



# **HAMPTON ROADS PLANNING DISTRICT COMMISSION**

**FINANCIAL AND COMPLIANCE REPORTS**

**YEAR ENDED JUNE 30, 2023**



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ASSURANCE, TAX & ADVISORY SERVICES

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

Honorable Commission Board Members  
Hampton Roads Planning District Commission

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the governmental activities and the major fund of the Hampton Roads Planning District Commission (Commission), as of and for the year ended June 30, 2023, 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 and the major fund of the Commission, as of June 30, 2023, 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 Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

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

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

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

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

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 4-10 and 56-61, 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 an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 accompanying schedules listed in the table of contents as supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Commission's internal control over financial reporting and compliance.

*PBMares, LLP*

Harrisonburg, Virginia  
October 13, 2023

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## ***Hampton Roads Planning District Commission***

### ***Management's Discussion and Analysis***

The following Management Discussion and Analysis (MD&A) of the Hampton Roads Planning District Commission's (Commission) activities and financial performance provides the reader with an introduction and overview to the financial statements of the Commission for the year ended June 30, 2023. The information contained in this MD&A should be considered in conjunction with the financial statements and various historic summaries of activities and financial performance included in the basic financial statements included in this audit.

In the fall of 2008, the Commission was reorganized to better reflect the efforts of the transportation staff in performing the planning, technical, and administrative duties of the regional Metropolitan Planning Organization in accordance with regulations as determined by the US Department of Transportation and the Virginia Department of Transportation. These duties were organized into a new and separate function entitled Hampton Roads Transportation Planning Organization (HRTPO). This new function has two memorandums of understanding between the HRTPO and the Commission. The first indicates the Commission "shall provide the planning and administrative staff to the HRTPO" and all duties thereof. The second indicates the HRTPO "desires the Commission serve as fiscal agent for the HRTPO" and all duties thereof. In this capacity, the financial statements of the Hampton Roads Planning District Commission include all the activities involved in administering the financial aspects of the Hampton Roads Transportation Planning Organization.

This report has two components - Management's Discussion and Analysis (this section) and the basic financial statements. This report also contains supplementary information and required supplementary information. The basic financial statements include both government-wide and fund financial statements and the notes to the financial statements. Government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the Commission's operations are considered to be governmental because the sources of funding include contributions from member jurisdictions and federal and state grants.

The government-wide and fund financial statements are distinguished as follows:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Commission's overall financial status.
- The remaining statements are governmental fund financial statements which are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since a governmental fund's focus is narrower than that of the government-wide financial statements, reconciliation between the two methods is provided.

As required, the following tables present a summary of the long-term financial condition and operations of the Commission for the years ended June 30, 2023 and June 30, 2022. The *Summary Statements of Net Position* include the current assets, investments in capital assets, current and noncurrent liabilities, and deferred outflows and inflows of resources of the Commission. The *Summary Statements of Revenues, Expenses and Changes in Net Position* contain all of the years' revenues and expenses. The *Summary Statements of Changes in Net Position* further delineate the areas of fiduciary responsibility within the net position category.

The following table summarizes the Commission's Statements of Net Position:

**Summary Statements of Net Position**  
**June 30, 2023 and 2022**

	<b>2023</b>	2022	Increase (Decrease)	% Change
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
Current assets	\$ 16,996,243	\$ 7,696,299	\$ 9,299,944	120.84%
Capital assets, net of accumulated depreciation and amortization	1,042,724	981,844	60,880	6.20%
Deferred outflows of resources - pension plan and OPEB	<u>1,002,662</u>	1,408,930	(406,268)	-28.84%
<b>Total assets and deferred outflows of resources</b>	<b>19,041,629</b>	10,087,073	8,954,556	88.77%
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>				
Current liabilities	10,081,611	1,023,995	9,057,616	884.54%
Noncurrent liabilities	6,755,977	5,316,519	1,439,458	27.08%
Deferred inflows of resources - pension plan and OPEB	<u>1,744,512</u>	3,395,124	(1,650,612)	-48.62%
<b>Total liabilities and deferred inflows of resources</b>	<b>18,582,100</b>	9,735,638	8,846,462	90.87%
<b>NET POSITION</b>				
Net investment in capital assets	961,071	981,844	(20,773)	-2.12%
Unrestricted	<u>(501,542)</u>	(630,409)	128,867	-20.44%
<b>Net position</b>	<b>\$ 459,529</b>	\$ 351,435	\$ 108,094	30.76%

The following table provides a summary of the Statement of Revenues, Expenses and Changes in Net Position:

**Summary Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2023 and 2022**

	<b>2023</b>	2022	Increase (Decrease)	% Change
Program revenues:				
Local contributions	\$ 5,525,791	\$ 3,853,804	\$ 1,671,987	43.39%
Federal pass-through	8,534,893	4,075,057	4,459,836	109.44%
Commonwealth	880,776	507,814	372,962	73.44%
<b>Total operating revenues</b>	<b>14,941,460</b>	8,436,675	6,504,785	77.10%
Operating expenses:				
Indirect - general and administrative	1,604,403	1,358,675	245,728	18.09%
Direct program expense	275,669	234,035	41,634	17.79%
Personnel*	4,384,951	4,073,496	311,455	7.65%
Consultants	2,966,982	1,980,975	986,007	49.77%
Transportation pass-through services	370,742	435,000	(64,258)	-14.77%
VATI pass-through	7,457,656	-	7,457,656	100.00%
Housing and Emergency Management pass-through	1,227,360	1,227,264	96	0.01%
<b>Total operating expenses</b>	<b>18,287,763</b>	9,309,445	8,978,318	96.44%
<b>Operating loss</b>	<b>(3,346,303)</b>	(872,770)	(2,473,533)	283.41%
Miscellaneous	3,058,260	860,874	2,197,386	255.25%
Use of money	396,137	10,157	385,980	3800.14%
<b>Change in net position</b>	<b>\$ 108,094</b>	\$ (1,739)	\$ 109,833	-6315.87%

\*The Personnel Category includes direct personnel expenses of \$4,192,246 from fiscal year 2023, as well as \$60,467 of long-term OPEB liability, \$66,918 of pension expense and an additional increase of \$65,320 for leave liability.

## **Financial Highlights**

### ***Statements of Net Position***

This statement reports all short-term and long-term activity of the Commission, which significantly overstates the Commission's true liability due to the long-term estimates required by Governmental Accounting Standards Board (GASB). Net position, according to this statement, shows an increase of \$108,094.

In order to conform with GASB Statements No. 68 and 75, as mandated by Government Accounting Standards, the Commission must record the total unfunded liabilities. These liabilities are primarily long-term liabilities, based on actuarial studies of the activity in the Virginia Retirement System. Therefore, actual results could differ substantially. It is important to note and recognize the ultimate settlement of the remaining liability will be paid primarily with future Commission resources. In November 2020, the Commission's board approved the recommended change to the Personnel Manual on health insurance for retirees and their spouses for employees hired on or after January 1, 2021. This revision will assist in reducing and managing the agency's liability for future employees.

### ***Statements of Revenues, Expenses and Changes in Net Position***

Operating revenues increased by \$6,504,785 due mostly to federal and local pass-through revenue received from the Department of Housing and Community Development (DHCD), City of Suffolk, Isle of Wight County and Southampton County for the Virginia Telecommunication Initiative (VATI) Grant.

Operating expenses increased by \$8,978,318 as a result of pass-through expenses for the Department of Housing and Community Development and GO Virginia.

The basic financial statements of the Commission for the year ended June 30, 2023 indicate a \$108,094 increase in net position (see the Summary Statements of Net Position).

This increase is attributed to the following:

- Increase in Fund Balances of \$321,572: Non-spendable increase of \$12,101, plus increase in Committed of \$132,557, plus increase in Assigned of \$65,320, plus increase in Unassigned of \$111,594.
- Net Expenses of \$213,478: Net Capital Asset increase of \$60,880, plus increase in subscription agreements, plus increase in other postemployment benefit expense (OPEB) of \$60,467, plus \$66,918 in increased pension expense, plus \$65,320 in increased compensated absences.

## Capital Assets

### Summary Statements of Capital Assets June 30, 2023 and 2022

	2023	2022	Increase (Decrease)	% Change
Capital assets not being depreciated or amortized:				
Land	\$ 80,621	\$ 80,621	\$ -	0.00%
Construction in progress - software	17,488	-	17,488	100.00%
Capital assets being depreciated or amortized:				
Building and improvements	2,628,840	2,602,550	26,290	1.01%
Office furniture and equipment	628,793	589,689	39,104	6.63%
Automobiles	51,055	34,520	16,535	47.90%
Right-to-use subscription assets	98,721	-	98,721	100.00%
Accumulated depreciation and amortization	(2,462,794)	(2,325,536)	(137,258)	5.90%
<b>Capital assets, net</b>	<b>\$ 1,042,724</b>	<b>\$ 981,844</b>	<b>\$ 60,880</b>	<b>6.20%</b>

The Commission's three major capital outlays during the year were the replacement of an outdated automobile, the upgrade to the AV system in the 757 room and the installation of a fire alarm system. The Commission also purchased a new plotter printer for graphics. The assets under construction in progress include expenses associated with the Commission's website development.

