HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

Hampton Roads Transportation Accountability Commission

A COMPONENT UNIT OF THE
COMMONWEALTH OF VIRGINIA

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2025

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

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Lynn Coen, Chief Financial Officer
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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Commission Board Members
Hampton Roads Transportation Accountability Commission

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of the Hampton Roads Transportation Accountability Commission (Commission), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Commission, as of June 30, 2025, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note 14 to the financial statements, in fiscal year 2025, the Commission recorded a restatement of beginning net position and fund balance in accordance with Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 4-10 and 50-53, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of general and administrative expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of general and administrative expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 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.

PBMares, LLP

Harrisonburg, Virginia
September 30, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Hampton Roads Transportation Accountability Commission's (the Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2025.

The Commission is a political subdivision of the Commonwealth of Virginia, created April 3, 2014 by the Hampton Roads Transportation Accountability Commission Act, Title 15.2, of the *Code of Virginia* (HB1253 & SB513) and became effective July 1, 2014. The Commission's primary function is determining how the Hampton Roads Transportation Fund (HRTF) (HB2313 of the 2013 Acts of Assembly) regional Sales and Use Tax and Fuel Tax monies will be invested in new construction projects on new or existing highways, bridges, and tunnels in the localities comprising Planning District 23. The Hampton Roads Regional Transit Fund (HRRTF) (HB 1726 and SB 1038 of the 2020 Acts of Assembly) Regional Transportation District Transient Occupancy Tax, Regional Transportation Improvement Fee (Grantors Tax), and $20 million of Statewide Recordation Tax Revenues will be invested in a core connected transit network.

The HRTF function includes an improvement program development, required by the *Virginia Code* to give priority to those projects that are expected to provide the greatest impact on reducing congestion for the greatest number of citizens residing within Planning District 23. The HRRTF function includes the supporting member jurisdictions (currently the cities of Virginia Beach, Chesapeake, Norfolk, Portsmouth, Newport News, and Hampton) subject to the taxes imposed pursuant to Section 58.1-802.4 of the *Virginia Code* and Section 58.1-1743 of the *Virginia Code* approving projects to the development, maintenance, improvement, and operation of a core and connected regional network of transit routes and related infrastructure, rolling stock, and support facilities, to include the operation of a regional system of interjurisdictional, high-frequency bus service, in a transportation district in Hampton Roads created pursuant to § 33.2-1903 as included in the strategic plans and regional transit planning process developed pursuant to § 33.2-286.

In furtherance of its statutory purposes, especially congestion relief, many of the projects the Commission funds are located on major interstate highways owned by the Virginia Department of Transportation (VDOT), and the Commission enters into various agreements with VDOT for the funding of such projects. The Commission's role is principally as a funding source, including with monies generated from the issuance of Commission debt, and the Commission does not own such projects or the assets that it funds, nor does it participate in their construction or operation. Neither VDOT nor the Commonwealth is obligated to pay the Commission's debt, nor is any of such debt guaranteed or backed by the Commonwealth's full faith and credit.

The Commission member jurisdictions are the counties of Isle of Wight, James City, Southampton, and York and the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg. The Commission has 23 members as follows: the chief elected official of each of the ten cities and a current elected official of each of the four counties that are members of the Commission; and five members of the General Assembly (two senators and three delegates). The counties embraced by the Commission must appoint by resolution a current member from its governing body to serve as its member on the Commission. In addition, there are four non-voting ex-officio members, one each from the Virginia Department of Rail and Public Transportation, the Commonwealth Transportation Board, the Virginia Department of Transportation, and the Virginia Port Authority.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

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

The amount of Liabilities and deferred inflows of resources of the Commission exceeded its assets and deferred outflows of resources for the year ended June 30, 2025, by $1,287,347,228. This is an increase in the Commission's negative net position of $202,024,856. The increase is due to the use of cash for the payment of project costs, debt service, and operating expenses, which exceeded the revenue received during the year.

- For the fiscal year ended June 30, 2025, regional tax revenues for the Commission's governmental activities totaled $303.4 million in addition to $80.8 million in investment income and $20,000 in other income. Expenses totaled $588.0 million; $527.8 million represents project funding in accordance with HB2313 (HRTF) and HB1726 (HRRTF), and $60.2 million represents reimbursement of authorized administrative costs, most of which was interest expense on bond proceeds **(**$57 million).

Highlights for Fund Financial Statements

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

- The Commission's Capital Project Fund, established in the fiscal year 2018, reported a decrease in fund balance of $881,668 for a fund balance of $85.7 million as of June 30, 2025 This decrease is the net effect of funds received from a bond issuance, interest earned on those funds, and the payment of bond issuance costs and Project cost distributions (VDOT construction invoices). Once these projects are completed, they are a VDOT capital asset.

- The Commission's Special Revenue Fund (HRTF), established in fiscal year 2016, reported a decrease in fund balance of $102.5 million for a fund balance of $1.486 billion as of June 30, 2025. This decrease is due to Project cost distributions (VDOT construction invoices) and administrative expenses for the fund exceeding all fund revenues.

- The Commission's Special Revenue Fund (HRRTF), established in fiscal year 2021, reported an increase in fund balance of $12.7 million for a fund balance of $105.3 million as of June 30, 2025. This increase is due to tax revenue being higher than Project cost distributions (HRT project invoices).

- The Commission's Debt Service Fund, established in fiscal year 2019, has a fund balance of $38.0 million as of June 30, 2025**,** which is an increase of $37.3 million. The increase is the net of interest earned, principal payments due on July 1, 2025, and the addition of a debt service reserve account to this fund.

- The Commission's Fiduciary Fund was established in fiscal year 2025, and has a fund balance of $220,596. This consists of the original funding deposit for the Other Postemployment Benefits Trust Fund and interest earnings.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The financial statements presented include all the activities which are part of the Commission reporting entity using the integrated approach as prescribed by the Governmental Accounting Standards Board (GASB). The government-wide financial statements present the financial picture of the Commission's governmental activities from the economic resources' measurement focus using the accrual basis of accounting. The fund financial statements include a separate column for each of the major governmental funds. The fiduciary fund is not included in the government-wide financial statements, and it is prepared using the accrual basis of accounting and economic resources measurement focus. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities, with the governmental activities combined. The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Commission with the difference reported as net position. The Statement of Activities shows in broad terms changes to net position during the fiscal year.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or declining. Net position is one way to measure financial position but the reader should also consider other indicators, such as general economic conditions.

The Statement of Activities presents information indicating how the Commission's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will result in cash flows in future fiscal periods.

General revenue consists of investment earnings used to cover the Commission's administrative expenses, and Special revenues include the following intergovernmental revenues: sales and use tax and fuel tax collected on behalf of the HRTF, and regional transient occupancy tax, regional grantors tax, and statewide recordation tax collected on behalf of the HRRTF and remitted from the Commonwealth of Virginia. These tax receipts commenced July 1, 2013 (HRTF) and July 1, 2020 (HRRTF).

