DeBruhl  
Virginia Department of Rail and Public Transportation

J. D. Diggs  
Virginia Senate

Alex Askew  
Virginia House of Delegates

# **Transportation District Commission of Hampton Roads**

## **Executive Leadership Team and Finance Staff**

**June 30, 2024**

### **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 Sciortino     |
| Chief Engineering and Facilities Officer          | Sibyl Pappas       |
| Chief Transit Operations Officer                  | Benjamin Simms     |
| Chief Communications Officer                      | Alexis Majied      |
| Attorney                                          | Robert Travers     |

### **Finance Staff**

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



# Financial Section

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## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### *Opinion*

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, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transportation District Commission of Hampton Roads, as of June 30, 2024, and the respective 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.

#### *Basis for Opinion*

We conducted our audit 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 *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Transportation District Commission of Hampton Roads and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

## *Other Matters*

### Summarized Comparative Information

We have previously audited the Commission's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *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 is the responsibility of management, and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted 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 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2025, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
October 20, 2025



# **Basic Financial Statements**

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# Transportation District Commission of Hampton Roads

## Statement of Net Position

June 30, 2024

|                                                                    | 2024                  | For Comparative<br>Purposes Only<br>2023 |
|--------------------------------------------------------------------|-----------------------|------------------------------------------|
| <b>ASSETS</b>                                                      |                       |                                          |
| <b>CURRENT ASSETS</b>                                              |                       |                                          |
| Cash and cash equivalents (Note 3)                                 | \$ 8,285,513          | \$ 9,587,259                             |
| Due from governments (Note 4)                                      | 39,849,133            | 25,027,155                               |
| Accounts receivable                                                | 1,918,479             | 3,109,895                                |
| Inventories (Note 5)                                               | 12,231,976            | 10,914,561                               |
| Prepaid expenses                                                   | 373,084               | 538,081                                  |
| Deposit on fuel                                                    | 1,651,055             | 1,651,055                                |
| Total current assets                                               | 64,309,240            | 50,828,006                               |
| <b>NONCURRENT ASSETS</b>                                           |                       |                                          |
| Capital assets, net (Note 6)                                       | 279,730,039           | 259,894,906                              |
| Subscription prepayment                                            | 473,624               | -                                        |
| Net pension asset (Note 16)                                        | 5,276,113             | 6,004,563                                |
| Net other post-employment benefit asset (Note 17)                  | 33,477                | 12,508                                   |
| Total noncurrent assets                                            | 285,513,253           | 265,911,977                              |
| Total assets                                                       | 349,822,493           | 316,739,983                              |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                              |                       |                                          |
| Pension deferrals (Note 16)                                        | 10,230,426            | 16,483,183                               |
| Other post-employment benefit deferrals (Note 17)                  | 484,574               | 391,042                                  |
| Total deferred outflows of resources                               | 10,715,000            | 16,874,225                               |
| Total assets and deferred outflows of resources                    | <b>\$ 360,537,493</b> | <b>\$ 333,614,208</b>                    |
| <b>LIABILITIES</b>                                                 |                       |                                          |
| Accounts payable                                                   | \$ 37,591,774         | \$ 10,714,302                            |
| Retainage payable                                                  | -                     | 266,249                                  |
| Accrued expenses                                                   | 5,642,731             | 5,261,012                                |
| Unearned reimbursements (Note 7)                                   | 12,927,749            | 12,071,054                               |
| Advanced capital contributions (Note 15)                           | 11,685,548            | 10,707,164                               |
| Unearned revenues                                                  | 5,710,343             | 5,710,343                                |
| Long-term liabilities (Note 9):                                    |                       |                                          |
| Due within one year                                                | 8,386,753             | 7,520,444                                |
| Due in more than one year                                          | 20,162,723            | 39,049,097                               |
| Total liabilities                                                  | 102,107,621           | 91,299,665                               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               |                       |                                          |
| Pension deferrals (Note 16)                                        | 1,596,384             | 2,858,972                                |
| Other post-employment benefit deferrals (Note 17)                  | 207,042               | 292,986                                  |
| Total deferred inflows of resources                                | 1,803,426             | 3,151,958                                |
| Total liabilities and deferred inflows of resources                | 103,911,047           | 94,451,623                               |
| <b>NET POSITION</b>                                                |                       |                                          |
| Net investment in capital assets                                   | 261,373,742           | 253,558,307                              |
| Restricted for pension                                             | 5,276,113             | 6,004,563                                |
| Restricted for other post-employment benefits                      | 33,477                | 12,508                                   |
| Unrestricted (deficit)                                             | (10,056,886)          | (20,412,793)                             |
| Total net position                                                 | 256,626,446           | 239,162,585                              |
| Total liabilities, deferred inflows of resources, and net position | <b>\$ 360,537,493</b> | <b>\$ 333,614,208</b>                    |

**Transportation District Commission of Hampton Roads**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
Year Ended June 30, 2024

|                                               | 2024                         | For Comparative<br>Purposes Only<br>2023 |
|-----------------------------------------------|------------------------------|------------------------------------------|
| <b>OPERATING REVENUES</b>                     |                              |                                          |
| Passenger fares                               | \$ 9,162,141                 | \$ 8,672,064                             |
| Charters and contracts                        | 2,737,979                    | 2,646,186                                |
| Auxiliary                                     | 770,584                      | 880,528                                  |
| Nontransportation                             | 188,731                      | 161,896                                  |
| Total operating revenues                      | <u>12,859,435</u>            | <u>12,360,674</u>                        |
| <b>OPERATING EXPENSES</b>                     |                              |                                          |
| Labor                                         | 67,464,902                   | 60,542,841                               |
| Fringe benefits                               | 18,938,998                   | 16,511,012                               |
| Depreciation and amortization                 | 25,162,043                   | 24,788,568                               |
| Materials and supplies                        | 14,928,086                   | 13,897,979                               |
| Purchase of transportation services           | 14,806,892                   | 12,584,674                               |
| Contractual services                          | 13,221,033                   | 11,585,152                               |
| Insurance, net of ordinary recoveries         | 6,289,055                    | 6,730,932                                |
| Utilities                                     | 1,480,619                    | 1,480,548                                |
| Other                                         | 1,471,735                    | 2,453,776                                |
| Total operating expenses                      | <u>163,763,363</u>           | <u>150,575,482</u>                       |
| Operating loss before subsidies and grants    | <u>(150,903,928)</u>         | <u>(138,214,808)</u>                     |
| <b>SUBSIDIES AND GRANTS (Note 14)</b>         | 133,896,805                  | 111,752,384                              |
| Operating loss before other income (expenses) | <u>(17,007,123)</u>          | <u>(26,462,424)</u>                      |
| <b>OTHER INCOME (EXPENSES)</b>                |                              |                                          |
| Interest income                               | 188,102                      | 135,580                                  |
| Interest expense                              | (906,386)                    | (497,537)                                |
| Gain on sale of capital assets                | 231,687                      | 117,739                                  |
| Grant expenses, non-capital                   | (10,527,446)                 | (7,624,770)                              |
| Total other expenses                          | <u>(11,014,043)</u>          | <u>(7,868,988)</u>                       |
| Loss before proceeds from capital grants      | <u>(28,021,166)</u>          | <u>(34,331,412)</u>                      |
| <b>PROCEEDS FROM CAPITAL GRANTS (Note 14)</b> | 45,485,027                   | 31,522,522                               |
| Change in net position                        | <u>17,463,861</u>            | <u>(2,808,890)</u>                       |
| <b>NET POSITION</b>                           |                              |                                          |
| Beginning of year                             | 239,162,585                  | 241,971,475                              |
| End of year                                   | <u><u>\$ 256,626,446</u></u> | <u><u>\$ 239,162,585</u></u>             |