The following table provides the Commission's Balance Sheets of the Governmental Fund as of June 30, 2023 and 2022:

**Balance Sheets – Governmental Fund**  
**June 30, 2023 and 2022**

	General Fund		Increase (Decrease)	% Change
	2023	2022		
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 9,842,257	\$ 5,662,382	\$ 4,179,875	73.82%
Due from other governments	7,068,085	1,992,040	5,076,045	254.82%
Other receivables	47,994	16,071	31,923	198.64%
Prepaid items and deposits	<u>37,907</u>	<u>25,806</u>	<u>12,101</u>	<u>46.89%</u>
<b>Total current assets</b>	<b>\$ 16,996,243</b>	<b>\$ 7,696,299</b>	<b>\$ 9,299,944</b>	<b>120.84%</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 622,860	\$ 410,884	\$ 211,976	51.59%
Contracts payable	5,180,750	68,176	5,112,574	7499.08%
Deferred revenue	3,653,056	-	3,653,056	100.00%
Accrued payable	<u>5,045</u>	<u>4,279</u>	<u>766</u>	<u>17.90%</u>
<b>Total liabilities</b>	<b>9,461,711</b>	<b>483,339</b>	<b>8,978,372</b>	<b>1857.57%</b>
Fund balances:				
Nonspendable	37,907	25,806	12,101	46.89%
Committed	3,451,736	3,319,179	132,557	3.99%
Assigned	1,605,976	1,540,656	65,320	4.24%
Unassigned	2,438,913	2,327,319	111,594	4.79%
<b>Total fund balances</b>	<b>7,534,532</b>	<b>7,212,960</b>	<b>321,572</b>	<b>4.46%</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16,996,243</b>	<b>\$ 7,696,299</b>	<b>\$ 9,299,944</b>	<b>120.84%</b>

The *Balance Sheet – Governmental Fund* (Fund Balance Report) reflects the current resources and short-term obligations of the Commission. This report is reported on a modified accrual basis.

The Committed amount of \$3,451,736 at the year-end reflects program revenues received but not yet expended, as well as several reserve accounts that were established to ensure funding would be available for future expenditures for capital improvements, equipment failures, and an increase in the indirect cost carry over.

The Assigned amount of \$1,605,976 reflects those funds that have been set aside for other postemployment benefits (OPEB) (\$1 million) and leave liabilities (\$605,976). Management has determined the full amount of the GASB Statement No. 75 liability may never be realized and only a portion of these funds should be set aside for short-term cash management purposes. In November 2020, the Board approved the revisions to the Commission's Personnel Policies that will help in the reduction of these long-term liabilities for the future employees.

The Unassigned amount of \$2,438,913 reflects funds available for future Commission activities. It is important to note that the Commission utilizes the unassigned fund balance to support cash flow while the Commission awaits reimbursement of expense from grant programs that fund a significant amount of the Commission's operations.

Requests for Information

This financial report is designed to provide our Commission members and citizens with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to: Hampton Roads Planning District Commission, Chief Financial Officer, 723 Woodlake Drive, Chesapeake, Virginia 23320.

## **BASIC FINANCIAL STATEMENTS**

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## STATEMENT OF NET POSITION June 30, 2023

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,842,257
Due from other governments	7,068,085
Other receivables	47,994
Prepaid items and deposits	37,907
Capital and right-to-use subscription assets:	
Land	80,621
Building and improvements	2,628,840
Office furniture and equipment	628,793
Automobiles	51,055
Construction in progress	17,488
Right-to-use subscription assets	98,721
Less accumulated depreciation and amortization	<u>(2,462,794)</u>
<b>Total assets</b>	<u>18,038,967</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension plan	549,687
Other postemployment benefits	<u>452,975</u>
<b>Total deferred outflows of resources</b>	<u>1,002,662</u>
<b>LIABILITIES</b>	
Accounts payable	622,860
Contracts payable	5,180,750
Accrued payroll	5,045
Deferred revenue	3,653,056
Noncurrent liabilities:	
Due within one year:	
Compensated absences	605,976
Subscriptions liability	13,924
Due in more than one year:	
Subscriptions liability	67,729
Other postemployment benefits	4,693,284
Net pension liability	<u>1,994,964</u>
<b>Total liabilities</b>	<u>16,837,588</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension plan	536,768
Other postemployment benefits	<u>1,207,744</u>
<b>Total deferred inflows of resources</b>	<u>1,744,512</u>
<b>NET POSITION</b>	
Net investment in capital assets	961,071
Unrestricted	<u>(501,542)</u>
<b>Total net position</b>	<u>\$ 459,529</u>

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	Program Revenues	Operating Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Change in Net Position
	Expenses			
Functions/Programs:				
Governmental activities:				
Indirect - general and administrative	\$ 1,604,403	\$ 1,604,403	\$ -	-
Direct program expenses	275,669	275,669		-
Personnel	4,384,951	1,038,648	(3,346,303)	
Consultants	2,966,982	2,966,982		-
Transportation pass-through services	370,742	370,742		-
VATI pass-through	7,457,656	7,457,656		-
Housing and Emergency Management pass-through	1,227,360	1,227,360		-
<b>Total governmental activities</b>	<b>\$ 18,287,763</b>	<b>\$ 14,941,460</b>	<b>(3,346,303)</b>	
General revenues:				
Miscellaneous			3,058,260	
Use of money - investment income			396,137	
<b>Total general revenues</b>			<b>3,454,397</b>	
Change in net position			108,094	
Net position, beginning of year			351,435	
Net position, end of year			<b>\$ 459,529</b>	

# **HAMPTON ROADS PLANNING DISTRICT COMMISSION**

## **BALANCE SHEET GOVERNMENTAL FUND June 30, 2023**

	General Fund
<hr/>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,842,257
Due from other governments	7,068,085
Other receivables	47,994
Prepaid items and deposits	<u>37,907</u>
<b>Total assets</b>	<u><u>\$ 16,996,243</u></u>
<hr/>	
<b>LIABILITIES</b>	
Accounts payable	\$ 622,860
Contracts payable	5,180,750
Deferred revenue	3,653,056
Accrued payroll	<u>5,045</u>
<b>Total liabilities</b>	<u><u>9,461,711</u></u>
<hr/>	
<b>FUND BALANCE</b>	
Nonspendable	37,907
Committed	3,451,736
Assigned	1,605,976
Unassigned	<u>2,438,913</u>
<b>Total fund balance</b>	<u><u>7,534,532</u></u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 16,996,243</u></u>

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION

June 30, 2023

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Total fund balance - governmental fund	\$ 7,534,532
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental fund.	
Capital and right-to-use subscription assets	\$ 3,505,518
Less accumulated depreciation and amortization	<u>(2,462,794)</u>
	1,042,724
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 fund until then.	
Pension plan	549,687
Other postemployment benefits	<u>452,975</u>
	1,002,662
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.	
Subscription liability	(81,653)
Compensated absences	(605,976)
Other postemployment benefits	(4,693,284)
Net pension liability	<u>(1,994,964)</u>
	(7,375,877)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, are not recognized as revenue in the governmental fund until then.	
Pension plan	(536,768)
Other postemployment benefits	<u>(1,207,744)</u>
	<u>(1,744,512)</u>
<b>Net position of governmental activities</b>	<b>\$ 459,529</b>

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE GOVERNMENTAL FUND Year Ended June 30, 2023

	General Fund
Revenues:	
Intergovernmental:	
Local contributions	\$ 5,525,791
Federal pass-through	8,534,893
Commonwealth	880,776
Use of money - investment income	396,137
Miscellaneous	<u>3,058,260</u>
<b>Total revenues</b>	<b><u>18,395,857</u></b>
Expenditures:	
Current:	
Indirect - general and administrative	1,444,580
Direct program expenses	275,669
Personnel	4,192,246
Consultants	2,966,982
Transportation pass-through services	370,742
VATI pass-through	7,457,656
Housing and Emergency Management pass-through	1,227,360
Debt service:	
Principal	17,068
Interest	5,305
Capital outlay:	
Capital assets	116,677
Right-to-use subscription assets	<u>98,721</u>
<b>Total expenditures</b>	<b><u>18,173,006</u></b>
<b>Excess of revenues over expenditures</b>	<b><u>222,851</u></b>
Other Financing Sources:	
Issuance of subscription agreement	<u>98,721</u>
<b>Total other financing sources</b>	<b><u>98,721</u></b>
<b>Net change in fund balance</b>	<b><u>321,572</u></b>
Fund balance, beginning of year	<u>7,212,960</u>
Fund balance, end of year	<u>\$ 7,534,532</u>

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2023

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Net change in fund balance - governmental fund	\$	321,572
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
The governmental fund reports 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.		
Expenditures for capital and right-to-use subscription assets	\$	215,398
Less depreciation and amortization expense		<u>(154,518)</u>
		60,880
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.		
Issuance of subscription agreements		(98,721)
Principal payments on subscription agreements		<u>17,068</u>
		(81,653)
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 the governmental fund.		
Compensated absences		(65,320)
Other postemployment benefits		(60,467)
Pension expense, net		<u>(66,918)</u>
		(192,705)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>108,094</b>

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# **HAMPTON ROADS PLANNING DISTRICT COMMISSION**

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies**

#### **A. Reporting Entity**

Hampton Roads Planning District Commission (Commission) is a regional planning agency authorized by the Virginia Area Development Act of 1968 and created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the town of Smithfield, the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg, and Virginia Beach, and the counties of Gloucester, Isle of Wight, James City, Southampton, Surry, and York. Revenues of the Commission are received primarily from local government (member) contributions and various state and federal grant programs.