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources which have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission reports both governmental funds and a fiduciary fund. The Commission does not operate proprietary funds at this time. The governmental funds of the Commission are presented using four fund types: General Fund, Special Revenue Funds, Capital Project Fund, and Debt Service Fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Change in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

As mentioned above, the Commission maintains four types of governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for each of these funds. The General Fund includes the Commission's operating activities including the cost of the Commission's five-member staff.

The Special Revenue Funds report revenue received by the Commission and used to fund prioritized projects on new or existing highways, bridges and tunnels in the localities comprising Planning District 23 (HRTF) as well as revenues used to fund the improvement of transit routes, supporting facilities, and bus service (HRRTF). The Capital Project Fund reports interest earned on unexpended bond proceeds, cost of bond issuance, and project cost distributions. The Debt Service Fund reports interest earned on funds set aside for the payment of principal and interest. Interest is paid January 1 and July 1 of each fiscal year. Principal payments will begin in the fiscal year ending June 30, 2026.

The Commission adopts an annual appropriated budget for its General Fund. An internal budgetary comparison statement is maintained for the General Fund to demonstrate compliance with this budget.

<u>Notes to the Basic Financial Statements</u>

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

<u>Required Supplementary Information</u>

The Required Supplementary Information provides additional information that is required by accounting principles generally accepted in the United States to be presented as a supplement to the basic financial statements.

<u>Supplementary Information</u>

Additional information is presented as a supplement to the basic financial statements. Although not required to be presented and not part of the basic financial statements, the schedules are included to provide additional information of interest to certain financial statement users.

FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

Statement of Net Position

The following table presents a summary of the Statement of Net Position for the Commission as of June 30, 2025. Data for June 30, 2024 has been included for comparison purposes.

Summary of Net Position
June 30, 2025 and 2024

	Governmental Activities			
	2025	2024	Change	% Change
Assets and Deferred Outflows of Resources:				
Current and other assets	**$ 1,806,201,244**	$ 1,853,183,943	$ (46,982,699)	-2.5%
Deferred outflows of resources	**82,443**	72,034	10,409	14.5%
Total assets and deferred outflows of resources	**1,806,283,687**	1,853,255,977	(46,972,290)	
Liabilities:				
Current and other liabilities	**3,067,508,642**	2,886,406,475	181,102,167	6.3%
Deferred inflows of resources	**26,122,273**	52,171,874	(26,049,601)	-49.9%
Total liabilities and deferred inflows of resources	**3,093,630,915**	2,938,578,349	155,052,566	
Net Position:				
Net investment in capital assets	**8,093**	12,953	(4,860)	-37.5%
Unrestricted	**(1,287,355,321)**	(1,085,335,325)	(202,019,996)	-18.6%
Total net position	**$ (1,287,347,228)**	$ (1,085,322,372)	$ (202,024,856)	

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Commission, liabilities and deferred inflows of resources exceeded assets and deferred outflows by $1.287 billion at June 30, 2025, and mostly represents resources subject to external restriction.

Current assets consist primarily of amounts due from the Commonwealth of Virginia, cash and cash equivalents, and restricted cash and cash equivalents. As of June 30, 2025, approximately $58 million was due from the Commonwealth of Virginia, which is restricted for prioritized projects on new or existing highways, bridges, and tunnels in the localities comprising Planning District 23, as well as transit projects in a transportation district in Hampton Roads.

During the previous fiscal year, the Commission approved a new medical insurance retirement benefit for long-term employees. As of June 30, 2024, the liability of $189,073 was unfunded. During the current fiscal year that liability increased to $210,138 and was funded in March 2025. Interest income earned since then has increased the balance of the fund to $220,596. The financial statements for the fiduciary fund are separate from the government-wide and governmental funds, and are included in the Financial and Compliance Reports.

Statement of Activities

The following table presents the revenues, expenses and change in net position of the Commission for the fiscal year ended June 30, 2025. Data for June 30, 2024 has been included for comparison purposes.

Summary of Changes in Net Position
Years Ended June 30, 2025 and 2024

	Governmental Activities			
	2025	2024	Change	% Change
Revenues:				
General revenue:				
Intergovernmental	**$ 303,422,772**	$ 298,925,351	$ 4,497,421	1.5%
Investment earnings	**80,828,097**	92,661,336	(11,833,239)	-12.8%
Other income	**20,000**	50,000	(30,000)	-
Total revenues	**384,270,869**	391,636,687	(7,365,818)	
Expenses:				
General and administrative	**1,574,485**	1,445,173	129,312	8.9%
Investment fees	**216,815**	427,781	(210,966)	-49.3%
Professional services	**347,395**	2,036,006	(1,688,611)	-82.9%
Cost of issuance	**1,321,700**	882,190	439,510	49.8%
Interest expense	**56,812,610**	48,277,225	8,535,385	17.7%
Project cost distributions	**527,756,319**	570,824,947	(43,068,628)	-7.5%
Total expenses	**588,029,324**	623,893,322	(35,863,998)	
Change in net position	**(203,758,455)**	(232,256,635)	28,498,180	-12.3%
Net Position, beginning	**(1,085,322,372)**	(853,065,737)	(232,256,635)	27.2%
Net Position, ending	**$ (1,289,080,827)**	$ (1,085,322,372)	$ (203,758,455)	18.8%

For the fiscal year ending June 30, 2025, revenues totaled approximately $384 million. Expenses totaled approximately $588 million. A discussion of the key components of the revenue and expense is included in the analysis of funds below.

FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

Governmental Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the needs of the Commission's financing requirements.

General Fund. The General Fund is the operating fund of the Commission. It is currently funded by transfers of investment earnings, if available, with any additional costs covered from the Special Revenue fund per legislative action HB1111 of the 2016 Acts of Assembly and shared pro rata with revenues of the HRRTF per legislative action HB 1726 and SB 1038 of the 2020 Acts of Assembly. Any investment income not required for General Fund use is retained in the Special Revenue funds.

Special Revenue Funds. The Commission established special revenue funds which are categorized as major funds in the governmental fund statements. These funds are used to report the intergovernmental revenue received from the Commonwealth of Virginia.

Capital Project Fund. The Commission established a capital project fund during fiscal year 2018 which is categorized as a major fund in the governmental fund statements. This fund is used to report bond issuance expense, bond issuance premium and project cost distributions.

Debt Service Fund. The Commission established a debt service fund during fiscal year 2019 which is categorized as a major fund in the governmental fund statements. This fund is used to report investment earnings and bond interest expense.

Fiduciary Fund. The Commission established a fiduciary fund during fiscal year 2025 which is used to hold the investments and to record the activities for the post-employment health care benefit plan that was established in the previous fiscal year. This fund is not considered a major fund and its activities are not included in the government-wide financial statements, since the assets are held for the benefit of individuals and are not available for the Commission's own operations. The activities are reported in a separate Statement of Fiduciary Net Position.

Economic Factors and the Fiscal Year 2026 Budget

- Hampton Roads is both a nationally and globally significant region. It is categorized as having a broad, diverse, and stable regional economy. The region is the driver of economic activity for the Commonwealth of Virginia.

- The fiscal year 2026 budget is based on an analysis of trending revenues.