# Transportation District Commission of Hampton Roads

## Statement of Cash Flows

Year Ended June 30, 2024

|                                                                                                                  | 2024                           | For Comparative<br>Purposes Only<br>2023 |
|------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------|
| <b>OPERATING ACTIVITIES</b>                                                                                      |                                |                                          |
| Receipts from customers and users                                                                                | \$ 14,050,851                  | \$ 11,752,402                            |
| Payments to suppliers for goods and services                                                                     | (38,708,043)                   | (43,273,540)                             |
| Payments to employees                                                                                            | (85,512,281)                   | (79,934,546)                             |
| Net cash used in operating activities                                                                            | <u>(110,169,473)</u>           | <u>(111,455,684)</u>                     |
| <b>INVESTING ACTIVITIES</b>                                                                                      |                                |                                          |
| Interest income                                                                                                  | 188,102                        | 135,580                                  |
| <b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                                                  |                                |                                          |
| Increase in advanced capital contributions                                                                       | 978,384                        | 563,264                                  |
| Interest expense                                                                                                 | (925,498)                      | (497,537)                                |
| Acquisition of capital assets and intangible assets                                                              | (31,952,818)                   | (31,522,522)                             |
| Proceeds from disposition of capital assets                                                                      | 245,915                        | 126,506                                  |
| Proceeds from capital grants                                                                                     | 45,485,027                     | 31,522,522                               |
| Subscription liability payments                                                                                  | (1,003,955)                    | (1,058,929)                              |
| Prepaid subscription                                                                                             | (473,624)                      | -                                        |
| Payments on long-term liabilities                                                                                | (34,933)                       | (50,011)                                 |
| Net cash provided by (used in) capital financing activities                                                      | <u>12,318,498</u>              | <u>(916,707)</u>                         |
| <b>NONCAPITAL FINANCING ACTIVITIES</b>                                                                           |                                |                                          |
| Operating subsidies and grants received                                                                          | 119,931,522                    | 107,261,604                              |
| Grant expenses, non-capital                                                                                      | (10,527,446)                   | (7,624,770)                              |
| (Payments on) proceeds from note payable - bank                                                                  | (13,042,949)                   | 9,955,914                                |
| Net cash provided by noncapital financing activities                                                             | <u>96,361,127</u>              | <u>109,592,748</u>                       |
| Decrease in cash and cash equivalents                                                                            | <u>(1,301,746)</u>             | <u>(2,644,063)</u>                       |
| <b>CASH AND CASH EQUIVALENTS</b>                                                                                 |                                |                                          |
| Beginning of year                                                                                                | 9,587,259                      | 12,231,322                               |
| End of year                                                                                                      | <u><u>\$ 8,285,513</u></u>     | <u><u>\$ 9,587,259</u></u>               |
| <b>RECONCILIATION OF OPERATING LOSS BEFORE SUBSIDIES<br/>AND GRANTS TO NET CASH USED BY OPERATING ACTIVITIES</b> |                                |                                          |
| Operating loss before subsidies and grants                                                                       | \$ (150,903,928)               | \$ (138,214,808)                         |
| Adjustments to reconcile operating loss before subsidies<br>and grants to net cash used by operating activities: |                                |                                          |
| Depreciation and amortization                                                                                    | 25,162,043                     | 24,788,568                               |
| Pension expense, net of employer contributions                                                                   | 638,231                        | 1,049,314                                |
| OPEB expense, net of employer contributions                                                                      | (147,443)                      | (161,363)                                |
| Change in current assets and liabilities:                                                                        |                                |                                          |
| Accounts receivable                                                                                              | 1,191,416                      | (608,272)                                |
| Inventories                                                                                                      | (1,317,415)                    | 1,072,014                                |
| Prepaid expenses                                                                                                 | 164,997                        | 1,155,205                                |
| Deposit on fuel                                                                                                  | -                              | (1,651,055)                              |
| Accounts payable                                                                                                 | 13,552,637                     | 2,752,913                                |
| Accrued expenses                                                                                                 | 400,831                        | (3,768,644)                              |
| Self-insurance liability                                                                                         | 1,089,158                      | 2,130,444                                |
| Net cash used in operating activities                                                                            | <u><u>\$ (110,169,473)</u></u> | <u><u>\$ (111,455,684)</u></u>           |

# Transportation District Commission of Hampton Roads

## Statement of Cash Flows

Year Ended June 30, 2024

|                                                                                                    | 2024          | For Comparative<br>Purposes Only<br>2023 |
|----------------------------------------------------------------------------------------------------|---------------|------------------------------------------|
| <b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND<br/>FINANCING ACTIVITY</b>                    |               |                                          |
| Capital purchases included in retainage payable at year-end                                        | \$ -          | \$ 266,249                               |
| Capital purchases included in accounts payable at year-end                                         | \$ 13,324,835 | \$ -                                     |
| Acquisition of subscription-based information technology<br>arrangements:                          |               |                                          |
| Acquired                                                                                           | \$ -          | \$ 1,455,906                             |
| Amount financed                                                                                    | -             | (1,455,906)                              |
| Cash paid to acquire SBITA                                                                         | \$ -          | \$ -                                     |
| Acquisition of subscription-based information technology<br>arrangements with adoption of GASB 96: |               |                                          |
| Acquired                                                                                           | \$ -          | \$ 2,780,307                             |
| Amount financed                                                                                    | -             | (2,780,307)                              |
| Net effect on beginning net position                                                               | \$ -          | \$ -                                     |

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

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### Note 1 – Organization and Nature of Business

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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.

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### Note 2 – Summary of Significant Accounting Policies

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#### *Reporting Entity*

Transit Management Commission (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.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### *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 an 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 are acquired with grant proceeds so the method and use of proceeds from 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         |
| Leased warehouse space – lease asset   | Life of lease       |
| Subscriptions                          | Life of arrangement |

### *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 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.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### *Group Life Insurance*

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

### *Disability Program*

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program (VLDP) is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee VLDP OPEB asset, 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 are currently being held for the purchase of buses. The funds were originally received in advance to cover costs associated with the extension of the light rail to the City. However, that project was no longer pursued by the Commission in the previous year. As a result, the funds are now being used towards the purchase of buses, and the Commission recognizes the revenue as the buses are purchased.

### *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 four sections: net investment in capital assets; restricted for pensions; restricted for other post-employment benefits; and unrestricted. Net investment in capital assets includes capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to capital expenditures. The Commission's restricted amounts for pension and other post-employment benefits are related to amounts restricted for the net pension and other post-employment benefit assets. Unrestricted amounts may be designated for specific purposes by action of management or the Board of Commissioners.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### *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.

### *Leases*

At the commencement of a lease, the Commission initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus certain indirect costs, if any. Subsequent to the initial measurement and recognition, the lease asset is amortized on a straight-line basis over the life of the lease.

The lease asset is reported with capital assets, and the lease liability is reported with long-term liabilities in the statement of net position.

Key estimates and judgements include how the Commission determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Commission uses an estimated incremental borrowing rate as the discount rate for the lease.
- The lease term includes the noncancellable periods of the lease. Lease payments are included in the measurement of the lease liabilities and are composed of fixed payments.
- The Commission monitors changes in circumstances that would require a remeasurement of its leases and will remeasure if certain changes occur that are expected to significantly affect the amount of the lease liabilities.

### *Subscription-Based Information Technology Arrangements (SBITAs)*

At the commencement of a SBITA, the Commission initially measures the subscription liability at the present value of payments expected to be made during the term of the contract. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability adjusted for subscription payments made at or before the subscription commencement date, plus certain indirect costs, if any. Subsequent to the initial measurement and recognition, the subscription asset is amortized on a straight-line basis over the life of the contract.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

The subscription asset is reported with capital assets, and the subscription liability is reported with long-term liabilities in the statement of net position.

Key estimates and judgements include how the Commission determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription contract term, and (3) subscription payments.

- The Commission uses an estimated incremental borrowing rate as the discount rate for the subscription.
- The subscription term includes the noncancellable periods of the subscription. Subscription payments are included in the measurement of the subscription liabilities and are composed of fixed payments.
- The Commission monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure if certain changes occur that are expected to significantly affect the amount of the subscription liabilities.

### *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.

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## Note 3 – Cash and Cash Equivalents and Investments

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### *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, checking accounts, and 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.

### Deposits

At June 30, 2024, the carrying value of the Commission's deposits with banks was \$4,614,990, and the bank balance was \$11,868,112. 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, 2024, the Commission had \$3,223,020 and \$447,503 invested in money market funds and the Local Government Investment Pool (LGIP) valued at fair value and amortized cost, respectively. These cash equivalents are not insured by the FDIC or the Act and are, therefore, subject to investment risk.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### *Investments*

#### Investment Policy

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

#### Credit Risk

As required by the Commonwealth's statute, the Policy requires that commercial paper have a short-term debt rating of not less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, and Fitch Investor's Service. Corporate notes, negotiable certificates of deposit, and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. At June 30, 2024, 100% of the Commission's cash equivalents were invested in money market funds and the LGIP.

#### *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.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

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 is based 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.

### *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.

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## Note 4 – Due from Governments

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Government receivables consisted of the following at June 30, 2024:

|                                |                      |
|--------------------------------|----------------------|
| Federal Transit Administration | \$ 16,925,473        |
| Commonwealth of Virginia       | 14,168,746           |
| Other governmental entities    | 8,754,914            |
|                                | <u>\$ 39,849,133</u> |

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## Note 5 – Inventories

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Inventories consisted of the following at June 30, 2024:

|                               |                      |
|-------------------------------|----------------------|
| Bus and service vehicle parts | \$ 6,811,766         |
| Light rail parts              | 5,096,851            |
| Fuel and oil                  | 323,359              |
|                               | <u>\$ 12,231,976</u> |