In the fall of 2008, the Commission was reorganized to better reflect efforts of the transportation staff in performing the planning, technical, and administrative duties of the regional Metropolitan Planning Organization (MPO) in accordance with regulations as determined by the Federal Highway Administration and the Virginia Department of Transportation. These duties were organized into a new function entitled Hampton Roads Transportation Planning Organization (HRTPO). HRTPO has two Memorandums of Understanding with the Commission. The first addresses the concept that the Commission "shall provide the planning and administrative staff to HRTPO" and all duties thereof. The second addresses the concept that HRTPO "desires that the Commission serve as fiscal agent for HRTPO" and all duties thereof. In this capacity, the audited financial statements of the Commission cover all the activities involved in administering the financial aspects of HRTPO.

The Commission's governing body is composed of various members appointed by each of the seventeen participating jurisdictions. These governmental entities have an ongoing financial responsibility to the Commission because its continued existence depends on the continued funding by the participants. The Commission is perpetual and no participating government has access to its resources or surpluses, nor is any participant liable for the Commission's debt or deficits.

The Commission is not a component unit of any of the participating governments. There are no component units to be included in the Commission's financial statements.

#### **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.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **B. Government-Wide and Fund Financial Statements (Continued)**

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.

The fund financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. Given that governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented, which explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

Separate fund financial statements are provided for the governmental fund. In the fund financial statements, financial transactions and accounts of the Commission are organized on the basis of funds. The operation of the 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 fund is reported on a Balance Sheet and a Statement of Revenues, Expenditures and Change in Fund Balance (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.

#### **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 contributions from participating jurisdictions and Federal and State funds from the Commonwealth of Virginia, are recognized in the period the funding is made available.

***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 measurable and available. The Commission considers revenues to be available if they are collected within 45 days after year end. Expenditures are recorded when a liability is incurred under the full accrual method of accounting. The individual Governmental Fund is:

***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. Revenues are derived primarily from intergovernmental activities. The General Fund is considered a major fund for financial reporting purposes.

## **HAMPTON ROADS PLANNING DISTRICT COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **D. Budgets and Budgetary Accounting**

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

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

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

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

The Board formally approves the annual budget in April, before the subsequent fiscal year begins. Due to grant expirations and new awards, amendments are made throughout the year as necessary.

##### **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. Investments**

Investments are stated at fair value based on quoted market prices.

###### **3. Prepaid Items**

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

###### **4. Capital Assets**

Capital assets include property and equipment and computer hardware with an individual cost of more than \$5,000 and an estimated useful life in excess of one year, excluding right-to-use subscription assets, which are stated at the present value of certain required payments. 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 costs of assets retired and accumulated depreciation are removed from the accounts.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **E. Other Significant Accounting Policies (Continued)**

##### **4. Capital Assets (Continued)**

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:

Building and improvements	40 years
Office furniture and equipment	5 years
Automobiles	5 years
Right-to-use subscription assets	Life of subscription

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as an expense. There were no impaired assets at year end.

##### **5. Subscription Based Information Technology Arrangements (SBITAs)**

The Commission adopted GASB Statement No. 96, *Subscription Based Information Technology Arrangements (SBITAs)*, on July 1, 2022. Beginning adjustments to right-to-use subscription assets and subscription liabilities did not result in a change to beginning net position.

For new or modified contracts, the Commission determines where the contract is a SBITA. If a contract is determined to be, or contain, a SBITA with a non-cancellable term in excess of 12 months (including any options to extend or terminate the subscription when exercise is reasonably certain), the Commission records a right-to-use subscription asset and subscription liability which is calculated based on the value of the discounted future subscription payments over the term of the subscription. If the interest rate implicit in the subscription is not readily determinable, the Commission will use the applicable incremental borrowing rate in the calculation of the present value of the subscription payments.

The Commission recognizes a subscription liability and right-to-use subscription asset on the statement of net position. Subscriptions with an initial, non-cancellable term of 12 months or less are not recorded on the statement of net position and expense is recognized as incurred over the subscription term.

Subscription payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

## **HAMPTON ROADS PLANNING DISTRICT COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **E. Other Significant Accounting Policies (Continued)**

###### **6. 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, 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.

###### **7. Compensated Absences**

The Commission's policy permits VRS Plan 1 and Plan 2 full-time employees to accumulate earned but unused vacation benefits, and VRS Hybrid employees Paid Time Off benefits, which are eligible for payment upon separation from the Commission's service up to twice the annual earnings, at the rate of pay at separation. The liability for such leave is reported as incurred in the government-wide statements. Vacation / Paid Time Off 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 absence balances for employees.

Accumulated sick leave for VRS Plan 1 and Plan 2 employees accrues until employees leave the Commission and will be paid out depending on date of hire and years of service. All full-time regular employees with hire dates before July 1, 2001 are grandfathered under the previous sick leave policy for the sick leave balances as of June 30, 2001 and, at the time of separation, will be reimbursed for one-third of the balance of hours remaining at their rate of pay at separation.

Effective July 1, 2001, all regular full-time employees who participate in VRS Plan 1 and Plan 2 are eligible to receive payment of 25% of the sick leave unused balance, up to a maximum payout depending on their years of service, at the rate of pay at separation. Any employee who separates from the Commission with less than 5 years of service will not be reimbursed for any remaining sick leave balance. Over 5 but less than 10 years, maximum payout will be \$2,500; over 10 but less than 15 years, maximum payout will be \$3,500; over 15 but less than 20 years, maximum payout will be \$5,000; over 20 but less than 25 years, maximum payout will be \$6,500; and over 25 years of service maximum payout will be \$7,500.

## **HAMPTON ROADS PLANNING DISTRICT COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **E. Other Significant Accounting Policies (Continued)**

###### **8. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, 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 related to the pension plan that qualify for reporting in this category and are discussed in detail in Note 7 and items related to other postemployment benefits discussed in detail in Notes 9 and 10.

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 related to the pension plan and are discussed in detail in Note 7 and items related to other postemployment benefits discussed in detail in Notes 9 and 10.

###### **9. Group Life Insurance**

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

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

##### **E. Other Significant Accounting Policies (Continued)**

###### **10. Fund Equity**

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

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

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

*Committed fund balance* classification includes amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes 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. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*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.

The unassigned fund balance is utilized to support cash flow while the Commission awaits reimbursement of expenses from grant programs.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **E. Other Significant Accounting Policies (Continued)**

##### **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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources 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. Subsequent Events**

In preparing these financial statements, the Commission has evaluated events and transactions for potential recognition or disclosure through October 13, 2023, the date the financial statements were available to be issued.

### **Note 2. Cash and Cash Equivalents**

At June 30, 2023, cash and cash equivalents consisted of the following, at cost, which approximates fair value:

Cash	\$ 1,127,655
Local Government Investment Pool (LGIP)	8,205,475
CDARS	<u>509,127</u>
<b>Total</b>	<b>\$ 9,842,257</b>

## **HAMPTON ROADS PLANNING DISTRICT COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 2. Cash and Cash Equivalents (Continued)**

##### **Deposits**

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

##### **Investments**

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

##### **Credit Risk**

As required by state statutes, 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 Investors Service, Standard & Poor’s and Fitch Investor’s Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s or “Aa” by Moody’s Investors Service.

##### **Custodial Credit Risk**

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 cash of the Commission is maintained in accounts collateralized in accordance with the Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similarly to depository insurance. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 2. Cash and Cash Equivalents (Continued)**

#### **Concentration of Credit Risk**

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the Commission's portfolio will be invested in the securities of any one issuer with the exception of: (1) the U.S. government or Agencies thereof, (2) fully insured/collateralized certificates of deposit or repurchase agreements that are collateralized by the U.S. government or Agencies thereof, and (3) mutual funds whereby the portfolio is limited to U.S. government or Agency securities.

#### **Interest Rate Risk**

As of June 30, 2023, the Commission had the following investments:

	Investment Maturities (in years)	
	Less Than 1 Year	1 Year
	Fair Value	
CDARS	\$ 509,127	\$ 509,127
Local Government Investment Pool (LGIP)	8,205,475	8,205,475

The Commission is exposed to minimal interest rate risk since all investments had fixed interest rates and are short-term at June 30, 2023.