The Commission's General Fund, Special Revenue Funds, and Capital Project Fund operating budgets decreased from $6,962,793 in fiscal year 2025 to $6,193,127 in fiscal year 2026. This decrease of $769,666 is due mainly to a reduction in legal fees and in HRTF Program/Project Development costs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those interested. If you have any questions about this report or need additional financial information, contact Kevin Page, Executive Director, Hampton Roads Transportation Accountability Commission, 723 Woodlake Drive, Chesapeake, Virginia, 23320, or by e-mail to kpage@hrtac.org.

BASIC FINANCIAL STATEMENTS

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF NET POSITION
June 30, 2025

	Governmental Activities
ASSETS	
Due from the Commonwealth of Virginia	$ 57,733,400
Accrued investment income	7,177,831
Prepaid items	121,231,841
Restricted cash, cash equivalents and investments	1,619,918,540
Net pension asset	131,539
Capital assets, net	8,093
Total assets	1,806,201,244
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	82,443
Total deferred outflows of resources	82,443
LIABILITIES	
Current liabilities	
Accounts payable	307,174
Accrued interest payable	38,271,159
Accrued liabilities	11,545
Due to other governments	3,864,890
Due to Virginia Department of Transportation	48,249,294
Current maturities of long-term debt	7,114,779
Total current liabilities	97,818,841
Long-term liabilities	
Compensated absences	183,426
Long-term debt, net	2,969,506,375
Total long-term liabilities	2,969,689,801
Total liabilities	3,067,508,642
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on defeasance	26,057,376
Pension plan	59,676
Other post-employment benefits	5,221
Total deferred inflows of resources	26,122,273
NET POSITION	
Net investment in capital assets	8,093
Unrestricted	(1,287,355,321)
Total net position	$ (1,287,347,228)

See Notes to Financial Statements.

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2025

	Expenses	Net (Expense) Revenue and Change in Net Position Governmental Activities
Functions/Programs		
Governmental activities:		
General and administrative	$ 1,574,485	$ (1,574,485)
Investment fees	216,815	(216,815)
Professional services	347,395	(347,395)
Cost of debt issuance	1,321,700	(1,321,700)
Interest expense	56,812,610	(56,812,610)
Project cost distributions	527,756,319	(527,756,319)
Total governmental activities	$ 588,029,324	(588,029,324)
General revenues:		
Intergovernmental revenue:		
Motor fuel tax		66,226,422
Sales and use tax		201,130,897
Regional transit improvement fees		6,408,241
Transient occupancy tax		9,657,212
State recordation tax		20,000,000
Investment earnings		80,828,097
Other income		20,000
Total general revenues		384,270,869
Change in net position		(203,758,455)
Net Position, beginning of year		(1,085,322,372)
Aggregate restatement		1,733,599
Net Position, beginning of year, as restated		(1,083,588,773)
Net Position, end of year		$ (1,287,347,228)

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	Special Revenue HRTF	Special Revenue HRRTF	Capital Project Fund	Debt Service Fund	Total Governmental Funds
ASSETS						
Due from the Commonwealth of Virginia	$ -	$ 54,838,182	$ 2,895,218	$ -	$ -	$ 57,733,400
Due from other funds	67,277	20,764	-	-	-	88,041
Accrued investment income	-	7,177,831	-	-	-	7,177,831
Prepaid items	19,583	120,712,127	500,131	-	-	121,231,841
Restricted cash, cash equivalents, and investments	38,811	1,309,897,851	105,848,921	127,852,480	76,280,477	1,619,918,540
Total assets	$ 125,671	$ 1,492,646,755	$ 109,244,270	$ 127,852,480	$ 76,280,477	$ 1,806,149,653
LIABILITIES						
Accounts payable	$ 56,270	$ 29,848	$ 61,425	$ 159,631	$ -	$ 307,174
Accrued interest payable	-	-	-	-	38,271,159	38,271,159
Accrued liabilities	11,545	-	-	-	-	11,545
Due to other governments	76,584	-	3,788,306	-	-	3,864,890
Due to Virginia Department of Transportation	-	6,286,338	-	41,962,956	-	48,249,294
Due to other funds	-	-	88,041	-	-	88,041
Total liabilities	144,399	6,316,186	3,937,772	42,122,587	38,271,159	90,792,103
FUND BALANCES						
Nonspendable	19,583	120,712,127	500,131	-	-	121,231,841
Restricted	-	1,365,618,442	104,806,367	85,729,893	38,009,318	1,594,164,020
Unassigned	(38,311)	-	-	-	-	(38,311)
Total fund balances (deficit)	(18,728)	1,486,330,569	105,306,498	85,729,893	38,009,318	1,715,357,550
Total liabilities and fund balances	$ 125,671	$ 1,492,646,755	$ 109,244,270	$ 127,852,480	$ 76,280,477	$ 1,806,149,653

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2025

		Governmental Funds
Reconciliation of fund balances on the Balance Sheet for the governmental funds to the net position of the governmental activities on the Statement of Net Position:		
Fund balances - governmental funds		$ 1,715,357,550
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, are not recognized as expenditures in the governmental funds until then.		
Pension plan		82,443
Net pension asset		131,539
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund.		
Capital assets	$ 14,573	
Less - accumulated depreciation and amortization	(6,480)	
		8,093
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	(183,426)	
Bonds and TIFIA loan payable	(2,818,169,445)	
Bond premiums	(158,451,709)	
		(2,976,804,580)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized in the governmental funds until then.		
Deferred gain on defeasance	(26,057,376)	
Pension plan	(59,676)	
Other post-employment benefits	(5,221)	
		(26,122,273)
Net position of governmental activities		$ (1,287,347,228)

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2025

	General Fund	Special Revenue HRTF	Special Revenue HRRTF	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Revenues						
Intergovernmental:						
Motor fuel tax	$ -	$ 66,226,422	$ -	$ -	$ -	$ 66,226,422
Sales and use tax	-	201,130,897	-	-	-	201,130,897
Regional transit improvement fees	-	-	6,408,241	-	-	6,408,241
Transient occupancy tax	-	-	9,657,212	-	-	9,657,212
State recordation tax	-	-	20,000,000	-	-	20,000,000
Investment earnings	-	68,633,471	4,941,241	4,969,593	2,283,792	80,828,097
Other Income	20,000	-	-	-	-	20,000
Total revenues	20,000	335,990,790	41,006,694	4,969,593	2,283,792	384,270,869
Expenditures						
Current:						
General and administrative	1,412,346	100,464	243,513	-	-	1,756,323
Investment fees	-	216,815	-	-	-	216,815
Professional services	-	91,522	-	255,873	-	347,395
Cost of debt issuance	-	-	-	1,321,700	-	1,321,700
Interest expense	-	-	-	-	74,231,851	74,231,851
Project cost distributions	-	333,597,869	28,071,735	166,086,715	-	527,756,319
Total expenditures	1,412,346	334,006,670	28,315,248	167,664,288	74,231,851	605,630,403
Excess (deficiency) of revenues over (under) expenditures	(1,392,346)	1,984,120	12,691,446	(162,694,695)	(71,948,059)	(221,359,534)
Other Financing Sources (Uses)						
Transfers in	1,592,858	209,934	181,191	198,039,212	109,269,401	309,292,596
Transfers out	(162,157)	(104,681,557)	(179,490)	(204,269,392)	-	(309,292,596)
Issuance of debt	-	-	-	151,385,000	-	151,385,000
Bond premiums	-	-	-	16,658,207	-	16,658,207
Total other financing sources (uses), net	1,430,701	(104,471,623)	1,701	161,813,027	109,269,401	168,043,207
Net change in fund balances	38,355	(102,487,503)	12,693,147	(881,668)	37,321,342	(53,316,327)
Fund Balances (Deficit), beginning of year, as previously reported	(57,083)	1,587,084,473	92,613,351	86,611,561	687,976	1,766,940,278
Restatement	-	1,733,599	-	-	-	1,733,599
Fund Balances (Deficit), beginning of year, as restated	(57,083)	1,588,818,072	92,613,351	86,611,561	687,976	1,768,673,877
Fund Balances (Deficit), end of year	$ (18,728)	$ 1,486,330,569	$ 105,306,498	$ 85,729,893	$ 38,009,318	$ 1,715,357,550