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### Note 6 – Capital Assets

A summary of changes in capital assets is as follows:

|                                                         | Balance at<br>June 30, 2023 | Additions            | Transfers and<br>Disposals | Balance at<br>June 30, 2024 |
|---------------------------------------------------------|-----------------------------|----------------------|----------------------------|-----------------------------|
| Capital assets not being depreciated or amortized:      |                             |                      |                            |                             |
| Land                                                    | \$ 8,900,798                | \$ -                 | \$ -                       | \$ 8,900,798                |
| Construction in progress                                |                             |                      |                            |                             |
| Other                                                   | 9,261,985                   | 571,587              | (9,833,572)                | -                           |
| Buildings and improvements                              | 10,793,262                  | 2,954,515            | (1,033,756)                | 12,714,021                  |
| Total capital assets not being depreciated or amortized | 28,956,045                  | 3,526,102            | (10,867,328)               | 21,614,819                  |
| Capital assets being depreciated or amortized:          |                             |                      |                            |                             |
| Buses                                                   | 133,280,760                 | 38,379,598           | (9,049,227)                | 162,611,131                 |
| Buildings and improvements                              | 102,188,888                 | 16,748               | -                          | 102,205,636                 |
| Leased warehouse space                                  | 2,906,037                   | -                    | -                          | 2,906,037                   |
| Subscription-based assets                               | 4,236,213                   | -                    | (534,343)                  | 3,701,870                   |
| Equipment                                               | 21,057,471                  | 886,577              | (1,451,158)                | 20,492,890                  |
| Ferries and docks                                       | 7,067,312                   | 9,833,571            | (2,242,273)                | 14,658,610                  |
| Other                                                   | 21,769,907                  | 1,424,240            | (48,102)                   | 23,146,045                  |
| Vehicles                                                | 9,541,049                   | 1,811,896            | (677,082)                  | 10,675,863                  |
| Intangibles                                             | 4,530,262                   | -                    | -                          | 4,530,262                   |
| Light rail                                              | 256,255,597                 | -                    | -                          | 256,255,597                 |
| Total capital assets being depreciated or amortized     | 562,833,496                 | 52,352,630           | (14,002,185)               | 601,183,941                 |
| Accumulated depreciation and amortization:              |                             |                      |                            |                             |
| Buses                                                   | (73,254,382)                | (8,780,505)          | 9,049,227                  | (72,985,660)                |
| Buildings and improvements                              | (57,827,041)                | (4,394,474)          | -                          | (62,221,515)                |
| Leased warehouse space                                  | (153,455)                   | (115,090)            | -                          | (268,545)                   |
| Subscription-based assets                               | (885,862)                   | (1,064,152)          | 534,346                    | (1,415,668)                 |
| Equipment                                               | (20,419,470)                | (426,649)            | 1,451,158                  | (19,394,961)                |
| Ferries and docks                                       | (4,171,824)                 | (332,847)            | 2,228,045                  | (2,276,626)                 |
| Other                                                   | (12,510,776)                | (2,742,048)          | 48,099                     | (15,204,725)                |
| Vehicles                                                | (8,012,360)                 | (740,005)            | 677,082                    | (8,075,283)                 |
| Intangibles                                             | (4,530,262)                 | -                    | -                          | (4,530,262)                 |
| Light rail                                              | (150,129,203)               | (6,566,273)          | -                          | (156,695,476)               |
| Total accumulated depreciation and amortization         | (331,894,635)               | (25,162,043)         | 13,987,957                 | (343,068,721)               |
| Net capital assets being depreciated or amortized       | 230,938,861                 | 27,190,587           | (14,228)                   | 258,115,220                 |
| Total capital assets, net                               | <u>\$ 259,894,906</u>       | <u>\$ 30,716,689</u> | <u>\$ (10,881,556)</u>     | <u>\$ 279,730,039</u>       |

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### Note 7 – Unearned Reimbursements

Amounts advanced by participating municipalities to various operating subsidies and/or grant agreements are as follows at June 30, 2024:

|                        |           |                   |
|------------------------|-----------|-------------------|
| City of Chesapeake     | \$        | 1,045,299         |
| City of Hampton        |           | 1,510,618         |
| City of Newport News   |           | 2,383,062         |
| City of Norfolk        |           | 4,935,422         |
| City of Portsmouth     |           | 865,232           |
| City of Virginia Beach |           | 2,188,116         |
|                        | <b>\$</b> | <b>12,927,749</b> |

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

### Note 8 – Notes Payable - Bank

The Commission has a revolving line of credit of \$17,000,000, which matured January 31, 2025. The line was renewed after year end and matures on January 31, 2026. Advances on the line of credit are collateralized by the pledging of all revenue, federal grants, and nonfederal operating subsidies of the Commission. Interest on advances are payable monthly at a fluctuating rate per annum equal to 83% of the American Interbank Offered Rate (AMERIBOR) plus 150 basis points with a floor of 4% (5.95% at June 30, 2024).

At June 30, 2024, the Commission owed \$-0- against the line of credit and had \$17,000,000 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.

### Note 9 – Long-Term Liabilities

Following is a summary of liabilities transactions of the Commission:

|                        | Balance at<br>June 30, 2023 | Additions           | Reductions             | Balance at<br>June 30, 2024 | Due Within<br>One Year |
|------------------------|-----------------------------|---------------------|------------------------|-----------------------------|------------------------|
| Self-insurance         | \$ 6,481,556                | \$ 1,925,752        | \$ (836,594)           | \$ 7,570,714                | \$ 7,570,714           |
| Notes payable - bank   | 13,042,949                  | -                   | (13,042,949)           | -                           | -                      |
| Lease liabilities      | 2,893,066                   | -                   | (34,933)               | 2,858,133                   | 36,629                 |
| Net OPEB liability     | 1,058,642                   | 53,002              | -                      | 1,111,644                   | -                      |
| Net pension liability  | 19,916,044                  | -                   | (5,080,388)            | 14,835,656                  | -                      |
| Subscription liability | 3,177,284                   | -                   | (1,003,955)            | 2,173,329                   | 779,410                |
|                        | <b>\$ 46,569,541</b>        | <b>\$ 1,978,754</b> | <b>\$ (19,998,819)</b> | <b>\$ 28,549,476</b>        | <b>\$ 8,386,753</b>    |

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### Note 10 – Lease Liability

The Commission, as a lessee, entered into a noncancellable lease agreement for the use of warehouse space in March 2022. The Commission recognized an intangible right-to-use asset and related lease liability. Payments of \$14,300 are due monthly through June 2027 at which point the payments escalate every five years through 2047 and are discounted at 4.75%.

Future maturities are as follows:

| Year Ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 2025                    | \$ 36,629           | \$ 134,971          | \$ 171,600          |
| 2026                    | 38,408              | 133,192             | 171,600             |
| 2027                    | 41,702              | 131,328             | 173,030             |
| 2028                    | 59,835              | 128,925             | 188,760             |
| 2029                    | 62,740              | 126,020             | 188,760             |
| 2030-2034               | 403,707             | 579,418             | 983,125             |
| 2035-2039               | 622,110             | 459,327             | 1,081,437           |
| 2040-2044               | 909,974             | 279,607             | 1,189,581           |
| 2045-2049               | 683,028             | 49,755              | 732,783             |
|                         | <u>\$ 2,858,133</u> | <u>\$ 2,022,543</u> | <u>\$ 4,880,676</u> |

Related lease assets totaling \$2,906,037, offset by accumulated amortization of \$268,545, are included in capital assets, net on the statement of net position as of June 30, 2024. See Note 6.

### Note 11 – Subscription-Based Information Technology Arrangements

The Commission has subscription-based information technology arrangements (“SBITA”) for the use of interactive voice response systems, software systems, and the Enterprise Resource Planning system. During 2023, the Commission adopted GASB 96, *Subscription-Based Information Technology Arrangements* and used discount rates of 2.84% - 4.21% based on risk-free U.S. Treasury rates for the various subscription agreements. The Commission recognized subscription assets and liabilities of \$2,780,307 for the agreements in place at the date of implementation (i.e. as of July 1, 2022). The Commission recognized subscription assets and liabilities of \$1,455,906 for the agreements that commenced in the prior year. During 2024, the Commission reported SBITA amortization and interest expense of \$1,064,152 and \$79,198, respectively, which is included depreciation and amortization expense and interest expense, respectively, in the statement of revenues, expenses, and changes in net position. Payments are due annually through 2027.

Future maturities are as follows:

| Year Ending<br>June 30, | Principal           | Interest          | Total               |
|-------------------------|---------------------|-------------------|---------------------|
| 2025                    | \$ 779,410          | \$ 69,122         | \$ 848,532          |
| 2026                    | 675,305             | 43,190            | 718,495             |
| 2027                    | 718,614             | 22,249            | 740,863             |
|                         | <u>\$ 2,173,329</u> | <u>\$ 134,561</u> | <u>\$ 2,307,890</u> |

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

SBITA assets totaling \$3,701,870, offset by accumulated amortization of \$1,415,668 are included in capital assets on the statement of net position as of June 30, 2024. See Note 6.

### Note 12 – Compensated Absences

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

| <b>Length of Service</b> | <b>Days Earned<br/>Per Year</b> |
|--------------------------|---------------------------------|
| 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 \$1,721,696 at June 30, 2024, for compensated absences. Compensated absences are included in accrued expenses on the statement of net position.

The following is a summary of the compensated absences transactions of the Commission:

|                      | <b>Balance at<br/>June 30, 2023</b> | <b>Additions</b>    | <b>Reductions</b>     | <b>Balance at<br/>June 30, 2024</b> | <b>Due Within<br/>One Year</b> |
|----------------------|-------------------------------------|---------------------|-----------------------|-------------------------------------|--------------------------------|
| Compensated absences | <u>\$ 1,484,833</u>                 | <u>\$ 1,288,606</u> | <u>\$ (1,051,743)</u> | <u>\$ 1,721,696</u>                 | <u>\$ 1,721,696</u>            |

### Note 13 – 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.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

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

|      | Beginning<br>Balance | Claims and<br>Reserves | Claim<br>Payments | Ending<br>Balance |
|------|----------------------|------------------------|-------------------|-------------------|
| 2024 | \$ 6,481,556         | \$ 1,925,752           | \$ 836,594        | \$ 7,570,714      |
| 2023 | 4,351,112            | 3,756,609              | 1,626,165         | 6,481,556         |

### Note 14 – Subsidies and Grants

Subsidies and grants for operating purposes were as follows for the fiscal year ended June 30, 2024:

|                |                       |
|----------------|-----------------------|
| Federal        | \$ 57,000,028         |
| State          | 74,513,395            |
| Local          | 47,868,409            |
|                | 179,381,832           |
| Capital grants | (45,485,027)          |
|                | <u>\$ 133,896,805</u> |

### Note 15 – Advanced Capital Contributions

Advanced capital contributions result from local government contributions received in excess of the local government share of capital grants. Contributions received from local governments exceeded amounts expended by \$11,685,548 at June 30, 2024.