#### **External Investment Pool**

At June 30, 2023, the Commission had investments of \$8,205,475 in the LGIP. The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 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 the regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. LGIP is managed in accordance with GASB Statement No. 79. The portfolio securities are valued by the amortized cost method, and, on a weekly basis, this valuation is compared to current market to monitor any variance and the maturity is less than one year. Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 3. Fair Value Measurement**

The Commission categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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.

	Level 1	Level 2	Level 3
CDARS	\$ 509,127	\$ -	\$ -

### **Note 4. Due From Other Governments**

At June 30, 2023, amounts due from other governments were as follows:

City of Chesapeake - Federal Home Loan	\$ 85,182
City of Portsmouth - Federal Home Loan	79,897
Department of Environmental Quality	47,011
GO Virginia	100,777
Chesapeake	1,909
Norfolk	1,430
Hampton	77,917
Portsmouth	79,347
HRTAC	633,140
Williamsburg	1,430
National Fish & Wildlife Foundation	6,115
Office of Local Defense Community	30,922
VATI - DHCD	4,448,627
Southside Network Authority	15,303
Virginia Department of Emergency Management	194,630
Virginia Department of Housing and Community Development (DHCD)	32,047
Virginia Department of Rail and Public Transit	442,761
Virginia Housing - VAPDC Grant	273,287
Virginia Department of Transportation	513,203
Other Localities (Qtrly, Poquoson & Suffolk)	3,150
<b>Total</b>	<b>\$ 7,068,085</b>

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets

A summary of capital assets is as follows for the year ended June 30, 2023:

	Balance June 30, 2022		Transfers/ Additions	Balance June 30, 2023
Capital assets not being depreciated or amortized:				
Land	\$ 80,621	\$ -	\$ -	\$ 80,621
Construction in progress	-	17,488	-	17,488
<b>Total capital assets not being depreciated or amortized</b>	<b>80,621</b>	<b>17,488</b>	<b>-</b>	<b>98,109</b>
Capital assets being depreciated or amortized:				
Building and improvements	2,602,550	26,290	-	2,628,840
Office furniture and equipment	589,689	39,104	-	628,793
Automobiles	34,520	33,795	(17,260)	51,055
Right-to-use subscription assets	-	98,721	-	98,721
<b>Total capital assets being depreciated or amortized</b>	<b>3,226,759</b>	<b>197,910</b>	<b>(17,260)</b>	<b>3,407,409</b>
Less accumulated depreciation and amortization for:				
Building and improvements	(1,839,717)	(86,047)	-	(1,925,764)
Office furniture and equipment	(451,299)	(45,967)	-	(497,266)
Automobiles	(34,520)	(2,816)	17,260	(20,076)
Right-to-use subscription assets	-	(19,688)	-	(19,688)
<b>Total accumulated depreciation and amortization</b>	<b>(2,325,536)</b>	<b>(154,518)</b>	<b>17,260</b>	<b>(2,462,794)</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>901,223</b>	<b>43,392</b>	<b>-</b>	<b>944,615</b>
<b>Capital assets, net</b>	<b>\$ 981,844</b>	<b>\$ 60,880</b>	<b>\$ -</b>	<b>\$ 1,042,724</b>

Depreciation and amortization was charged to Indirect – General and Administrative.

### Note 6. Compensated Absences

The following is a summary of compensated absences activity of the Commission for the year ended June 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 540,656	\$ 661,323	\$ 596,003	\$ 605,976	\$ 605,976

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

#### A. Plan Description

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 set out in the table below:

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

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Eligible Members</b> Members are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.	<b>Eligible Members</b> Members are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	<b>Eligible Members</b> Members are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: <ul style="list-style-type: none"><li>• Political subdivision employees.*</li></ul>
<i>Hybrid Opt-In Election</i> Non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	<i>Hybrid Opt-In Election</i> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	<i>Hybrid Opt-In Election</i> The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.
If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	<i>Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: <ul style="list-style-type: none"><li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li></ul>
Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	<b>Retirement Contributions</b> Same as Plan 1.	<b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
<b>Service Credit</b> Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	<b>Service Credit</b> Same as Plan 1.	<b>Service Credit</b> <i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.  <i>Defined Contribution Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.  Members are always 100% vested in the contributions they make.	<b>Vesting</b> Same as Plan 1.	<b>Vesting</b> <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.  <i>Defined Contribution Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.  Members are always 100% vested in the contributions they make.
		Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. <ul style="list-style-type: none"><li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li><li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li><li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li></ul> Distribution is not required, except as governed by law.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Calculating the Benefit</b> The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction factor is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is applied.	<b>Calculating the Benefit</b> See definition under Plan 1.	<b>Calculating the Benefit</b> <b>Defined Benefit Component</b> See definition under Plan 1
<b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
<b>Service Retirement Multiplier</b> <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	<b>Service Retirement Multiplier</b> <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	<b>Service Retirement Multiplier</b> <b>Defined Benefit Component:</b> <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.0%.
<b>Normal Retirement Age</b> <b>VRS:</b> Age 65.	<b>Normal Retirement Age</b> <b>VRS:</b> Normal Social Security retirement age.	<b>Normal Retirement Age</b> <b>Defined Benefit Component:</b> <b>VRS:</b> Same as Plan 2.
		<b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Earliest Unreduced Retirement Eligibility</b> <i>VRS:</i> Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	<b>Earliest Unreduced Retirement Eligibility</b> <i>VRS:</i> Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90.	<b>Earliest Unreduced Retirement Eligibility</b> <i>Defined Benefit Component:</i> <i>VRS:</i> Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90.
<b>Earliest Reduced Retirement Eligibility</b> <i>VRS:</i> Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	<b>Earliest Reduced Retirement Eligibility</b> <i>VRS:</i> Age 60 with at least five years (60 months) of service credit.	<b>Earliest Reduced Retirement Eligibility</b> <i>Defined Benefit Component:</i> <i>VRS:</i> Age 60 with at least five years (60 months) of service credit.
<b>Cost-of-Living Adjustment (COLA) in Retirement</b> COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.  <i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.	<b>Cost-of-Living Adjustment (COLA) in Retirement</b> COLA matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%), for a maximum COLA of 3%.  <i>Eligibility:</i> Same as Plan 1.	<b>Cost-of-Living Adjustment (COLA) in Retirement</b> <i>Defined Benefit Component:</i> Same as Plan 2.  <i>Defined Contribution Component:</i> Not applicable.  <i>Eligibility:</i> Same as Plan 1 and Plan 2.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b></p> <p><i>Eligibility (Continued):</i> For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <ul style="list-style-type: none"><li>• <i>Exceptions to COLA Effective Dates:</i> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:<ul style="list-style-type: none"><li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li><li>• The member retires on disability.</li><li>• The member retires directly from short-term or long-term disability.</li><li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li><li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit.</li><li>• The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li></ul></li></ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b></p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b></p> <p><i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.</p>

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	<b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	<b>Disability Coverage</b> Eligible political subdivision (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.
<b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	<b>Purchase of Prior Service</b> Same as Plan 1.	<b>Purchase of Prior Service</b> <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: <ul style="list-style-type: none"><li>• Hybrid Retirement Plan members are ineligible for ported service.</li></ul> <i>Defined Contribution Component:</i> Not applicable.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 7. Pension Plan (Continued)**

#### **A. Plan Description (Continued)**

##### **Employees Covered by Benefit Terms**

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>40</u>
Inactive members:	
Vested	16
Non-vested	13
Active elsewhere in VRS	21
<b>Total inactive members</b>	<u>50</u>
Active members	<u>39</u>
<b>Total</b>	<u>129</u>

##### **Contributions**

The contributions requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.0% of their compensation toward their retirement.

The Commission's contractually required contribution rate for the year ended June 30, 2023 was 8.79% for Plan 1 and Plan 2, and 7.79% and 5.45% for the Hybrid Plan, of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Commission were \$349,738 and \$281,886 for the years ended June 30, 2023 and 2022, respectively.

#### **B. Net Pension Liability**

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Commission, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 7. Pension Plan (Continued)**

#### **B. Net Pension Liability (Continued)**

##### **Actuarial Assumptions**

The total pension liability for General Employees in the Commission's Retirement Plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50 percent
Salary increases, including inflation	3.50 percent – 5.35 percent
Investment rate or return	6.75 percent, 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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### B. Net Pension Liability (Continued)

Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

#### Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Entity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
<b>Total</b>	<b><u>100.00%</u></b>		<b>5.33%</b>
		Inflation	<b>2.50%</b>
		** Expected arithmetic nominal return	<b>7.83%</b>

\* The above allocation provides a one-year expected return of 7.83%. 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 6.72%, including expected inflation of 2.50%.