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2025

	Governmental Funds	
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds		$ (53,316,327)
Deferred outflows of resources:		
Pension plan contributions subsequent to measurement date		81,063
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension items		(55,464)
Other post-employment benefits		183,852
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.		
Depreciation and amortization	$ (4,860)	
		(4,860)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction, however, does not have any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of new debt	(151,385,000)	
Capitalization of interest related to TIFIA loans	(15,286,808)	
Bond premium	(16,658,207)	
Amortization of bond premiums	6,648,661	
Amortization of gain on defeasance	26,057,388	
Compensated absences	(22,753)	
		(150,646,719)
Change in net position of governmental activities		$ (203,758,455)

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUND
June 30, 2025

	OPEB Trust Fund
ASSETS	
Pooled investments	$ 220,596
Total assets	$ 220,596
FIDUCIARY NET POSITION	
Restricted for:	
Other postemployment benefits	$ 220,596
Total net position	$ 220,596

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUND
Year Ended June 30, 2025

	OPEB Trust Fund
ADDITIONS	
Contributions:	
Employer	$ 210,138
Investment earnings	10,458
Total additions	220,596
Net change in fund balances	220,596
Fund Balance, beginning of year	-
Fund Balance, end of year	$ 220,596

Note 1. Summary of Significant Accounting Policies

The financial statements of the Hampton Roads Transportation Accountability Commission (Commission) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S GAAP for state and local governments through its pronouncements (Statements and Interpretations).

A. Reporting Entity

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information of the governmental activities supported by intergovernmental revenues.

The government-wide Statement of Net Position reports net position as restricted when externally imposed constraints are in effect. Internally imposed designations of resources are not presented as restricted net position.

The government-wide Statement of Activities is designed to report the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include contributions that are restricted to meet the operational requirements of a particular function.

Separate fund financial statements are provided for each of the governmental funds and the fiduciary fund. In the fund financial statements, financial transactions and accounts of the Commission are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental funds are reported on a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances (fund equity). Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements. The fiduciary fund is reported on a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position (fund equity).

C. Measurement Focus and Basis of Accounting

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

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

General Fund – The General Fund is the primary operating fund of the Commission and is used to account for and report all revenues and expenditures applicable to the general operations of the Commission which are not accounted for in other funds. Revenues are derived primarily from transfers from the Special Revenue Funds. The General Fund is considered a major fund for financial reporting purposes.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Special Revenue Funds – The Commission has two Special Revenue Funds. The Special Revenue Hampton Roads Transportation Fund (HRTF) and Special Revenue Hampton Roads Regional Transit Fund (HRRTF) account for and report the proceeds of specific revenue sources restricted or committed to expenditures for specified purposes. The Special Revenue Funds are considered major funds for financial reporting purposes.

Capital Projects Fund – The Capital Projects Fund accounts for and reports the proceeds from the Commission's debt issuances and the expenditures associated with these financial instruments. The Capital Projects Fund transfers money to the Special Revenue Funds to cover costs incurred within the Special Revenue Funds that are approved to be paid from the debt proceeds and not local revenue sources. The Commission has one Capital Projects Fund. The Capital Projects Fund is considered a major fund for financial reporting purposes.

Debt Service Fund – The Debt Service Fund accounts for and reports the financial resources that are restricted or committed for expenditures related to principal and interest obligations. The Debt Service Fund is considered a major fund for financial reporting purposes.

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

D. Budgeting

The Commission adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables the Commission to determine the annual transfers required from the Special Revenue Funds to fund its general and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets.

E. Other Significant Accounting Policies

1. Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less.

2. Restricted Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments as reported in the Statement of Net Position and Balance Sheets are comprised of intergovernmental deposits and unspent bond proceeds that shall be used solely for regional highways, bridges and tunnel transportation projects benefiting the member jurisdictions.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements using the consumption method. See Note 13 for more information.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

4. Capital Assets

Capital assets include property and equipment and computer hardware with an individual cost of more than $5,000 and an estimated useful life in excess of one year. For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. Repairs and maintenance are charged to operations as incurred. Additions and betterments are capitalized. The cost of assets retired and accumulated depreciation are removed from the accounts.

Depreciation and amortization of all exhaustible equipment, leasehold improvements and intangibles is charged as an expense against operations using the straight-line method over the following estimated useful lives:

Asset Category	Useful Life (years)
Office Furniture and Equipment	5
Automobiles	5
Software	5

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2025.

Funding of transportation capital projects: For projects approved and funded by the Commission, the Commission does not take ownership of such projects. Therefore, these projects are not reflected on the Commission's financial statements.

5. Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (the Commission's retirement plan) is a multi-employer, agent plan. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Commission's retirement plan and the additions to/deductions from the Commission's retirement plan's fiduciary net position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Other Post-employment Benefits

The Commission administers a single-employer defined post-employment health care benefit plan (the Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, an actuarial valuation was performed as of June 30, 2023, using updated actuarial assumptions. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

7. Compensated Absences

The Commission adopted GASB Statement No. 101, *Compensated Absences*, on July 1, 2024. No beginning adjustments to the liability resulted in a change to beginning net position. The Commission's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from the Commission's service up to twice the annual earnings. The liability for such leave is reported as incurred in the government-wide statements. Vacation leave for Commission employees is granted to all full-time employees and is earned based upon the length of employment. The General Fund is responsible for paying the liability for compensated balances for employees.

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

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Gains on defeasance of debt are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums, bond discounts, and bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Interfund Transactions

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

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

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

10. Fund Equity

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

10. Fund Equity (continued)

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

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

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

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

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

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

11. Net Position

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

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

12. Estimates and Assumptions

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

13. Deferred Outflows/Inflows of Resources

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

13. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Commission currently has items which arise under the accrual basis of accounting, that qualify for reporting in this category, deferred gain on defeasance and another described in detail in Note 7.

14. Subsequent Events

Subsequent events have been evaluated through September 30, 2025, which was the date the financial statements were available to be issued.