### Note 16 – 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 plan is administered by the Virginia Retirement System ("VRS" or 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>.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### Employees Covered by Benefit Terms

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

|                                                                      | Number |
|----------------------------------------------------------------------|--------|
| Inactive members or their beneficiaries currently receiving benefits | 132    |
| Inactive members:                                                    |        |
| Vested inactive members                                              | 62     |
| Non-vested inactive members                                          | 191    |
| Inactive members active elsewhere in VRS                             | 57     |
| Total inactive members                                               | 310    |
| Active members                                                       | 288    |
| Total covered employees                                              | 730    |

### 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, 2024, was 3.94% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were \$663,903 for the year ended June 30, 2024.

### Net Pension Liability (Asset)

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

### Actuarial Assumptions

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

|                                       |                                                                     |
|---------------------------------------|---------------------------------------------------------------------|
| Inflation                             | 2.5%                                                                |
| Salary increases, including inflation | 3.5% - 5.35%                                                        |
| Investment rate of return             | 6.75%, net of pension plan investment expenses, including inflation |

Mortality rates: 15 to 20% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table with various set backs or set forwards for both males and females.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

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

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates to better fit experience; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

### Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation 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<br>Long-Term<br>Expected Rate of<br>Return | Weighted<br>Average<br>Long-Term<br>Expected Rate<br>of Return |
|--------------------------------------|-------------------|-------------------------------------------------------|----------------------------------------------------------------|
| Public equity                        | 34.00%            | 6.14%                                                 | 2.09%                                                          |
| Fixed income                         | 15.00%            | 2.56%                                                 | 0.38%                                                          |
| Credit strategies                    | 14.00%            | 5.60%                                                 | 0.78%                                                          |
| Real assets                          | 14.00%            | 5.02%                                                 | 0.70%                                                          |
| Private equity                       | 16.00%            | 9.17%                                                 | 1.47%                                                          |
| MAP - Multi-asset public strategies  | 4.00%             | 4.50%                                                 | 0.18%                                                          |
| PIP - Private investment partnership | 2.00%             | 7.18%                                                 | 0.14%                                                          |
| Cash                                 | 1.00%             | 1.20%                                                 | 0.01%                                                          |
|                                      | <b>100.00%</b>    |                                                       | 5.75%                                                          |
|                                      | Inflation         |                                                       | 2.50%                                                          |
|                                      |                   |                                                       | <b>8.25%</b>                                                   |

\* Expected arithmetic nominal return

\*The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### 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, 2023, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022, actuarial valuations, whichever was greater. From July 1, 2023, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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)

|                                                                  | <b>Total Pension<br/>Liability (a)</b> | <b>Plan Fiduciary<br/>Net Position (b)</b> | <b>Net Pension<br/>Liability (Asset)<br/>(a) – (b)</b> |
|------------------------------------------------------------------|----------------------------------------|--------------------------------------------|--------------------------------------------------------|
| Balances at June 30, 2022                                        | \$ 51,355,052                          | \$ 57,359,615                              | \$ (6,004,563)                                         |
| Changes for the year:                                            |                                        |                                            |                                                        |
| Service cost                                                     | 1,644,319                              | -                                          | 1,644,319                                              |
| Interest                                                         | 3,493,849                              | -                                          | 3,493,849                                              |
| Difference between expected and actual<br>experience             | 861,416                                | -                                          | 861,416                                                |
| Contributions - employer                                         | -                                      | 595,367                                    | (595,367)                                              |
| Contributions - employee                                         | -                                      | 1,006,058                                  | (1,006,058)                                            |
| Net investment income                                            | -                                      | 3,705,792                                  | (3,705,792)                                            |
| Benefit payments, including refunds of<br>employee contributions | (2,477,290)                            | (2,477,290)                                | -                                                      |
| Administrative expense                                           | -                                      | (36,883)                                   | 36,883                                                 |
| Other                                                            | -                                      | 800                                        | (800)                                                  |
| Net changes                                                      | 3,522,294                              | 2,793,844                                  | 728,450                                                |
| Balances at June 30, 2023                                        | <u>\$ 54,877,346</u>                   | <u>\$ 60,153,459</u>                       | <u>\$ (5,276,113)</u>                                  |

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

The following represents the Commission's net pension liability (asset) calculated using the discount rate of 6.75%, as well as what the Commission's net position liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

|                                            | <b>1.00%<br/>Decrease<br/>(5.75%)</b> | <b>Current<br/>Discount Rate<br/>(6.75%)</b> | <b>1.00%<br/>Increase<br/>(7.75%)</b> |
|--------------------------------------------|---------------------------------------|----------------------------------------------|---------------------------------------|
| Commission's net pension liability (asset) | <u>\$ 2,150,558</u>                   | <u>\$ (5,276,113)</u>                        | <u>\$ (11,386,311)</u>                |

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the Commission recognized pension expense of \$218,381. At June 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                            | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Employer contributions made subsequent to measurement date | \$ 663,903                                    | \$ -                                         |
| Differences between expected and actual experience         | 554,862                                       | 39,847                                       |
| Net difference between projected and actual earnings       | -                                             | 883,497                                      |
|                                                            | <b><u>\$ 1,218,765</u></b>                    | <b><u>\$ 923,344</u></b>                     |

The \$663,903 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) of the net pension liability (asset) in fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Year Ending<br/>June 30,</b> | <b>Effect on<br/>Pension Expense</b> |
|---------------------------------|--------------------------------------|
| 2025                            | \$ (379,822)                         |
| 2026                            | (835,700)                            |
| 2027                            | 820,000                              |
| 2028                            | 27,040                               |

### Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report by be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-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 Commission, 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.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

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, 2023, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

|                                                                      |            |
|----------------------------------------------------------------------|------------|
| Inactive members or their beneficiaries currently receiving benefits | 363        |
| Inactive members entitled to but not yet receiving benefits          | 42         |
| Active members                                                       | 593        |
| Total                                                                | <u>998</u> |

### Benefits Provided

All collectively bargained employees are eligible to participate in the Plan upon completion of 60 consecutive days of service. Benefits vest after completing ten years of service. Employees who retire after age 65 with 10 years of service, age 61 where the sum of age and years of service is greater than or equal to 85, or any age with at least 25 years of service are entitled to a retirement benefit. The monthly benefit is determined using a formula of 1.6% of Final Average Monthly Compensation (the employees' highest five-year average monthly compensation, plus any accumulated and unused sick leave at retirement) times years of service. Compensation is limited to \$330,000 per year, per *Internal Revenue Code* 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, 2024, the actuarially determined total rate was 10.93% of annual pay, and there were no changes in plan provisions from the previous measurement date. Contributions to the pension plan from the Commission were \$2,885,757 for the year ended June 30, 2024.

### Discount Rate

The discount rate used to measure the Total Pension Liability (TPL) was 6.50% as of December 31, 2023. The projection of cash flows used to determine the discount rate assumed that 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. 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.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### Net Pension Liability

The Commission's net pension liability was measured as of December 31, 2023. The TPL used to calculate the net pension liability was determined by an actuarial valuation performed as of January 1, 2024, using updated actuarial assumptions.

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the Net Pension Liability (NPL) of the Plan as of December 31, 2023, using the discount rate of 6.50%, as well as what the Plan's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

|                              | 1.00% Decrease<br>(5.50%) | Current<br>Discount Rate<br>(6.50%) | 1.00% Increase<br>(7.50%) |
|------------------------------|---------------------------|-------------------------------------|---------------------------|
| Plan's net pension liability | \$ 25,254,351             | \$ 14,835,656                       | \$ 6,025,880              |

### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2023, 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,<br>3.75% thereafter |
| Investment rate of return   | 6.50%, net of pension plan investment expenses,<br>including inflation |

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 ten years.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### 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 expected future real rates of return (expected returns, net of 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, adding expected inflation. The target allocation (approved by the Pension Plan Administration Committee) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected rate of return assumption as of December 31, 2023, are summarized in the following table:

| Asset Class                            | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------------------------|-------------------|----------------------------------------|
| Domestic equity                        | 27.50%            | 6.45%                                  |
| International developed markets equity | 10.00%            | 6.54%                                  |
| Emerging markets equity                | 10.00%            | 7.81%                                  |
| Core and global fixed income           | 21.00%            | 1.76%                                  |
| High yield fixed income                | 4.90%             | 3.52%                                  |
| Emerging markets debt                  | 4.10%             | 3.61%                                  |
| Real estate                            | 7.50%             | 3.32%                                  |
| Infrastructure                         | 7.50%             | 5.86%                                  |
| Alternatives                           | 7.50%             | 2.93%                                  |
|                                        | <b>100.00%</b>    |                                        |