\*\* On October 18, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

---

### **Note 7. Pension Plan (Continued)**

#### **B. Net Pension Liability (Continued)**

##### **Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

#### **C. Changes in the Net Pension Liability**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2021	\$ 19,008,183	\$ 18,205,176	\$ 803,007
<b>Changes for the year:</b>			
Service cost	290,020	-	290,020
Interest	1,265,415	-	1,265,415
Difference between expected and actual experience	60,802	-	60,802
Contributions – employer	-	281,886	(281,886)
Contributions – employee	-	163,028	(163,028)
Net investment income	-	(9,603)	9,603
Benefit payments, including refunds of employee contributions	(1,102,643)	(1,102,643)	-
Administrative expense	-	(11,443)	11,443
Other changes	-	412	(412)
<b>Net changes</b>	<b>513,594</b>	<b>(678,363)</b>	<b>1,191,957</b>
Balances at June 30, 2022	\$ 19,521,777	\$ 17,526,813	\$ 1,994,964

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Pension Plan (Continued)

#### C. Changes in the Net Pension Liability (Continued)

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

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

	1% Decrease 5.75%	Current 6.75%	1% Increase 7.75%
Plan's net pension liability (asset)	\$ 4,496,352	\$ 1,994,964	\$ (40,980)

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

For the year ended June 30, 2023, the Commission recognized pension expense of \$416,656. At June 30, 2023, the Commission reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to measurement date	\$ 349,738	\$ -
Changes of assumptions	145,059	-
Difference between expected and actual experience	54,890	-
Net difference between projected and actual earnings on plan investments	- (536,768)	(536,768)
	<u>\$ 549,687</u>	<u>\$ (536,768)</u>

The \$349,738 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30,	Amount
2024	\$ (15,746)
2025	(204,523)
2026	(359,727)
2027	243,177
<b>Total</b>	<b><u>\$ (336,819)</u></b>

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 7. Pension Plan (Continued)**

##### **E. Pension Plan Data**

Detailed information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2022-annual-report.pdf](http://varetire.org/pdf/publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

#### **Note 8. Deferred Compensation Plan**

The Commission has a deferred compensation plan under which the participants may defer a portion of their annual compensation subject to limitations of Internal Revenue Code, Section 457. Any contributions made to the deferred compensation plan are not available to employees until termination, retirement, death, or unforeseeable emergency. Contributions to the plan are administrated by a third-party administrator, ICMA Retirement Corporation. Total contributions to the plan were \$28,093 for the year ended June 30, 2023. The plan does not qualify to be reported as a Fiduciary Fund-type.

#### **Note 9. Other Postemployment Benefits (OPEB) Plan**

##### **A. General Information about the OPEB Plan**

*Plan description.* The Commission provides non-pension post-retirement medical insurance benefits to individuals who are at least 50 years of age, have completed 20 full years of continuous service to the Commission, and retire under the Virginia Retirement System through a single employer defined benefit OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Benefits provided.* The Commission provides medical, vision, and dental benefits for retirees and their spouse. The benefit terms provide for the same coverage options as active employees for employee-only medical, vision, and dental plans until age 65. The Commission contributes an amount equal to the current active employee or employee/spouse premium. For retirees and spouses who are age 65 or older, the Commission contributes an amount equal to the current premium for the program plan designed to complement Medicare coverage.

##### ***Employees Covered by Benefit Terms***

Employees covered by the benefit terms as of June 30, 2023:

Inactive employees or beneficiaries currently receiving benefits	29
Active eligible employees	39
<b>Total</b>	<b>68</b>

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 9. Other Postemployment Benefits (OPEB) Plan (Continued)**

#### **B. Total OPEB Liability**

The Commission's total OPEB liability of \$4,502,916 was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and other inputs.* The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.5%
Inflation Rate	2.50%
Discount Rate	3.50%
Healthcare Cost Trend Rates	6.5% decreasing 0.5% per year to an ultimate rate of 5.0% for 2022 and later years

The discount rate was based on the Bond Buyer General Obligation 20 - Bond Municipal Index.

Mortality rates were based on the RP-2014 Mortality Fully Generational using Projection Scale BB-2020. The census was also updated to reflect the current population.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period.

	<u>Total OPEB Liability</u>
Balance at June 30, 2022	<u>\$ 4,322,105</u>
Changes for the year:	
Service cost	138,244
Interest	155,997
Changes of assumptions	(5,192)
Benefit payments, including refunds of employee contributions	(108,238)
<b>Net changes</b>	<u>180,811</u>
Balance at June 30, 2023	<u>\$ 4,502,916</u>

The entry age normal actuarial cost method is unchanged from the prior OPEB valuation. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 9. Other Postemployment Benefits (OPEB) Plan (Continued)**

#### **B. Total OPEB Liability (Continued)**

##### ***Sensitivity of the Total OPEB Liability to Changes in Discount Rate***

The following presents the total OPEB liability of the Commission, calculated using the discount rate of 3.65%, as well as what Commission's total OPEB liability would be if it were calculated using a discount rate that is 1- percentage-point lower (2.65%) or 1-percentage-point higher (4.65%) than the current discount rate:

##### **Discount Rate Sensitivity – Total OPEB Liability at End of Period:**

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB liability	\$ 5,223,210	\$ 4,502,916	\$ 3,914,954

##### ***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the Commission, as well as the Commission's total OPEB liability would be if it were calculated using healthcare costs trend rates that are 1-percent-points lower or 1-percent-point higher than the current healthcare trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 3,745,462	\$ 4,502,916	\$ 5,480,346

#### **C. OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB**

For the year ended June 30, 2023, the Commission recognized OPEB expense of \$85,308. The Commission also reported deferred inflows and outflows of resources related to OPEB from the following source at June 30, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 267,783	\$ (130,725)
Changes of assumptions	139,818	(1,021,003)
<b>Total</b>	<b>\$ 407,601</b>	<b>\$ (1,151,728)</b>

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 9. Other Postemployment Benefits (OPEB) Plan (Continued)**

##### **C. OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB (Continued)**

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ (100,695)
2025	(100,695)
2026	(100,695)
2027	(95,824)
2028	(109,025)
Thereafter	<u>(237,193)</u>
	<u>\$ (744,127)</u>

#### **Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program**

##### **A. Plan Description**

All full-time, salaried permanent employees of the Commission are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### NOTES TO FINANCIAL STATEMENTS

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#### Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

##### A. Plan Description (Continued)

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS	
<b>Eligible Employees</b> The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.  Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.	
<b>Benefit Amounts</b> The benefits payable under the GLI Program have several components. <ul style="list-style-type: none"><li>• Natural Death Benefit: The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li><li>• Accidental Death Benefit: The accidental death benefit is double the natural death benefit.</li><li>• Other Benefit Provisions: In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none"><li>○ Accidental dismemberment benefit</li><li>○ Seatbelt benefit</li><li>○ Repatriation benefit</li><li>○ Felonious assault benefit</li><li>○ Accelerated death benefit option</li></ul></li></ul>	
<b>Reduction in Benefit Amounts</b> The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.	
<b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b> For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,984 as of June 30, 2023.	

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)**

##### **B. Contributions**

The contribution requirements for the GLI Program are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the Commission were \$20,635 and \$18,567 for the years ended June 30, 2023 and June 30, 2022, respectively.

##### **C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB**

At June 30, 2023, the Commission reported a liability of \$190,368 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.01581% as compared to 0.01644% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of \$24,841. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### NOTES TO FINANCIAL STATEMENTS

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#### Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

##### C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,075	\$ (7,637)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(11,895)
Change in assumptions	7,100	(18,543)
Changes in proportionate share	2,564	(17,941)
Employer contributions subsequent to the measurement date	<u>20,635</u>	-
<b>Total</b>	<b>\$ 45,374</b>	<b>\$ (56,016)</b>

The \$20,635 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2024	\$ (6,956)
2025	(6,503)
2026	(13,266)
2027	(1,670)
2028	<u>(2,882)</u>
	<b><u>\$ (31,277)</u></b>

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)**

##### **D. Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation:	
Locality – general employees	3.50%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation

#### **Mortality Rates – Non-Largest Ten Locality Employers – General Employees**

Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors: Pub-2010 Amount Weighted Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)**

##### **D. Actuarial Assumptions (Continued)**

###### **Mortality Rates – Non-Largest Ten Locality Employers – General Employees (Continued)**

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to 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 Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
Withdrawal Rates	Adjusted termination rates to better fit experience at age and service decrement through nine years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

##### **E. Net GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,672,085
Plan fiduciary net position	<u>2,467,989</u>
<b>GLI net OPEB liability</b>	<b><u>\$ 1,204,096</u></b>
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.21%

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

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### NOTES TO FINANCIAL STATEMENTS

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#### Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)

##### F. Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Entity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
<b>Total</b>	<b>100.00%</b>		<b>5.33%</b>
		Inflation	<b>2.50%</b>
		** Expected arithmetic nominal return	<b>7.83%</b>

\* The above allocation provides a one-year return of 7.83%. 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 6.72%, including expected inflation of 2.50%.