Note 2. Deposits and Investments

At June 30, 2025, cash, cash equivalents and investments consisted of the following:

Governmental Activities

Cash	$ 30,133,784
Local Government Investment Pool (LGIP)	1,076,058,686
TD Bank	3,006
State Non-Arbitrage Pool (SNAP)	82,248,591
Wilmington Trust	121,884,366
Principal Bank	309,590,107
Total governmental activities	1,619,918,540
Fiduciary Activities	
VML/VaCO	220,596
Total fiduciary activities	220,596
Total restricted	$ 1,620,139,136

Deposits

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

Note 2. Deposits and Investments (Continued)

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes; bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

The Commission has adopted a formal investment policy. The goal of the policy is to minimize risk and to ensure the availability of cash to meet Commission expenditures, while generating revenue from the use of funds which might otherwise remain idle. The primary objectives of the Commission's investment activities in priority order are: safety, liquidity and yield. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities.

Investment Policy

Investment	Credit Quality
U.S. Treasury Obligations	Bills, notes and any other obligation or securities issued by or backed by the full faith and credit of the United States Treasury. The final maturity shall not exceed a period of five years from the time of purchase.
Federal Agency/ Government Sponsored Enterprise Obligations	Bonds, notes and other obligations of the United States, and securities guaranteed by any federal government agency or instrumentality or government sponsored enterprise, with a rating of at least "AA" (or its equivalent) by at least two of the following Nationally Recognized Statistical Rating Organizations (NRSROs): Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's ("S&P"), or Fitch Ratings, Inc. ("Fitch"). The final maturity shall not exceed a period of five years from the time of purchase. Any investment in mortgage backed securities or collateralized mortgage obligations shall have a weighted average life that does not exceed five years from the time of purchase.
Municipal Obligations	Bonds, notes and other general obligations of the Commonwealth of Virginia and its agencies, authorities, and political subdivisions upon which there is no default, with a rating of at least AA (or its equivalent) by at least two of the following NRSROs: S&P, Moody's, or Fitch, matures within three years of the date of purchase, and otherwise meets the requirements of *Code of Virginia* §2.2-4501.
Commercial Paper	"Prime quality" commercial paper, with a maturity of 270 days or less from the date of purchase, issued by domestic corporations (corporations organized and operating under the laws of the United States or any state thereof) provided that the issuing corporation, or its guarantor, has a short-term debt rating of at least two of the following: P-1 by Moody's, A-1 by S&P, or F1 by Fitch, and that otherwise meets the requirements of *Code of Virginia* §2.2-4502.

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

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

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

Investment	Credit Quality
Repurchase Agreement (Continued)	d. a perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities are created for the benefit of the Commission; e. the counterparty is a: i. primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or ii. a bank, savings and loan association, or diversified securities broker-dealer having at least $5 billion in assets and $500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and f. the counterparty meets the following criteria: i. a long-term credit rating of at least "AA" or the equivalent from an NRSRO; ii. has been in operation for at least five years; and iii. is reputable among market participants.
Money Market Mutual Funds (Open-Ended Investment Funds)	Shares in open-end, no-load investment funds provided such funds are registered under the Investment Company Act of 1940 and provided that the fund is rated at least AAAm or the equivalent by an NRSRO. The mutual fund must comply with all requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission, provided the investments by such funds are restricted to investments otherwise permitted by the *Code of Virginia* for political sub-divisions.
Local Government Investment Pool (LGIP)	A specialized commingled investment program that operates in compliance with GASB Statement No. 79 that was created in the 1980 session of the General Assembly (*Code of Virginia* §2.2-4700 et seq.) designed to offer a convenient and cost-effective investment vehicle for public funds. The LGIP is administered by the Treasury Board of the Commonwealth of Virginia and is rated AAAm by S&P.
Virginia State Non-Arbitrage Program's (Virginia SNAP) SNAP Fund	As of June 30, 2025, the Commission had investments of $82,248,591 in the Commonwealth of Virginia State Non-Arbitrage Program ("SNAP"). SNAP has been established by the Treasury Board of the Commonwealth of Virginia pursuant to the SNAP Act (Chapter 47, Title 2.2, *Code of Virginia* 1950, as amended) to provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of tax-exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code.

Note 2. Deposits and Investments (Continued)

Investment Policy (Continued)

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

Credit Risk

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

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

The Commission's rated investments as of June 30, 2025 were rated by Standard & Poor's and the ratings are presented below.

	Commission's Rated Debt Investments' Values					
	Fair Quality Ratings					
	AAAm	AAA	AA	A	A-1	BBB
Government Agencies	$ -	$ -	$ 32,622,026	$ -	$ -	$ -
Foreign Government Bonds	-	787,895	-	-	-	-
Commercial Paper	-	-	-	-	42,251,856	-
Corporate Notes	-	320,285	6,083,828	51,304,748	-	1,930,591
U.S. Treasury Obligations	-	-	144,400,187	-	9,947,300	-
Certificates of Deposit	-	-	-	-	10,701,019	-
Money Market	9,240,372	-	-	-	-	-
Local Government Investment Pool	1,076,058,686	-	-	-	-	-
State Non-Arbitrage Pool (SNAP)	82,248,591	-	-	-	-	-
	$ 1,167,547,649	$ 1,108,180	$ 183,106,041	$ 51,304,748	$ 62,900,175	$ 1,930,591

Note 2. Deposits and Investments (Continued)

Custodial Credit Risk (Deposits)

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be recovered. All of the Commission's deposits are maintained in accounts collateralized in accordance with the SPDA.

The Commission's investment policy provides that securities purchased for the Commission shall be held by the Commission or by the Commission's custodian. If held by a custodian, the securities must be in the Commission's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the Commission. Further, if held by a custodian, the custodian must be a third-party, not a counterparty (buyer or seller) to the transaction. At June 30, 2025, all of the Commission's investments were held in accordance with this policy.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure of the amount and issuer. At June 30, 2025, the Commission's portfolio did not have any investment in a single issuer over 5% that is required to be disclosed.

Interest Rate Risk

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

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

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

Note 2. Deposits and Investments (Continued)

Interest Rate Risk (Continued)

As a means of limiting exposure to fair value losses arising from interest rates, the Commission's policy limits investments to investments with a duration and/or weighted average maturity of the total investment portfolio not to exceed two years.

		Investment Maturities (in years)		
	Fair Value	Less Than 1 Year	1 - 5 Years	Over 5 Years
U.S. Treasury Obligations	$ 154,347,487	$ 42,785,028	$ 111,562,459	$ -
Foreign Government Bonds	787,895	-	787,895	-
Certificates of Deposit	10,701,019	9,332,260	1,368,759	-
Money Market	9,240,372	9,240,372	-	-
Corporate Notes	59,639,452	10,980,749	48,658,703	-
Commercial Paper	42,251,856	42,251,856	-	-
Government Agencies	32,622,026	8,168,202	23,844,746	609,078

As of June 30, 2025, the Commission had investments of $1,076,058,686 in the LGIP for governmental activities. The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to § 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The Commission's investments in LGIP are stated at amortized cost and classified as cash and cash equivalents and the maturity is less than one year.