### Changes in Net Pension Liability

|                                                   | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
|---------------------------------------------------|-----------------------------|---------------------------------|---------------------------------|
| Balances at December 31, 2022                     | \$ 90,220,970               | \$ 70,304,926                   | \$ 19,916,044                   |
| Changes for the year:                             |                             |                                 |                                 |
| Service cost                                      | 2,861,562                   | -                               | 2,861,562                       |
| Interest                                          | 5,873,868                   | -                               | 5,873,868                       |
| Contributions - employer                          | -                           | 2,864,687                       | (2,864,687)                     |
| Contributions - employee                          | -                           | 1,120,235                       | (1,120,235)                     |
| Difference between expected and actual experience | 524,902                     | -                               | 524,902                         |
| Changes of assumptions                            | 215,894                     | -                               | 215,894                         |
| Net investment income                             | -                           | 10,666,428                      | (10,666,428)                    |
| Benefit payments, net of refunds                  | (5,430,665)                 | (5,430,665)                     | -                               |
| Administrative expense                            | -                           | (111,496)                       | 111,496                         |
| Other changes                                     | -                           | 16,760                          | (16,760)                        |
| Net changes                                       | 4,045,561                   | 9,125,949                       | (5,080,388)                     |
| Balances at December 31, 2023                     | <b>\$ 94,266,531</b>        | <b>\$ 79,430,875</b>            | <b>\$ 14,835,656</b>            |

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the Commission recognized pension expense of \$2,612,723. At June 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                            | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience          | \$ 460,578                           | \$ 673,040                          |
| Employer contributions made subsequent to measurement date | 1,538,294                            | -                                   |
| Net difference between projected and actual earnings       | 5,420,402                            | -                                   |
| Changes of assumptions                                     | 1,592,387                            | -                                   |
|                                                            | <b>\$ 9,011,661</b>                  | <b>\$ 673,040</b>                   |

The \$1,538,294 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2024, will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Effect on<br>Pension Expense |
|------------------------|------------------------------|
| 2025                   | \$ 2,240,459                 |
| 2026                   | 2,673,192                    |
| 2027                   | 3,068,785                    |
| 2028                   | (1,182,109)                  |

### Aggregating Pension Information

|                                | VRS          | Local      | Total        |
|--------------------------------|--------------|------------|--------------|
| Net pension asset              | \$ 5,276,113 | \$ -       | \$ 5,276,113 |
| Deferred outflows of resources | 1,218,765    | 9,011,661  | 10,230,426   |
| Net pension liability          | -            | 14,835,656 | 14,835,656   |
| Deferred inflows of resources  | 923,344      | 673,040    | 1,596,384    |
| Pension expense                | 218,381      | 2,612,723  | 2,831,104    |

### **Note 17 – Other Postemployment Benefit Programs**

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

#### *Group Life Insurance*

#### Plan Description

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

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

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 school divisions and governmental agencies 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% ( $1.34\% \times 60\%$ ) and the employer component was 0.54% ( $1.34\% \times 40\%$ ). 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, 2024, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined 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 fund any unfunded accrued liability. Contributions to the GLI Program from the Commission were \$135,112 and \$117,908 for the years ended June 30, 2024 and 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. The special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session.

### 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, 2024, the Commission reported a liability of \$1,111,644 for its proportionate share of the Net GLI OPEB liability. The Net GLI OPEB liability was measured as of June 30, 2023, 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, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, and 2022, the Commission's proportion was 0.09269% and 0.08792%, respectively.

For the year ended June 30, 2024, the Commission recognized GLI OPEB expense of \$44,366. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

At June 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

|                                                                                      | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience                                    | \$ 111,026                           | \$ 33,744                           |
| Net difference between projected and actual earnings on<br>GLI OPEB plan investments | -                                    | 44,672                              |
| Changes of assumptions                                                               | 23,762                               | 77,019                              |
| Changes in proportion                                                                | 68,742                               | 27,382                              |
| Employer contributions subsequent to the measurement date                            | 135,112                              | -                                   |
|                                                                                      | <u>\$ 338,642</u>                    | <u>\$ 182,817</u>                   |

The 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, 2025. 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 Ended<br>June 30, | Increase<br>(Reduction) to<br>OPEB Expense |
|------------------------|--------------------------------------------|
| 2025                   | \$ (7,573)                                 |
| 2026                   | (37,991)                                   |
| 2027                   | 32,997                                     |
| 2028                   | 12,370                                     |
| 2029                   | 20,910                                     |

### 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>

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### Contributions

Contributions to the VRS VLDP OPEB program were based on actuarially determined rates from an actuarial valuation as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

|                             |                                                                                                                                                      |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Governed by:                | <i>Code of Virginia 51.1-1178(C)</i> and may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. |
| Total rate:                 | 0.85% of covered employee compensation.                                                                                                              |
| June 30, 2024, Contribution | \$132,426                                                                                                                                            |
| June 30, 2023, Contribution | \$108,247                                                                                                                                            |

### VLDP OPEB Liabilities (Assets), VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VLDP OPEB

The net VLDP OPEB liability (asset) was measured as of June 30, 2023, and the total VLDP OPEB liability (asset) used to calculate the net VLDP OPEB liability (asset) was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employee's proportion of the net VLDP OPEB liability (asset) was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers.

|                                                                   |            |
|-------------------------------------------------------------------|------------|
| June 30, 2024, proportionate share of VLDP OPEB liability (asset) | (\$33,477) |
| June 30, 2023, proportion                                         | 2.08063%   |
| June 30, 2022, proportion                                         | 2.12742%   |
| June 30, 2024, expense                                            | \$85,132   |

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, 2024, the Commission report deferred outflows of resources and deferred inflows of resources related to VLDP OPEB from the following sources:

|                                                                                    | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience                                  | \$ 12,569                            | \$ 20,856                           |
| Net difference between projected and actual earnings on VLDP OPEB plan investments | 82                                   | -                                   |
| Changes of assumptions                                                             | 222                                  | 3,066                               |
| Changes in proportion                                                              | 633                                  | 303                                 |
| Employer contributions subsequent to the measurement date                          | 132,426                              | -                                   |
|                                                                                    | <b>\$ 145,932</b>                    | <b>\$ 24,225</b>                    |

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

The deferred outflows of resources related to the VLDP OPEB resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction (increase) of the VLDP OPEB liability (asset) in the fiscal year ending June 30, 2025. 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 in future reporting periods as follows for years ended:

| <b>Year Ended<br/>June 30,</b> | <b>Increase<br/>(Reduction) to<br/>OPEB Expense</b> |
|--------------------------------|-----------------------------------------------------|
| 2025                           | \$ (804)                                            |
| 2026                           | (5,291)                                             |
| 2027                           | 824                                                 |
| 2028                           | (718)                                               |
| 2029                           | (2,141)                                             |
| Thereafter                     | (2,589)                                             |

### *Actuarial Assumptions and Other Inputs for Other Postemployment Benefits*

The total OPEB liability (asset) was determined using the following assumptions based on an actuarial valuation date of June 30, 2022, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023:

|                                                                 |               |
|-----------------------------------------------------------------|---------------|
| Inflation                                                       | 2.50%         |
| Salary increases, including inflation:                          |               |
| 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%         |

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 16.

### Net OPEB Liability (Asset)

The net OPEB liabilities (assets) represent each program's total OPEB liability (asset) determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, net OPEB liability (asset) amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

|                                                                         | <b>Virginia Local<br/>Disability<br/>Program</b> | <b>Group Life<br/>Insurance<br/>Program</b> |
|-------------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------|
| Total OPEB liability                                                    | \$ 9,525                                         | \$ 3,907,052                                |
| Plan fiduciary net position                                             | 11,134                                           | 2,707,739                                   |
| Employers' net OPEB liability (asset)                                   | <b>\$ (1,609)</b>                                | <b>\$ 1,199,313</b>                         |
| Plan fiduciary net position as a percentage of the total OPEB liability | 116.89%                                          | 69.30%                                      |

The total OPEB liability (asset) is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability (asset) is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to financial statements and required supplementary information.

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

### Long-Term Expected Rate of Return

The long-term expected 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 16.

### 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 System member contributions will be made per the VRS Guidance, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2023, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2023, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

|                                              | <b>1.00% Decrease<br/>(5.75%)</b> | <b>Current<br/>Discount Rate<br/>(6.75%)</b> | <b>1.00% Increase<br/>(7.75%)</b> |
|----------------------------------------------|-----------------------------------|----------------------------------------------|-----------------------------------|
| Commission's net GLI OPEB Liability          | <u>\$ 1,647,803</u>               | <u>\$ 1,111,644</u>                          | <u>\$ 678,155</u>                 |
| Commission's net VLDP OPEB Liability (Asset) | <u>\$ (17,540)</u>                | <u>\$ (33,477)</u>                           | <u>\$ (47,442)</u>                |

### OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net positions is available in the separately issued VRS 2023 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### Aggregating OPEB Information

|                                | <b>GLI</b> | <b>VLDP</b> | <b>Total</b> |
|--------------------------------|------------|-------------|--------------|
| Net OPEB asset                 | \$ -       | \$ 33,477   | \$ 33,477    |
| Deferred outflows of resources | 338,642    | 145,932     | 484,574      |
| Net OPEB liability             | 1,111,644  | -           | 1,111,644    |
| Deferred inflows of resources  | 182,817    | 24,225      | 207,042      |
| OPEB expense                   | 44,366     | 85,132      | 129,498      |

# Transportation District Commission of Hampton Roads

## Notes to Financial Statements

June 30, 2024

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### Note 18 – Contingencies

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#### *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 resources. As of June 30, 2024, the Commission had expended \$ 26,140,786 of their American Rescue Plan (ARP) funding and had approximately \$28 million that was still available. As of June 30, 2024, the Commission had approximately \$53 million in American Rescue Plan (ARP) Discretionary Funding that was available to the Commission.