\*\* On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 10. Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program (Continued)**

##### **G. Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the Commission for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2022 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

##### **H. Sensitivity of the Commission's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Plan's net pension liability	\$ 277,007	\$ 190,368	\$ 120,351

##### **I. Group Life Insurance Program Fiduciary Net Position**

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at [varetire.org/Pdf/Publications/2022-annual-report.pdf](http://varetire.org/Pdf/Publications/2022-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 11. Committed Fund Balance**

Committed Fund Balance is available for the following purposes:

Stormwater	\$ 712,147
Regional Water (H2O)	747,855
Regional Wastewater Program	256,717
DCR Bay Grant	(1,793)
Solid Waste Special Contracts Local	20,554
Capital building replacement reserve	274,315
Network servers/software reserve	176,534
Equipment reserve	150,000
Hampton Roads Clean Systems	29,016
Building operations and maintenance reserve	73,214
Interior upgrades reserve	228,041
Vehicle replacement reserve	80,000
GIS reserve	170,000
HRLFP Admin	4,241
Miscellaneous Housing Grants	22,519
Local Government Contracts	18,278
Municipal Construction Std	180,703
GO Virginia	(27,600)
Overflow or Underflow of Indirect Costs	275,721
SHRDSB STAFF	3,355
SPARC Grant	5,000
VAPDC Grant	13,073
Metro Medical Response	<u>39,846</u>
	<u><u>\$ 3,451,736</u></u>

### **Note 12. Subscription Liabilities**

The Commission is the user of certain subscription based information technology products. Right-to-use subscription assets are reported with other capital assets and subscription liabilities are reported with current and noncurrent liabilities on the statement of net position. Key estimates and judgements related to subscription liabilities include the determination of the applicable discount rate, subscription term, subscription payments, and residual value guarantees or other provisions as follows:

Discount Rate	When readily available or determinable, the Commission uses the interest rate charged by the vendor. If not readily available or determinable, the Commission uses its estimated incremental borrowing rate.
Subscription Term	The subscription term includes the non-cancellable period of the subscription arrangement.

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 12. Subscription Liabilities (Continued)**

A summary of changes in subscription liabilities for the Commission is as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Amounts Due Within One Year
Subscription liabilities	\$ - \$ 98,721	\$ (17,068)	\$ 81,653	\$ 13,924	

Summaries of future principal and interest maturities of subscription liabilities as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 13,924	\$ 9,011	\$ 22,935
2025	15,456	7,480	22,936
2026	17,155	5,780	22,935
2027	19,045	3,891	22,936
2028	16,073	1,796	17,869
<b>Total subscription liabilities</b>	<b>\$ 81,653</b>	<b>\$ 27,958</b>	<b>\$ 109,611</b>

#### **Note 13. Commitments**

On July 1, 2023, the Commission entered into an agreement with Jacobs Engineering Group to provide marketing support to the Stormwater Committee, Recycling and Beautification Committee, and Water Awareness Committee for no more than \$289,000.

The Commission entered into an agreement with CDM Smith for a total of \$400,000 for consulting services for the Hampton Roads Military Installation Resilience Review grant from OLDCC.

On July 1, 2022, the Commission entered into a three-year agreement with a vendor for the construction of broadband in the City of Suffolk, Isle of Wight County, and Southampton County for a total amount of \$21,120,054.

The Commission entered into an agreement with two vendors to provide water quality monitoring. The contracts are for a period of six years commencing on March 1, 2019. The total amount of this contract is \$2,805,012 (\$467,502 annually).

The Commission entered into various agreements for services related to regional and environmental planning and analysis on July 1, 2023. All agreements are annual and include renewal options for up to four years.

## **HAMPTON ROADS PLANNING DISTRICT COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 14. 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, 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 15. Pending GASB Statements**

At June 30, 2023, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Commission. The statements which might impact the Commission are as follows:

GASB Statement No. 100, *Accounting Changes and Error Corrections*, is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 will be effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement No. 101 will be effective for fiscal years beginning after December 15, 2023.

Management has not yet determined the effect these statements will have on its financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS – MEDICAL INSURANCE

	Fiscal Year June 30,					
	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 138,244	\$ 205,557	\$ 223,922	\$ 209,589	\$ 172,706	\$ 183,756
Interest	155,997	120,851	117,833	161,603	158,143	142,540
Economic/demographic gains or losses	-	(170,947)	-	486,379	-	-
Changes of assumptions	(5,192)	(1,172,639)	45,330	(49,477)	249,912	(238,589)
Benefit payments, including refunds of employee contributions	<u>(108,238)</u>	<u>(99,757)</u>	<u>(111,227)</u>	<u>(104,202)</u>	<u>(69,625)</u>	<u>(56,217)</u>
Net change in total OPEB liability	<b>180,811</b>	(1,116,935)	275,858	703,892	511,136	31,490
Total OPEB liability - beginning	<b>4,322,105</b>	5,439,040	5,163,182	4,459,290	3,948,154	3,916,664
Total OPEB liability - ending	<b>\$ 4,502,916</b>	<b>\$ 4,322,105</b>	<b>\$ 5,439,040</b>	<b>\$ 5,163,182</b>	<b>\$ 4,459,290</b>	<b>\$ 3,948,154</b>
Covered payroll	\$ 3,808,396	\$ 3,451,685	\$ 3,537,263	\$ 3,340,832	\$ 3,277,400	\$ 3,277,400
Total OPEB liability as a percentage of covered payroll	<b>118.24%</b>	125.22%	153.76%	154.55%	136.06%	120.47%

#### Notes to Schedule:

- (1) **Changes of benefit terms:** There have been no changes to the benefit terms since the prior actuarial valuation.
- (2) **Changes of assumptions:** Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:
 

2023	3.65%
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- (3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM Measurement Dates of June 30

	Fiscal Year June 30,					
	2022	2021	2020	2019	2018	2017
Employer's proportion of the net GLI OPEB liability	<b>0.01581%</b>	0.01644%	0.01703%	0.01724%	0.01750%	0.01674%
Employer's proportionate share of the net GLI OPEB liability	\$ 190,368	\$ 191,407	\$ 284,203	\$ 280,541	\$ 266,000	\$ 252,000
Employer's covered payroll	\$ 3,438,283	\$ 3,663,974	\$ 3,504,988	\$ 3,362,825	\$ 3,327,692	\$ 3,072,592
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	<b>5.54%</b>	5.22%	8.11%	8.34%	7.99%	8.20%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	<b>67.21%</b>	67.45%	52.64%	52.00%	51.22%	48.86%

#### Notes to Schedule:

- (1) **Changes of benefit terms:** There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.
- (2) **Changes of assumptions:** The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumption as a result of the experience study and VRS Board action are as follows:

#### *Non-Largest Ten Locality Employers – General Employees:*

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

- (3) 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.
- (4) The amounts presented have a measurement date of the previous fiscal year end.

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### SCHEDULE OF COMMISSION CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,						
	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution (CRC)	\$ 20,635	\$ 18,567	\$ 18,334	\$ 18,226	\$ 17,576	\$ 17,304	\$ 16,056
Contributions in relation to the CRC	<b>20,635</b>	18,567	18,334	18,226	17,576	17,304	16,056
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 3,808,396	\$ 3,438,283	\$ 3,663,974	\$ 3,504,988	\$ 3,362,825	\$ 3,327,692	\$ 3,072,592
Contributions as a percentage of covered payroll	<b>0.54%</b>	0.54%	0.50%	0.52%	0.52%	0.52%	0.52%