OPEB Funds

As of June 30, 2025, the carrying value of the Commission's OPEB Fund's deposits and investments held by the Virginia Pooled OPEB Trust (VACo/VML Pooled OPEB Trust) and their respective credit rating was as follows:

	Reported Value	Credit Rating
Investment Type		
Pooled investments	$ 220,596	Not rated

Note 2. Deposits and Investments (Continued)

OPEB Funds (continued)

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

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

Note 3. Fair Value Measurement

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

Level 1 Valuation based on quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.

Level 3 Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

Note 3. Fair Value Measurement (Continued)

The following table sets forth by level, within the fair value hierarchy, the Commission's assets at fair value as of June 30, 2025:

	June 30, 2025	Level 1	Level 2	Level 3
Investments by Fair Value Level				
U.S. Treasury Obligations	$ 154,347,487	$ 154,347,487	$ -	$ -
Government Agencies	32,622,026	-	32,622,026	-
Foreign Government Bonds	787,895	-	787,895	-
Corporate Notes	59,639,452	-	59,639,452	-
Commercial Paper	42,251,856	-	42,251,856	-
Certificates of Deposit	10,701,019	-	10,701,019	-
Money Market	9,240,372	9,240,372	-	-

Note 4. Due To/From Other Governments

At June 30, 2025, due from the Commonwealth of Virginia consisted of the following:

	Special Revenue HRTF	Special Revenue HRRTF	Total
Sales and Use Tax	$ 38,465,746	$ -	$ 38,465,746
Motor Fuel Tax	16,372,436	-	16,372,436
Transient Occupancy Tax	-	2,205,427	2,205,427
Regional Transit Improvement Fees	-	689,791	689,791
Total	$ 54,838,182	$ 2,895,218	$ 57,733,400

At June 30, 2025, amounts due to other governments consisted of $79,448 due to Hampton Roads Planning District and $3,785,442 due to Hampton Roads Transit.

Note 5. Long-Term Liabilities

Changes in long-term liabilities consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	$ 1,299,415,000	$ 151,385,000	$ -	$ 1,450,800,000	$ 4,745,000
Premium on bonds	148,442,163	16,658,207	6,648,661	158,451,709	-
TIFIA loan	1,352,082,637	15,286,808	-	1,367,369,445	2,369,779
Compensated absences	160,673	22,753	-	183,426	-
Pension asset	(113,783)	(17,756)	-	(131,539)	-
OPEB liability	189,073	-	189,073	-	-
	$ 2,800,175,763	$ 183,335,012	$ 6,837,734	$ 2,976,673,041	$ 7,114,779

Details of long-term obligations are as follows:

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

The remaining balance due is $135,925,000 with an associated premium of $22,636,969, which will be amortized over the life of the bonds. In July 2024, the Commission began making sinking fund payments to the Trustee for principal due annually beginning July 1, 2025. The first principal payment of $4,745,000 was made on that date.

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

	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2018A	
Year(s) Ending June 30,	Principal	Interest
2026	$ 4,745,000	$ 6,677,625
2027	4,985,000	6,434,375
2028	5,235,000	6,178,875
2029	5,495,000	5,910,625
2030	5,770,000	5,629,000
2031-2035	6,060,000	26,060,250
2036-2040	9,400,000	25,673,750
2041-2045	54,530,000	17,008,250
2046-2050	39,705,000	3,042,375
	$ 135,925,000	$ 102,615,125

Note 5. Long-Term Liabilities (Continued)

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

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

	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2020A	
Year(s) Ending June 30,	Principal	Interest
2026	$ -	$ 28,228,700
2027	-	28,228,700
2028	8,185,000	28,024,075
2029	8,595,000	27,604,575
2030	9,025,000	27,164,075
2031-2035	52,360,000	128,402,750
2036-2040	66,290,000	114,260,050
2041-2045	82,435,000	97,846,400
2046-2050	83,200,000	78,200,825
2051-2055	71,165,000	62,450,900
2056-2060	169,395,000	41,701,050
2061-2062	63,965,000	1,526,400
	$ 614,615,000	$ 663,638,500

In 2021, the Commission issued $817,990,000 in senior lien bond anticipation notes, Series 2021A, due in full in July 2026, with semi-annual interest payments at 5.0% in the amount of $20,449,750. The notes were issued at a premium of $170,779,952, which will be amortized over the life of the bonds. In 2023, the Commission did an in-substance defeasance of the entire amount of the notes, along with $50,934,372 of the unamortized premium. The Commission issued new debt in the form of a TIFIA loan for the majority of the defeasance, along with current resources. Funds were placed in escrow to pay the bonds as they mature and the balance of the defeased bonds is $817,945,000 at June 30, 2025.

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

Note 5. Long-Term Liabilities (Continued)

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

	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2022A	
Year(s) Ending June 30,	Principal	Interest
2026	$ -	$ 17,215,150
2027	-	17,215,150
2028	1,065,000	17,188,525
2029	1,115,000	17,134,025
2030	1,175,000	17,076,775
2031-2035	33,105,000	81,869,875
2036-2040	40,655,000	71,219,125
2041-2045	11,080,000	65,466,250
2046-2050	61,040,000	60,529,750
2051-2055	152,095,000	36,704,820
2056-2060	106,545,000	6,443,681
	$ 407,875,000	$ 408,063,126

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

	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2023A	
Year Ending June 30,	Principal	Interest
2026	$ -	$ 7,050,000
2027	-	7,050,000
2028	141,000,000	3,525,000
	$ 141,000,000	$ 17,625,000

In 2021, the Commission entered into a TIFIA loan agreement, TIFIA 20211010A, for up to $500,789,463 at 1.86% interest. In 2022, the Commission made an initial withdrawal of $100,000,000. In October 2022 and February 2023, the Commission made additional withdrawals totaling $330,000,000. Then in May 2024, the Commission made an additional withdrawal of $70,789,463. Payments are due in annual installments ranging from $2,369,779 to $39,175,242, beginning in July 2025. Capitalized interest was $14,379,866 at June 30, 2025.

The Seventh Supplemental Indenture required the Commission to issue a bond to TIFIA for the maximum principal amount of $500,789,463. Beginning in June 2024, the Commission began making monthly sinking fund payments of principal in accordance with the Seventh Supplemental Series Indenture of Trust. The first payment of principal to TIFIA was made on July 1, 2025. In addition, monthly payments for interest expense on the bonds are now being made to the Trustee because interest is no longer being capitalized and added to the note balance.