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### Note 19 – Subsequent Event

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In October 2024, the Commission entered into a purchase agreement to purchase property located in Norfolk, Virginia to build a transfer site for a total of \$3,800,000. The Commission has paid a deposit of \$500,000 toward the purchase agreement. The Commission closed on the purchase of the property on July 24, 2025.



# **Required Supplementary Information**

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**Transportation District Commission of Hampton Roads**  
**Schedules of Changes in Net Pension Liability (Asset) and Related Ratios**  
**Virginia Retirement System**

| <b>Plan Year Ended June 30,**</b>                                                  | <b>2023</b>           | <b>2022</b>           | <b>2021</b>           | <b>2020</b>          | <b>2019</b>           | <b>2018</b>           | <b>2017</b>           | <b>2016</b>          | <b>2015</b>          |
|------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|----------------------|----------------------|
| <b>TOTAL PENSION LIABILITY</b>                                                     |                       |                       |                       |                      |                       |                       |                       |                      |                      |
| Service cost                                                                       | \$ 1,644,319          | \$ 1,489,837          | \$ 1,501,929          | \$ 1,509,002         | \$ 1,547,473          | \$ 1,549,494          | \$ 1,722,982          | \$ 1,666,613         | \$ 1,645,945         |
| Interest                                                                           | 3,493,849             | 3,318,807             | 2,990,144             | 2,854,135            | 2,746,548             | 2,572,874             | 2,458,439             | 2,292,254            | 2,132,196            |
| Changes of assumptions                                                             | -                     | -                     | 1,176,711             | -                    | 1,264,806             | -                     | (608,159)             | -                    | -                    |
| Differences between expected and actual experience                                 | 861,416               | (124,627)             | (318,730)             | (443,211)            | (696,895)             | 12,952                | (489,591)             | (273,907)            | (264,067)            |
| Benefit payments, including refunds                                                | (2,477,290)           | (2,013,275)           | (1,928,331)           | (1,881,653)          | (1,748,033)           | (1,560,504)           | (1,337,254)           | (1,284,530)          | (1,170,235)          |
| Net change in total pension liability                                              | 3,522,294             | 2,670,742             | 3,421,723             | 2,038,273            | 3,113,899             | 2,574,816             | 1,746,417             | 2,400,430            | 2,343,839            |
| Total pension liability, beginning                                                 | 51,355,052            | 48,684,310            | 45,262,587            | 43,224,314           | 40,110,415            | 37,535,599            | 35,789,182            | 33,388,752           | 31,044,923           |
| Total pension liability, ending (a)                                                | <u>\$ 54,877,346</u>  | <u>\$ 51,355,052</u>  | <u>\$ 48,684,310</u>  | <u>\$ 45,262,587</u> | <u>\$ 43,224,314</u>  | <u>\$ 40,110,415</u>  | <u>\$ 37,535,599</u>  | <u>\$ 35,789,182</u> | <u>\$ 33,388,762</u> |
| <b>PLAN FIDUCIARY NET POSITION</b>                                                 |                       |                       |                       |                      |                       |                       |                       |                      |                      |
| Contributions, employer                                                            | \$ 595,367            | \$ 577,485            | \$ 565,233            | \$ 590,920           | \$ 610,241            | \$ 943,256            | \$ 979,749            | \$ 977,368           | \$ 934,294           |
| Contributions, employee                                                            | 1,006,058             | 937,156               | 831,070               | 829,915              | 859,548               | 820,005               | 919,527               | 881,024              | 789,916              |
| Net investment income (loss)                                                       | 3,705,792             | (70,272)              | 12,600,942            | 870,320              | 2,882,188             | 2,963,678             | 4,332,554             | 617,701              | 1,483,386            |
| Benefit payments, including refunds of employee contributions                      | (2,477,290)           | (2,013,275)           | (1,928,331)           | (1,881,653)          | (1,748,033)           | (1,560,504)           | (1,337,254)           | (1,284,530)          | (1,170,235)          |
| Administrative expenses                                                            | (36,883)              | (35,968)              | (31,049)              | (29,458)             | (28,048)              | (24,923)              | (24,013)              | (20,514)             | (19,456)             |
| Other changes                                                                      | 800                   | 1,348                 | 1,190                 | (1,035)              | (1,818)               | (2,667)               | (3,893)               | (256)                | (316)                |
| Net change in plan fiduciary net position                                          | 2,793,844             | (603,526)             | 12,039,055            | 379,009              | 2,574,078             | 3,138,845             | 4,866,670             | 1,170,793            | 2,017,589            |
| Plan fiduciary net position, beginning                                             | 57,359,615            | 57,963,141            | 45,924,086            | 45,545,077           | 42,970,999            | 39,832,154            | 34,965,484            | 33,794,691           | 31,777,102           |
| Plan fiduciary net position, ending (b)                                            | <u>\$ 60,153,459</u>  | <u>\$ 57,359,615</u>  | <u>\$ 57,963,141</u>  | <u>\$ 45,924,086</u> | <u>\$ 45,545,077</u>  | <u>\$ 42,970,999</u>  | <u>\$ 39,832,154</u>  | <u>\$ 34,965,484</u> | <u>\$ 33,794,691</u> |
| Net pension liability, ending (a) - (b)                                            | <u>\$ (5,276,113)</u> | <u>\$ (6,004,563)</u> | <u>\$ (9,278,831)</u> | <u>\$ (661,499)</u>  | <u>\$ (2,320,763)</u> | <u>\$ (2,860,584)</u> | <u>\$ (2,296,555)</u> | <u>\$ 823,698</u>    | <u>\$ (405,929)</u>  |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 110%                  | 112%                  | 119%                  | 101%                 | 105%                  | 107%                  | 106%                  | 98%                  | 101%                 |
| Covered payroll*                                                                   | <u>\$ 21,829,611</u>  | <u>\$ 19,111,824</u>  | <u>\$ 18,124,705</u>  | <u>\$ 17,642,552</u> | <u>\$ 17,270,832</u>  | <u>\$ 17,227,619</u>  | <u>\$ 17,401,786</u>  | <u>\$ 16,989,819</u> | <u>\$ 15,945,689</u> |
| Net pension liability as a percentage of covered payroll                           | -24%                  | -31%                  | -51%                  | -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 Commission'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 readily available.

## Transportation District Commission of Hampton Roads

### Schedules of Changes in Net Pension Liability and Related Ratios Retirement Plan of Transportation District Commission of Hampton Roads