#### Note to Schedule:

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

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

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

	Fiscal Year June 30,								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Pension Liability:</b>									
Service cost	\$ 303,385	\$ 302,119	\$ 266,726	\$ 288,132	\$ 283,162	\$ 286,684	\$ 297,679	\$ 299,192	\$ 290,020
Interest	996,091	1,028,029	1,065,600	1,103,655	1,091,855	1,096,302	1,125,948	1,168,624	1,265,415
Changes of assumptions	-	-	-	(69,002)	-	469,111	-	702,983	-
Differences between expected and actual experience	-	188,230	161,736	(596,411)	(350,033)	214,889	312,531	92,605	60,802
Benefit payments, including refunds									
to employee contributions	(733,051)	(953,367)	(1,009,943)	(890,898)	(898,975)	(1,023,940)	(1,071,523)	(1,136,332)	(1,102,643)
Net change in total pension liability	566,425	565,011	484,119	(164,524)	126,009	1,043,046	664,635	1,127,072	513,594
Total pension liability - beginning	14,596,390	15,162,815	15,727,826	16,211,945	16,047,421	16,173,430	17,216,476	17,881,111	19,008,183
Total pension liability - ending (a)	\$ 15,162,815	\$ 15,727,826	\$ 16,211,945	\$ 16,047,421	\$ 16,173,430	\$ 17,216,476	\$ 17,881,111	\$ 19,008,183	\$ 19,521,777
<b>Plan Fiduciary Net Position:</b>									
Contributions - employer	\$ 265,987	\$ 258,101	\$ 275,830	\$ 268,149	\$ 285,539	\$ 213,565	\$ 216,313	\$ 274,749	\$ 281,886
Contributions - employee	168,862	146,515	156,320	159,783	160,469	161,125	165,729	159,882	163,028
Net investment income	1,878,198	608,113	223,589	1,595,776	1,056,019	976,157	288,956	3,997,545	(9,603)
Benefit payments, including refunds									
to employee contributions	(733,051)	(953,367)	(1,009,943)	(890,898)	(898,975)	(1,023,940)	(1,071,523)	(1,136,332)	(1,102,643)
Administrative expense	(10,281)	(8,751)	(8,723)	(9,475)	(9,305)	(10,126)	(10,232)	(10,353)	(11,443)
Other	99	(126)	(98)	(1,409)	(932)	(612)	(336)	374	412
Net change in plan fiduciary net position	1,569,814	50,485	(363,025)	1,121,926	592,815	316,169	(411,093)	3,285,865	(678,363)
Plan fiduciary net position - beginning	12,042,220	13,612,034	13,662,519	13,299,494	14,421,420	15,014,235	15,330,404	14,919,311	18,205,176
Plan fiduciary net position - ending (b)	\$ 13,612,034	\$ 13,662,519	\$ 13,299,494	\$ 14,421,420	\$ 15,014,235	\$ 15,330,404	\$ 14,919,311	\$ 18,205,176	\$ 17,526,813
Commission's net pension liability - ending (a) - (b)	\$ 1,550,781	\$ 2,065,307	\$ 2,912,451	\$ 1,626,001	\$ 1,159,195	\$ 1,886,072	\$ 2,961,800	\$ 803,007	\$ 1,994,964
Plan fiduciary net position as a percentage of the total pension liability	89.77%	86.87%	84.67%	89.87%	92.83%	89.04%	83.44%	95.78%	89.78%
Covered payroll	\$ 3,133,501	\$ 3,217,577	\$ 3,072,592	\$ 3,327,692	\$ 3,362,825	\$ 3,504,988	\$ 3,663,974	\$ 3,438,283	\$ 3,808,396
Commission's net pension liability as a percentage of covered payroll	49.49%	64.19%	78.04%	49.61%	34.47%	53.81%	80.84%	23.35%	52.38%

#### 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 which information is available.

## HAMPTON ROADS PLANNING DISTRICT COMMISSION

### SCHEDULE OF COMMISSION CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Actuarially determined contribution	\$ 258,101	\$ 275,830	\$ 268,149	\$ 285,539	\$ 213,565	\$ 216,313	\$ 274,749	\$ 281,886	\$ 349,738	
Contributions in relation to the actuarially determined contribution	258,101	275,830	268,149	285,539	213,565	216,313	274,749	281,886	349,738	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Employer's covered payroll	\$ 3,133,501	\$ 3,217,577	\$ 3,072,592	\$ 3,327,692	\$ 3,362,826	\$ 3,504,988	\$ 3,663,974	\$ 3,438,283	\$ 3,808,396	
Contributions as a percentage of covered payroll	8.24%	8.52%	8.73%	8.58%	6.35%	6.17%	7.50%	8.20%	9.18%	

#### Note to Schedule:

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

## **HAMPTON ROADS PLANNING DISTRICT COMMISSION**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – VIRGINIA RETIREMENT SYSTEM**

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#### **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, 2021 valuation were based on results of an actuarial experience study for the period July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post- retirement healthy, and disabled)	Update to 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

## **SUPPLEMENTARY INFORMATION**

**HAMPTON ROADS PLANNING DISTRICT COMMISSION**
**Schedule 1**
**CHANGE IN FUND BALANCE**  
**Year Ended June 30, 2023**

	General Fund	FTA 20.505	SPR 20.205	PL 20.205	All Other Grants	Total
<b>Support and Revenue:</b>						
Support:						
Direct federal grants	\$ -	\$ 529,547	\$ 57,985	\$ 1,538,650	\$ 6,112,117	\$ 8,238,299
Pass-through federal contributions	-	296,594	-	-	-	296,594
State grants	165,943	66,194	-	192,331	419,234	843,702
Pass-through state	-	37,074	-	-	-	37,074
Revenue:						
Match/subsidy	(426,672)	66,194	14,497	192,332	1,700,597	1,546,948
HRT/WATA/Suffolk match	-	37,074	-	-	-	37,074
Investment income	396,137	-	-	-	-	396,137
Miscellaneous	5,526,257	-	-	-	1,473,772	7,000,029
<b>Total support and revenue</b>	<b>5,661,665</b>	<b>1,032,677</b>	<b>72,482</b>	<b>1,923,313</b>	<b>9,705,720</b>	<b>18,395,857</b>
<b>Expenses:</b>						
Direct personnel:						
Salaries	1,325,928	408,785	39,277	1,109,611	342,114	3,225,715
Change in compensated absences	(60,678)	-	-	-	-	(60,678)
Adjustment for FICA on leave	(4,642)	-	-	-	-	(4,642)
Fringe benefits -Schedule 2 - Fringes	427,878	130,049	12,297	354,364	107,263	1,031,851
<b>Total direct personnel</b>	<b>1,688,486</b>	<b>538,834</b>	<b>51,574</b>	<b>1,463,975</b>	<b>449,377</b>	<b>4,192,246</b>
Direct operating:						
Travel	15,850	-	-	8,873	9,144	33,867
Education and training	4,904	-	500	14,154	30	19,588
Printing and reproduction	2,703	-	-	2,807	2	5,512
Advertising/audit	2,382	-	-	1,419	120	3,921
Supplies	5,815	-	-	140	-	5,955
Consultants/contractual	2,449,705	-	-	35,400	481,877	2,966,982
Legal services	28,448	-	-	10,395	-	38,843
Telephone	550	-	-	1,200	-	1,750
Postage	2,180	-	-	413	90	2,683
Recruitment	8,775	-	-	1,244	-	10,019
Dues/subscriptions/memberships/data/publication	15,201	-	65	7,805	-	23,071
Software	10,257	-	8,560	16,571	-	35,388
Special meetings	24,070	-	-	12,816	-	36,886
Debt service - principal expense	17,068	-	-	-	-	17,068
Debt service - interest expense	5,305	-	-	-	-	5,305
Miscellaneous	12,639	-	-	-	-	12,639
Office equipment	33,905	-	-	11,641	-	45,546
Capital outlay	116,677	-	-	-	-	116,677
Capital outlay (SBITA)	98,721	-	-	-	-	98,721
Pass-through	-	370,742	-	-	8,685,016	9,055,758
<b>Total direct operating</b>	<b>2,855,155</b>	<b>370,742</b>	<b>9,125</b>	<b>124,878</b>	<b>9,176,279</b>	<b>12,536,179</b>
Indirect:						
Under/overage of indirect cost	626,680	-	-	-	-	626,680
Other - Schedule 3 - Indirect Expense (Fixed - Applied)	400,077	123,101	11,783	334,460	102,998	972,419
<b>Total indirect cost</b>	<b>1,026,757</b>	<b>123,101</b>	<b>11,783</b>	<b>334,460</b>	<b>102,998</b>	<b>1,599,099</b>
<b>Total direct operating and indirect cost</b>	<b>5,570,398</b>	<b>1,032,677</b>	<b>72,482</b>	<b>1,923,313</b>	<b>9,728,654</b>	<b>18,327,524</b>
Depreciation and amortization - not allocated	(154,518)	-	-	-	-	(154,518)
Issuance of subscription agreement	(98,721)	-	-	-	-	(98,721)
<b>Total expenses</b>	<b>5,317,159</b>	<b>1,032,677</b>	<b>72,482</b>	<b>1,923,313</b>	<b>9,728,654</b>	<b>18,074,285</b>
<b>Net change in Fund Balance</b>	<b>\$ 344,506</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (22,934)</b>	<b>\$ 321,572</b>

**FRINGE BENEFITS**  
**Year Ended June 30, 2023**

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Employer Contributions - FICA	\$ 287,103
Employer Contributions - Health Insurance	537,970
Employer Contributions - Life & Disability Insurance	61,671
Employer Contributions - Retirement	377,831
Gym Membership	390
Unemployment Compensation Insurance	<u>3,183</u>
<b>Total fringe benefits</b>	<b>1,268,148</b>
Indirect Fringe	<u>(236,297)</u>
<b>Total fringe benefits on CFR 200</b>	<b>\$ 1,031,851</b>

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**INDIRECT EXPENSES**  
**Year Ended June 30, 2023**

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Revenue:	
Miscellaneous income	\$ 5,000
<b>Total revenue</b>	<b>5,000</b>
Expenses:	
Salaries	733,833
Employee benefits	236,297
Office supplies/software	53,863
Contractual/temporary services	127,151
Office equipment rental & maintenance	5,208
Office equipment	24,824
Office rental/maintenance	97,716
Insurance	30,126
Telephone	10,915
Travel	14,318
Postage	1,301
Recruitment	1,167
Special meetings	9,882
Dues, subscriptions, membership, data, publication	11,542
Copying cost and printing and presentation	6,735
Auditing/advertising	49,547
Miscellaneous/storage	13,587
Interest expense/bank service/fed excise	6,309
Depreciation expense	134,830
Amortization expense	19,688
Vehicle maintenance	3,439
Professional education/training/seminars	11,821
<b>Total expenses</b>	<b>1,604,099</b>
<b>Total indirect cost report</b>	<b>1,599,099</b>
Under/overage of indirect cost	<u>(626,680)</u>
<b>Fixed indirect cost expenses applied</b>	<b>\$ 972,419</b>