Note 5. Long-Term Liabilities (Continued)

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

	Governmental Activities	
	TIFIA 20211010A Loan	
Year(s) Ending June 30,	Principal	Interest
2026	$ 2,369,779	$ 9,559,929
2027	2,922,957	9,510,665
2028	3,467,161	9,438,221
2029	4,101,916	9,393,728
2030	4,721,691	9,298,647
2031-2035	34,440,705	44,811,823
2036-2040	56,216,364	40,627,401
2041-2045	84,069,894	34,171,913
2046-2050	119,469,978	24,757,428
2051-2055	164,213,641	11,638,513
2056-2060	39,175,243	361,335
	$ 515,169,329	$ 203,569,603

In 2021, the Commission entered into a TIFIA loan agreement, TIFIA 20211008A, for up to $817,990,000 at 1.86% interest. In 2023, the Commission withdrew the full amount of the loan. Loan proceeds were used in the defeasance of Series 2021A bond anticipation notes. Principal payments are due in installments ranging from $3,078,921 to $45,184,815, beginning in July 2027. Capitalized interest was $34,210,116 at June 30, 2025.

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

	Governmental Activities	
	TIFIA 20211008A Loan	
Year(s) Ending June 30,	Principal	Interest
2027	$ -	$ 7,954,994
2028	3,078,921	15,737,346
2029	3,164,471	15,737,928
2030	3,164,477	15,672,898
2031-2035	65,535,545	76,290,027
2036-2040	104,335,096	68,606,136
2041-2045	124,391,804	58,350,228
2046-2050	146,658,610	45,801,220
2051-2055	171,876,089	31,018,398
2056-2060	200,377,246	13,726,293
2061-2062	45,184,815	417,923
	$ 867,767,074	$ 349,313,391

The amortization table above includes future capitalized interest of $15,566,958 through June 30, 2026.

Note 5. Long-Term Liabilities (Continued)

In October 2024, the Commission issued $151,385,000 in senior lien revenue bonds, Series 2024A, due in annual installments of $1,665,000 to $40,485,000, plus semi-annual interest at 5.0% to 5.25%. The bonds were issued at a premium of $16,658,207, which will be amortized over the life of the bonds.

	Governmental Activities	
	Senior Lien Revenue Bonds, Series 2024A	
Year(s) Ending June 30,	Principal	Interest
2026	$ -	$ 7,748,825
2027	-	7,748,825
2028	-	7,748,825
2029	-	7,748,825
2030	-	7,748,825
2031-2035	9,210,000	37,637,875
2036-2040	11,755,000	35,029,750
2041-2045	15,005,000	31,700,500
2046-2050	19,145,000	27,451,500
2051-2055	24,440,000	22,029,125
2056-2060	31,345,000	14,909,344
2061-2062	40,485,000	5,295,937
	$ 151,385,000	$ 212,798,156

In 2021, the Commission entered into an additional TIFIA loan agreement, TIFIA 20211009A, for up to $345,000,000. As of June 30, 2025, the unused line of credit was $345,000,000.

Note 6. Intergovernmental Revenues, Commonwealth of Virginia

Intergovernmental revenues from the Commonwealth of Virginia include additional fees or taxes imposed in each of the Member Jurisdictions as follows:

Special Revenue HRTF:

- An additional Retail Sales Tax of 0.7% is added to the standard rate of retail sales tax imposed by the Virginia Code. The additional tax is not levied upon food purchased for human consumption.

- An additional Motor Fuel Tax at a rate of 9.0 cents per gallon on gasoline and gasohol (and 9.1 cents per gallon on diesel) on wholesale sales of motor vehicle fuel levied by the Commonwealth of Virginia through its Department of Motor Vehicles.

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

Special Revenue HRRTF:

- An additional distribution of recordation tax to cities and counties annual allocation of $20 million into the HRRTF established pursuant to § 33.2-2600.1.

- A Regional Transportation Improvement Fee imposed on each deed, instrument, or writing by which lands, tenements, or other realty located in a county or city located in a transportation district in Hampton Roads (Currently the Cities of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, and Virginia Beach) created pursuant to § 33.2-1903 is sold and is granted, assigned, transferred, or otherwise conveyed to or vested in the purchaser or any other person, by such purchaser's direction. The rate of the fee, when the consideration or value of the interest, whichever is greater, equals or exceeds $100, shall be $0.06 for each $100 or fraction thereof, exclusive of the value of any lien or encumbrance remaining thereon at the time of the sale, whether such lien is assumed or the realty is sold subject to such lien or encumbrance.

- A Transportation District Transient Occupancy Tax, an additional transient occupancy tax at the rate of one percent of the amount of the charge for the occupancy of any room or space occupied in any county or city located in a transportation district in Hampton Roads (Currently the Cities of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, and Virginia Beach.) created pursuant to § 33.2-1903.

Note 7. Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

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

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

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

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Active Members	4

Contributions

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

The Commission's contractually required contribution rate for the year ended June 30, 2025 was 10.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were $81,063 and $66,764 for the years ended June 30, 2025 and 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $2,552 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled $6,381 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled $255,254 for the year ended June 30, 2025.

B. 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. The Commission's net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Asset) (Continued)

Actuarial Assumptions

The total pension asset for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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

Mortality Rates:	15% of deaths are assumed to be service-related.
Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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.
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
Discount Rate	No change

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Asset) (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	(3.00%)	3.50%	(0.11%)
Total	100.00%		7.07%
		Expected arithmetic nominal return*	7.07%

*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, 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%.

Note 7. Pension Plan (Continued)

B. Net Pension Liability (Asset) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations. From July 1, 2024, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in the Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2023	$ 440,249	$ 554,032	$ (113,783)
Changes for the year:			
Service cost	103,720	-	103,720
Interest	36,718	-	36,718
Differences between expected and actual experience	(4,579)	-	(4,579)
Contributions - employer	-	66,764	(66,764)
Contributions - employee	-	28,835	(28,835)
Net investment income	-	58,184	(58,184)
Administrative expense	-	(188)	188
Other changes	-	20	(20)
Net changes	135,859	153,615	(17,756)
Balances at June 30, 2024	$ 576,108	$ 707,647	$ (131,539)

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

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Plan's net pension asset	$ (57,291)	$ (131,539)	$ (192,020)

Note 7. Pension Plan (Continued)

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, the Commission recognized pension expense of $(55,464). At June 30, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	$ 81,063	$ -
Differences between expected and actual experience	-	(44,796)
Changes of assumptions	1,380	(1,201)
Net difference between projected and actual earnings on plan investments	-	(13,679)
	$ 82,443	$ (59,676)

The $81,063 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as an increase to the net pension asset in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2025 will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2026	$ (20,711)
2027	(8,270)
2028	(13,617)
2029	(10,672)
2030	(3,975)
Thereafter	(1,051)
Total	$ (58,296)

E. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/media/shared/pdf/publications/2024-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 8. Other Post-employment Benefits

A. Plan Description

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

Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the OPEB plan:

Active eligible employees	4
Total	4

B. Net OPEB Liability (Asset)

Actuarial Assumptions

The total OPEB liability for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

Plan type	Single Employer
Discount Rate	3.86%
Long-term investment return assumption	N/A
Inflation rate	2.5%
Mortality	
Healthy mortality	Pub-2010 Amount Weighted General Employee Rates projected generationally with generational mortality improvement using 75% of scale MP-2020, and other adjustments.
Disabled mortality	Pub-2010 Amount Weighted General Disabled Rates projected generationally with generational mortality improvement using 75% of scale MP-2020, and other adjustments.
Healthcare cost trend rate	
Medical, not Medicare eligible	7.6% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.
Medical, Medicare eligible	5.1% for FY2024, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.