| Year Ended December 31,                                                    | 2023                 | 2022                 | 2021                 | 2020                 | 2019                 | 2018                 | 2017                 | 2016                 | 2015                 |
|----------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>TOTAL PENSION LIABILITY</b>                                             |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Service cost                                                               | \$ 2,861,562         | \$ 2,701,624         | \$ 2,442,346         | \$ 2,164,795         | \$ 2,091,589         | \$ 2,170,056         | \$ 2,096,672         | \$ 1,942,521         | \$ 1,937,014         |
| Interest                                                                   | 5,873,868            | 5,741,822            | 5,668,563            | 5,403,407            | 5,213,926            | 5,256,473            | 5,047,386            | 4,716,744            | 4,465,478            |
| Changes of assumptions and benefit terms                                   | 215,894              | -                    | 4,750,299            | 356,948              | -                    | (3,400,081)          | -                    | 682,990              | (104,384)            |
| Differences between expected and actual experience                         | 524,902              | (1,053,998)          | (374,852)            | 479,218              | -                    | -                    | -                    | 1,260,323            | 3,109,006            |
| Benefit payments, including refunds                                        | (5,430,665)          | (5,605,152)          | (5,173,607)          | (4,614,356)          | (4,729,343)          | (4,382,248)          | (4,078,731)          | (3,681,036)          | (3,574,555)          |
| Net change in total pension liability                                      | 4,045,561            | 1,784,296            | 7,312,749            | 3,790,012            | 2,576,172            | (355,800)            | 3,065,327            | 4,921,542            | 5,832,559            |
| Total pension liability, beginning                                         | 90,220,970           | 88,436,674           | 81,123,925           | 77,333,913           | 74,757,741           | 75,113,541           | 72,048,214           | 67,126,672           | 61,294,113           |
| Total pension liability, ending (a)                                        | <u>\$ 94,266,531</u> | <u>\$ 90,220,970</u> | <u>\$ 88,436,674</u> | <u>\$ 81,123,925</u> | <u>\$ 77,333,913</u> | <u>\$ 74,757,741</u> | <u>\$ 75,113,541</u> | <u>\$ 72,048,214</u> | <u>\$ 67,126,672</u> |
| <b>PLAN FIDUCIARY NET POSITION</b>                                         |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Contributions, employer                                                    | \$ 2,864,687         | \$ 2,628,521         | \$ 2,445,978         | \$ 2,564,460         | \$ 2,197,312         | \$ 2,243,867         | \$ 2,333,012         | \$ 2,184,142         | \$ 2,019,707         |
| Contributions, employee                                                    | 1,120,235            | 1,019,577            | 940,973              | 993,285              | 816,780              | 860,429              | 877,097              | 894,542              | 803,688              |
| Net investment income (loss)                                               | 10,666,428           | (15,316,068)         | 8,588,946            | 9,935,975            | 11,797,747           | (3,342,739)          | 8,188,123            | 4,817,005            | (674,158)            |
| Benefit payments, including refunds of employee contributions              | (5,430,665)          | (5,605,152)          | (5,173,607)          | (4,614,356)          | (4,729,343)          | (4,382,248)          | (4,078,731)          | (3,681,036)          | (3,574,555)          |
| Administrative expenses                                                    | (111,496)            | (161,901)            | (141,147)            | (125,441)            | (132,712)            | (130,789)            | (112,884)            | (128,321)            | (146,392)            |
| Other changes                                                              | 16,760               | 17,068               | 9,086                | 11,973               | 18,096               | 2,996                | -                    | (329,075)            | -                    |
| Net change in plan fiduciary net position                                  | 9,125,949            | (17,417,955)         | 6,670,229            | 8,765,896            | 9,967,880            | (4,748,484)          | 7,206,617            | 3,757,257            | (1,571,710)          |
| Plan fiduciary net position, beginning                                     | 70,304,926           | 87,722,881           | 81,052,652           | 72,286,756           | 62,318,876           | 67,067,360           | 59,860,743           | 56,103,486           | 57,675,196           |
| Plan fiduciary net position, ending (b)                                    | <u>\$ 79,430,875</u> | <u>\$ 70,304,926</u> | <u>\$ 87,722,881</u> | <u>\$ 81,052,652</u> | <u>\$ 72,286,756</u> | <u>\$ 62,318,876</u> | <u>\$ 67,067,360</u> | <u>\$ 59,860,743</u> | <u>\$ 56,103,486</u> |
| Net pension liability, ending (a) - (b)                                    | <u>\$ 14,835,656</u> | <u>\$ 19,916,044</u> | <u>\$ 713,793</u>    | <u>\$ 71,273</u>     | <u>\$ 5,047,157</u>  | <u>\$ 12,438,865</u> | <u>\$ 8,046,181</u>  | <u>\$ 12,187,471</u> | <u>\$ 11,023,186</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 84%                  | 78%                  | 99%                  | 100%                 | 93%                  | 83%                  | 89%                  | 83%                  | 84%                  |
| Covered-employee payroll*                                                  | <u>\$ 37,501,197</u> | <u>\$ 34,812,052</u> | <u>\$ 33,515,890</u> | <u>\$ 30,553,591</u> | <u>\$ 29,394,356</u> | <u>\$ 29,193,068</u> | <u>\$ 29,517,820</u> | <u>\$ 28,172,411</u> | <u>\$ 25,916,719</u> |
| Net pension liability as a percentage of covered payroll                   | 40%                  | 57%                  | 2%                   | 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 readily available.

# Transportation District Commission of Hampton Roads

## Schedules of Employer's Share of Net OPEB Liability (Asset)

| Plan<br>Year Ended<br>June 30,           | Employer's<br>Proportion of<br>Net OPEB<br>Liability (Asset) | Employer's<br>Proportionate<br>Share of<br>Net OPEB<br>Liability (Asset) | Employer's<br>Covered<br>Payroll | Employer's<br>Proportionate<br>Share of Net<br>OPEB<br>Liability as a<br>Percentage<br>of Covered<br>Payroll | Plan Fiduciary<br>Net Position<br>as a<br>Percentage<br>of Total<br>OPEB<br>Liability (Asset) |
|------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| <b>Group Life Insurance Program</b>      |                                                              |                                                                          |                                  |                                                                                                              |                                                                                               |
| 2023                                     | 0.09269%                                                     | \$ 1,111,644                                                             | \$ 21,834,761                    | 0.051%                                                                                                       | 69.30%                                                                                        |
| 2022                                     | 0.08792%                                                     | 1,058,642                                                                | 19,125,398                       | 0.055%                                                                                                       | 67.21%                                                                                        |
| 2021                                     | 0.08811%                                                     | 1,025,840                                                                | 18,192,403                       | 0.056%                                                                                                       | 67.45%                                                                                        |
| 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%                                                                                        |
| <b>Virginia Local Disability Program</b> |                                                              |                                                                          |                                  |                                                                                                              |                                                                                               |
| 2023                                     | 2.08063%                                                     | \$ (33,477)                                                              | \$ 12,734,974                    | 0.0026%                                                                                                      | 116.89%                                                                                       |
| 2022                                     | 2.12742%                                                     | (12,508)                                                                 | 9,966,749                        | 0.0013%                                                                                                      | 107.99%                                                                                       |
| 2021                                     | 2.15006%                                                     | (21,764)                                                                 | 8,637,107                        | 0.0025%                                                                                                      | 119.59%                                                                                       |
| 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 schedule is intended to show information for 10 years. Information prior to 2016 is not readily available. Additional years will be included as they become available

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

# Transportation District Commission of Hampton Roads

## Schedules of Employer Contributions

| Date                                                                          | Actuarially<br>Determined<br>Contribution | Relation to<br>Actuarially<br>Determined<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Employer's<br>Covered<br>Payroll | Contributions<br>as a %<br>of Covered<br>Payroll |
|-------------------------------------------------------------------------------|-------------------------------------------|----------------------------------------------------------|----------------------------------------|----------------------------------|--------------------------------------------------|
| <b>Virginia Retirement System</b>                                             |                                           |                                                          |                                        |                                  |                                                  |
| 2024                                                                          | \$ 663,903                                | \$ 663,903                                               | \$ -                                   | \$ 25,006,499                    | 2.65%                                            |
| 2023                                                                          | 604,691                                   | 604,691                                                  | -                                      | 21,829,611                       | 2.77%                                            |
| 2022                                                                          | 588,335                                   | 588,335                                                  | -                                      | 19,111,824                       | 3.08%                                            |
| 2021                                                                          | 565,379                                   | 565,379                                                  | -                                      | 18,124,705                       | 3.12%                                            |
| 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%                                            |
| <b>Retirement Plan of Transportation District Commission of Hampton Roads</b> |                                           |                                                          |                                        |                                  |                                                  |
| 2024                                                                          | \$ 2,885,757                              | \$ 2,885,757                                             | \$ -                                   | \$ 37,501,197                    | 7.70%                                            |
| 2023                                                                          | 2,869,087                                 | 2,869,087                                                | -                                      | 34,812,052                       | 8.24%                                            |
| 2022                                                                          | 2,404,229                                 | 2,404,229                                                | -                                      | 33,515,890                       | 7.17%                                            |
| 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%                                            |
| <b>Group Life Insurance Program</b>                                           |                                           |                                                          |                                        |                                  |                                                  |
| 2024                                                                          | \$ 135,112                                | \$ 135,112                                               | \$ -                                   | \$ 25,020,782                    | 0.54%                                            |
| 2023                                                                          | 117,908                                   | 117,908                                                  | -                                      | 21,834,761                       | 0.54%                                            |
| 2022                                                                          | 103,277                                   | 103,277                                                  | -                                      | 19,125,398                       | 0.54%                                            |
| 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%                                            |
| <b>Virginia Local Disability Program</b>                                      |                                           |                                                          |                                        |                                  |                                                  |
| 2024                                                                          | \$ 132,426                                | \$ 132,426                                               | \$ -                                   | \$ 15,579,540                    | 0.85%                                            |
| 2023                                                                          | 108,247                                   | 108,247                                                  | -                                      | 12,734,974                       | 0.85%                                            |
| 2022                                                                          | 87,724                                    | 87,724                                                   | -                                      | 9,966,749                        | 0.88%                                            |
| 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%                                            |

# Transportation District Commission of Hampton Roads

## Notes to Required Supplementary Information

June 30, 2024

### Virginia Retirement System

#### *Changes of Benefit Terms*

There have been no actuarial material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

#### *Changes of Assumptions*

The following actuarial assumptions used in the June 30, 2022, valuation was based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, expect the change in the discount rate, which was based on VRS Board action effective as of July 1, 2011. 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 mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020. |
| Retirement Rates                                                        | Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.     |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service.                                                           |
| Disability Rates                                                        | No change                                                                                                                                                  |
| Salary Scale                                                            | No change                                                                                                                                                  |
| Line of Duty Disability                                                 | No change                                                                                                                                                  |
| Discount Rate                                                           | No change                                                                                                                                                  |