Note 8. Other Post-employment Benefits (Continued)

C. Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability
Balance at June 30, 2024	$ 189,073
Changes for the year:	
Service cost	19,000
Interest	8,032
Differences between expected and actual experience	(2,756)
Changes of assumptions	(3,211)
Employer contributions	(210,138)
Net changes	(189,073)
Balance at June 30, 2025	$ -

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

The following represents the net OPEB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a stated discount rate that is one-percentage point lower (2.97%) or one-percentage-point higher (4.97%) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total OPEB liability	$ -	$ -	$ -

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

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

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ -	$ -	$ -

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

For the year ended June 30, 2025, the Commission recognized OPEB expense of $26,286. At June 30, 2025, the Commission reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

Note 9. Interfund Transfers

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

Note 10. Risk Management

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

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

The Commission has entered into Standard Project Agreements with the Virginia Department of Transportation (VDOT) for its pre-HRBT projects, Project Administration and Funding Agreement with VDOT for the HRBT Expansion Project, and Master Agreement for Development and Tolling of the Hampton Roads Express Lanes Network (MTA), all of which relate to the Commission's funding of approved projects that will be part of VDOT's statewide transportation system. The MTA includes the establishment of the relationship between the state and Commission as to how the Commission will fund, develop, and control tolling operations and toll rates of the Hampton Roads Express Lanes Network. To date, all of the Commission's projects are included in the statewide transportation system. Under certain Project Agreements, the Commonwealth Transportation Board has agreed to also contribute state funds to the construction of Commission projects. Under all Project Agreements to date, VDOT has agreed to provide administration of project construction as reimbursed by the Commission, and VDOT has assumed responsibility for operation and maintenance of the projects at no cost to the Commission. Following the first day of collection of tolls of the HRBT project, the Commission will be responsible for the operation and maintenance of the toll collection facilities associated with the Hampton Roads Express Lanes Network. The Commission's funding obligation under each of these agreements is limited to the amounts budgeted. If VDOT determines it may incur additional, unbudgeted costs, such as to cover cost overruns, the Commission has the option to provide additional funding, cancel the project or a portion thereof, or authorize VDOT to make modifications or reductions in scope or design to stay within the initial budget under the applicable Standard Project Agreement. Based on the projects the Commission is presently funding, all capital assets constructed are reported as Commonwealth assets by the VDOT.

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

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

Commission Projects Under Agreements with VDOT (in Millions)

	2026	2027	2028	2029	2030	2031	Total
HRBT Expansion Project	$ 11	$ -	$ -	$ -	$ -	$ -	$ 11
HRELN - Segment 1A, 4A/4B, 4C, I-464 Interchange, TMP, Tolling Integration and PE Costs	181	94	7	-	-	-	282
I-264/I-64 Phase III-A	1	2	6	-	-	-	9
I-64/Denbigh Boulevard Interchange	6	-	3	4	4	-	17
I-64/I-264 Interchange Improvements Phase A	2	-	3	36	36	30	107

Note 12. Contingency

Federal Programs

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

Note 13. Prepaid Items – Special Revenue Funds

At June 30, 2025, Prepaid expenses and advances consisted of the following:

Project costs advanced to the Commonwealth of Virginia	$ 120,712,127
Project costs advanced to other agencies	500,131
	$ 121,212,258

Advances of project costs to the Commonwealth of Virginia began in 2024, and are being made as part of a comprehensive funding agreement between the commission, the VDOT, and the Design-Builder of a large transportation project. Under this agreement the Design-Builder may receive disbursements from HRTAC which are held and administered by VDOT. The funding advances are calculated based on a rolling three-month "covered period" of target earnings, and are increased or decreased by factors including the performance of the Design-Builder. The advances do not increase the contract price, and the total of outstanding advances may not exceed $250 million.

Note 14. Restatement of Beginning Balance of Net Position and Fund Balance

The Commission was notified by the Virginia Department of Transportation (VDOT) of an error in the previously reported interest income earned on the funding advances related to the HRBT Expansion Project for the year ended June 30, 2024. The error resulted from the omission of interest earned on certain investments held at year-end.

In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the Commission has restated the beginning net position of the governmental activities and the Special Revenue Fund HRTF as of July 1, 2024 to correct the errors.

The following table shows a reconciliation of the previously reported beginning balances to the restated balances:

	Special Revenue Fund HRTF	Governmental Activities
Opening fund balance and net position, as previously reported	$ 1,587,084,473	$ (1,085,322,372)
Interest income	1,733,599	1,733,599
Restated opening fund balance and net position	$ 1,588,818,072	$ (1,083,588,773)

The correction increased interest income and net position by $1,733,599.

Note 15. Subsequent Events

On September 18, 2025, the Commission approved a Resolution for the issuance of 2025 toll-backed senior lien revenue bonds of up to $315,000,000, along with related amendments to various bond documents. The bonds are expected to close before the end of the calendar year.

REQUIRED SUPPLEMENTARY INFORMATION

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

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

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

Notes to Schedule:

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

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

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF COMMISSION CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

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

Note to Schedule:

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
VIRGINIA RETIREMENT SYSTEM
Year Ended June 30, 2025

Note 1. Changes of Benefit Terms

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to 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
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues				
Other Income	$ -	$ -	$ 20,000	$ 20,000
Total revenues	-	-	20,000	20,000
Expenditures				
General and administrative	2,542,777	2,542,777	1,412,346	(1,130,431)
Total expenditures	2,542,777	2,542,777	1,412,346	(1,130,431)
Deficiency of revenues under expenditures	(2,542,777)	(2,542,777)	(1,392,346)	1,150,431
Other Financing Sources (Uses)				
Transfers in	2,542,777	2,542,777	1,592,858	(949,919)
Transfers out	-	-	(162,157)	(162,157)
Total other financing sources, net	2,542,777	2,542,777	1,430,701	(1,112,076)
Net change in fund balance	-	-	38,355	38,355
Fund Balance (Deficit), beginning of year	-	-	(57,083)	(57,083)
Fund Balance (Deficit), end of year	$ -	$ -	$ (18,728)	$ (18,728)

Note:

The Commission adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables the Commission to determine the annual transfers required from the Special Revenue Funds to fund its general and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets.

SUPPLEMENTARY INFORMATION

HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENDITURES
Year Ended June 30, 2025

Expenditures		
Salaries and wages	$	666,755
Employee benefits		347,553
VRS contributions		69,243
Support services - HRTPO/HRPDC		103,032
Office rent		30,153
Office supplies		34,396
Professional and legal		97,820
Travel and meeting		17,486
Insurance		8,722
Computer hardware		24,963
Public notice and advertising		1,235
Other		10,988
Total expenditures	$	1,412,346

COMPLIANCE SECTION

PBMares
CPAs and Consultants

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

To the Honorable Commission Board Members
Hampton Roads Transportation Accountability Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the remaining fund information of the Hampton Roads Transportation Accountability Commission (Commission), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 30, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we considered to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
September 30, 2025