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

|                               |                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation date                | Actuarially determined contribution is calculated prior to the beginning of the fiscal year in which contributions are reported.                                                                                                                                                                                                                                                       |
| Actuarial cost method         | Entry Age Normal Actuarial Cost Method                                                                                                                                                                                                                                                                                                                                                 |
| Amortization method           | Open level dollar for remaining unfunded liability without benefit improvement.                                                                                                                                                                                                                                                                                                        |
| Remaining amortization period | 30 years, with benefit improvements over 5-year closed.                                                                                                                                                                                                                                                                                                                                |
| Asset valuation method        | Market value of assets less unrecognized returns in each of the last four years. Unrecognized return is equal to the difference between the actual market return and the expected return on the actuarial value, and is recognized over a four-year period, further adjusted, if necessary, to be within 20% of the market value.                                                      |
| Actuarial assumptions:        | 6.50%, including inflation, net of pension plan investment expense.                                                                                                                                                                                                                                                                                                                    |
| Investment rate of return     | The net investment return assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the portfolio's asset classes, as well as the Plan's target asset allocation. |
| Aggregate payroll increases   | 3.50%                                                                                                                                                                                                                                                                                                                                                                                  |
| Individual salary increases   | 7.75% for the first five years after date of hire, 3.75% thereafter                                                                                                                                                                                                                                                                                                                    |

# Transportation District Commission of Hampton Roads

## Notes to Required Supplementary Information

June 30, 2024

|                  |                                                                                                                                                                                                                                                                                                                                                                                                      |                               |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| Retirement rates | <u>Age</u>                                                                                                                                                                                                                                                                                                                                                                                           | <u>Retirement Probability</u> |
|                  | 50-55                                                                                                                                                                                                                                                                                                                                                                                                | 7%                            |
|                  | 56-59                                                                                                                                                                                                                                                                                                                                                                                                | 4%                            |
|                  | 60                                                                                                                                                                                                                                                                                                                                                                                                   | 10%                           |
|                  | 61                                                                                                                                                                                                                                                                                                                                                                                                   | 15%                           |
|                  | 62-63                                                                                                                                                                                                                                                                                                                                                                                                | 40%                           |
|                  | 64                                                                                                                                                                                                                                                                                                                                                                                                   | 30%                           |
|                  | 65 & older                                                                                                                                                                                                                                                                                                                                                                                           | 100%                          |
| Mortality rates  | RP-2014 Blue Collar Employee Mortality Table, set forward two years and projected generationally with Scale MP2016 from 2014.<br>RP-2014 Blue Collar Healthy Annuitant Mortality Table, set forward two years and projected generationally with Scale MP2016 from 2014.<br>RP-2014 Disabled Retiree Mortality Table, set forward two years and projected generationally with Scale MP2016 from 2014. |                               |

## Group Life Insurance Program

### *Changes of Benefit Terms*

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

### *Changes of Assumptions*

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

### Largest Ten Locality Employers - General Employees

|                                                                         |                                                                                                                                                                              |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.       |
| Retirement Rates                                                        | Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all. |
| Withdrawal Rates                                                        | Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.                                                                       |
| Disability Rates                                                        | No change.                                                                                                                                                                   |
| Salary Scale                                                            | No change.                                                                                                                                                                   |
| Line of Duty Disability                                                 | No change.                                                                                                                                                                   |
| Discount Rate                                                           | No change.                                                                                                                                                                   |

# Transportation District Commission of Hampton Roads

## Notes to Required Supplementary Information

June 30, 2024

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

|                                                                         |                                                                                                                                                                              |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.       |
| Retirement Rates                                                        | Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all. |
| Withdrawal Rates                                                        | Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.                                                                       |
| Disability Rates                                                        | No change.                                                                                                                                                                   |
| Salary Scale                                                            | No change.                                                                                                                                                                   |
| Line of Duty Disability                                                 | No change.                                                                                                                                                                   |
| Discount Rate                                                           | No change.                                                                                                                                                                   |

### Virginia Local Disability Program

#### *Changes of Benefit Terms*

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

#### *Changes of Assumptions*

The actuarial assumptions used in the June 30, 2022, valuation was 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, 2021. Changes to the actuarial assumptions as a result of the experience study and VRRS 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.            |
| Retirement Rates                                                        | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all. |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each age and service decrement through 9 years of service.                                                             |
| Disability Rates                                                        | No change.                                                                                                                                                        |
| Salary Scale                                                            | No change.                                                                                                                                                        |
| Line of Duty Disability                                                 | No change.                                                                                                                                                        |
| Discount Rate                                                           | No change.                                                                                                                                                        |

# Transportation District Commission of Hampton Roads

## Notes to Required Supplementary Information

June 30, 2024

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

|                                                                         |                                                                                                                                                                   |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.            |
| Retirement Rates                                                        | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all. |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each age and service decrement through 9 years of service.                                                             |
| Disability Rates                                                        | No change.                                                                                                                                                        |
| Salary Scale                                                            | No change.                                                                                                                                                        |
| Line of Duty Disability                                                 | No change.                                                                                                                                                        |
| Discount Rate                                                           | No change.                                                                                                                                                        |



# Compliance Section

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**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 Transportation District Commission of Hampton Roads (the "Commission"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 20, 2025.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2024-001 and 2024-002, that we consider to be material weaknesses.

## Report on Compliance and Other Matters

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

## Transportation District Commission of Hampton Roads' Responses to Findings

*Government Auditing Standards* require 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 responses. The Commission's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
October 20, 2025

# Transportation District Commission of Hampton Roads

## Summary of Compliance Matters

June 30, 2024

As more fully described in the 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*, we performed tests of the Commission's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

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### State Compliance Matters

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#### Code of Virginia

- Cash and Investment Laws
- Conflicts of Interest Act
- Local Retirement Systems
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act

# Transportation District Commission of Hampton Roads

## Schedule of Findings and Responses

June 30, 2024

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### A – Findings – Financial Statements

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#### *2024-001: Proposed Audit Adjustments (Material Weakness)*

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 Annual Financial Report produced within the Finance Department. To ensure that transactions are fairly presented, procedures must be in place and function effectively to produce complete and accurate financial statements. During the year-end close and financial audit process, we identified misstatements, some of which were considered material, to the financial statements which resulted adjustments to 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, liabilities, revenues, and expenses to ensure an accurate presentation of the financial position and activity of the Commission for the fiscal year ended.

Cause During the second quarter of fiscal year 2020, the Commission implemented a new general ledger accounting system. Continued lingering issues from the implementation of the system, coupled with staff turnover, resulted in a lack of technical critical mass to analyze the myriad of transactions the Commission entered into yearly, and curtailed the Commission's ability to provide auditable financial records in a timely manner. Concurrently, and compounding the conditions just described, the Commission is currently working to catch up on their financial statement audits, which has also diminished the staff's capacity to analyze the myriad of transactions previously described. Management acknowledges that remediation and improvement activities over the controls are ongoing. However, the tight turnaround and stringent deadlines of the current audit cycle have necessarily diverted key personnel and resources, resulting in a temporary delay in the full implementation of the remaining enhancements to controls that have since been implemented.

Effect Certain balances and amounts reflected in the Commission's financial statements were materially misstated.

Recommendation We recommend that regular reconciliations continue to be performed over the major general ledger accounts and reviewed by individuals that have the necessary background and understanding to ensure that balances are accurate, and that evidence of this review be documented. We also recommend that management continue to make strides in the process and procedures that have since been put in place.

View of Responsible Officials Recommendations made by auditors will be implemented. Management implemented controls during the year to mitigate the risk of recurrence and address the underlying control issues. The Commission added a Comptroller to the accounting department staff in the second quarter of fiscal year 2026. Starting immediately for the year ended June 30, 2026, trial balance, the Comptroller will be reviewing all reconciliations monthly and working with staff to provide training and direction where needed. Reconciliations will also be reviewed by the Director of Finance.

# Transportation District Commission of Hampton Roads

## Schedule of Findings and Responses

June 30, 2024

### 2024-002: Grant Activity (Material Weakness)

Condition During our testing over grant activity, we noted that all grant activity was not fully reconciled during the year. The activity was reconciled at year end, but due to the lateness of the balance sheet reconciliations, the schedules had to be created in a very short time frame, resulting in revisions concurrent with the audit. As a result, there were several material adjustments recorded during the audit process to correct balances. Additionally, as a result of these reconciliations, management identified and corrected misstatements from prior years for grants that had expired and funds that could no longer be drawn against the grant.

Criteria Grant activity, including receivables, liabilities, 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, and the lack of monthly account reconciliations delayed the ability to track and reconcile grant activity. This has also been coupled with the Commission working to catch up on their financial statement audits, which has added to the difficulty in tracking all grant activity on a monthly basis. Management acknowledges that remediation and improvement activities over the controls are ongoing in addition to employee training over those controls. However, the tight turnaround and stringent deadlines of the current audit cycle have necessarily diverted key personnel and resources, resulting in a temporary delay in the full implementation of the remaining enhancements to controls that have since been implemented along with the necessary training.

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

Recommendation We recommend that grant activity continue to be tracked and that grant expenditures are compared to grant revenue along with a comparison of cash receipts to reimbursement requests. We also recommend that grant activity continue to be reconciled on a monthly basis and that reconciliations continue to be reviewed and evidence of this review be documented. We also recommend that management continue to make strides in the process and procedures that have since been put in place.

View of Responsible Officials Recommendations made by auditors will be implemented. Management implemented controls during the year to mitigate the risk of recurrence and address the underlying control issues. The Commission reconciles federal grants monthly and state grants prior to all reimbursements. The accounting department also downloads a grant report from the State and Federal governments each month and continually tracks expiring grants to ensure that all reimbursements are filed before the deadline.

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## B – Findings – Commonwealth of Virginia

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None noted.