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## **COMPLIANCE SECTION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2023**

Federal Granting Agency/Recipient State Agency/ Grant Program/Grant Number or Cluster Title	Federal Assistance Listing	Entity Identifying Number	Pass-Through Provided to Subrecipients	Total Expenditures
<b>DEPARTMENT OF TRANSPORTATION (DOT)</b>				
Pass-through payments:				
Virginia Department of Rail and Public Transit:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	1459	\$ 370,742	\$ 826,141
Virginia Department of Transportation:				
Highway Planning and Construction Cluster (Federal-Aid Highway Program)	20.205	UPC108963	-	1,538,650
PL Federal Aid Urban systems (FAUS) Program	20.205	UPC109127	-	57,985
SP&R Federal Aid Urban Systems (FAUS)				
Total Highway Planning and Construction Cluster (Federal-Aid Highway Program)			-	1,596,635
<b>Total Department of Transportation</b>			<u>370,742</u>	<u>2,422,776</u>
<b>DEPARTMENT OF COMMERCE (DOC)</b>				
Pass-through payments:				
Virginia Department of Environmental Quality (DEQ):				
VCZMP TA Program FY20 (NA20NOS4190207) Task# 43	11.419	413644300	-	37,797
VCZMP TA Program FY21 (NA21NOS4190152) Task# 43	11.419	413644300	-	65,291
<b>Total Department of Commerce</b>			<u>-</u>	<u>103,088</u>
<b>ENVIRONMENTAL PROTECTION AGENCY (EPA)</b>				
Pass-through payments:				
Virginia Department of Environmental Quality (DEQ):				
Bay Watershed PDC Local Implementation	66.466	CB96346801-2	-	37,440
Chesapeake Bay Watershed PDC Local Implementation Phase 6	66.466	CB96346801-2	-	22,594
<b>Total Department of Environmental Protection Agency</b>			<u>-</u>	<u>60,034</u>
<b>NATIONAL FISH &amp; WILDLIFE FOUNDATION</b>				
Pass-through payments:				
National Fish & Wildlife Foundation (NFWF)				
FWF Small Watershed Technical Assistance	66.466	96358101	<u>-</u>	<u>6,115</u>
<b>Total National Fish &amp; Wildlife Foundation</b>			<u>-</u>	<u>6,115</u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Pass-through payments:				
Virginia Department of Housing and Community Development:				
Home Investment Partnership Program	14.239	16495	<u>-</u>	<u>3,035</u>
<b>Total Home Investment Partnership Program</b>			<u>-</u>	<u>3,035</u>

**SCHEDE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2023**

Federal Granting Agency/Recipient State Agency/ Grant Program/Grant Number or Cluster Title	Federal Assistance Listing	Entity Identifying Number	Pass-Through Provided to Subrecipients	Total Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued)				
Pass-through payments (continued):				
Virginia Department of Housing and Community Development:				
Home Investment Partnership Program	14.239	16495	\$ -	\$ 14,500
	14.239	16583	<u>-</u>	<u>14,500</u>
<b>Total Home Investment Partnership Program</b>			<u>-</u>	<u>29,000</u>
City of Portsmouth				
Home Investment Partnership Program	14.239	1784	-	25,560
	14.239	1785	-	19,877
	14.239	1791	-	25,364
	14.239	Not provided	-	19,964
	14.239	1797	-	19,989
	14.239	1798	-	19,961
	14.239	Not provided	-	20,048
	14.239	Not provided	-	20,075
	14.239	Not provided	<u>-</u>	<u>19,924</u>
<b>Total Home Investment Partnership Program</b>			<u>-</u>	<u>190,762</u>
City of Chesapeake				
Home Investment Partnership Program	14.239	Not provided	-	8,414
	14.239	Not provided	-	27,004
	14.239	Not provided	-	26,878
	14.239	Not provided	-	26,917
	14.239	Not provided	-	7,528
	14.239	Not provided	-	26,947
	14.239	Not provided	-	26,920
	14.239	Not provided	-	26,821
	14.239	Not provided	-	27,038
	14.239	Not provided	-	26,950
	14.239	Not provided	-	26,970
	14.239	Not provided	-	400
	14.239	Not provided	<u>-</u>	<u>4,704</u>
<b>Total Home Investment Partnership Program</b>			<u>-</u>	<u>263,491</u>
<b>Total Department of Housing and Urban Development</b>			<u>-</u>	<u>486,288</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2023**

Federal Granting Agency/Recipient State Agency/ Grant Program/Grant Number or Cluster Title	Federal Assistance Listing	Entity Identifying Number	Pass-Through Provided to Subrecipients	Total Expenditures
<b>DEPARTMENT OF DEFENSE:</b>				
Pass-through payments:				
Virginia Economic Development Partnership (VEDP) - Office of Economic Adjustment:				
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies:				
Flood Sensors	12.003	HQ00052110034	\$ -	\$ 190,381
Military Installation Resilience	12.003	HQ00052110012	<u>-</u>	<u>121,576</u>
<b>Total Department of Defense</b>			<u>-</u>	<u>311,957</u>
<b>DEPARTMENT OF HOMELAND SECURITY:</b>				
Pass-through payments:				
Virginia Department of Emergency Management:		PDMC-PL-03-VA-		
Homeland Security Grant Program	97.047	2019-003	<u>-</u>	<u>11,287</u>
	97.067	8518	<u>-</u>	<u>34,736</u>
	97.067	8573	<u>-</u>	<u>70,350</u>
	97.067	8574	<u>-</u>	<u>9,466</u>
	97.067	8591	<u>-</u>	<u>37,800</u>
	97.067	3	<u>-</u>	<u>65,993</u>
	97.067	4	<u>-</u>	<u>40,513</u>
	97.067	11	<u>-</u>	<u>29,724</u>
	97.067	12	<u>-</u>	<u>3,125</u>
	97.067	13	<u>-</u>	<u>204,416</u>
	97.067	14	<u>-</u>	<u>53,303</u>
	97.067	15	<u>-</u>	<u>63,500</u>
	97.067	8	<u>-</u>	<u>11,903</u>
	97.067	79	<u>-</u>	<u>47,633</u>
<b>Total Department of Homeland Security</b>			<u>-</u>	<u>683,749</u>
<b>United States Department of the Treasury (TREAS)</b>				
Pass-through payments:				
Coronavirus State and Local Fiscal Recovery Funds				
Virginia Telecommunication Initiative (VATI)				
VA Telecommunication Initiative- 2022	21.027	VATISF#2022-022	<u>-</u>	<u>8,273</u>
VA Telecommunication Initiative (VATI) Pass Through	21.027	VATISF#2022-022	<u>-</u>	<u>4,442,455</u>
VA Telecommunication Initiative- 2	21.027	VATISF#2022-022	<u>-</u>	<u>10,158</u>
<b>Total US Department of the Treasury</b>			<u>-</u>	<u>4,460,886</u>
<b>Total expenditures of federal awards</b>			<u>\$ 370,742</u>	<u>\$ 8,534,893</u>

## **HAMPTON ROADS PLANNING DISTRICT COMMISSION**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** **Year Ended June 30, 2023**

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#### **Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Hampton Roads Planning District Commission (the Commission) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position or changes in net position of the Commission.

*Federal Financial Assistance* – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Federal financial assistance does not include direct federal cash assistance to individuals.

*Direct Payments* – Assistance received directly from the federal government is classified as direct payments on the Schedule.

*Pass-through Payments* – Assistance received in a pass-through relationship from entities other than the federal government is classified as pass-through payments on the Schedule.

*Major Programs* – The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for the Commission and its component units were determined using a risk-based approach in accordance with Uniform Guidance.

*Federal Assistance Listing* – The Federal Assistance Listing is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (Federal Assistance Listing Number), which is reflected in the Schedule.

*Cluster of Programs* – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following is the cluster administered by Commission: Highway Planning and Construction Cluster (Federal Highway Program)

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note 3. Indirect Cost Rate**

The Commission has elected to apply an indirect cost recovery rate approved by the Virginia Department of Transportation and has elected not to use the 10 percent *de minimus* indirect cost rate allowed under the Uniform Guidance.



**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***

Honorable Commission Board Members  
Hampton Roads Planning District 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; 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 and the major fund of the Hampton Roads Planning District Commission (Commission), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 13, 2023.

**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  
October 13, 2023



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

Honorable Commission Board Members  
Hampton Roads Planning District Commission

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Hampton Roads Planning District Commission's (the Commission) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Commission's major federal programs for the year ended June 30, 2023. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Commission's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of each federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*PBMares, LLP*

Harrisonburg, Virginia

October 13, 2023

# HAMPTON ROADS PLANNING DISTRICT COMMISSION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2023

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### Section I. SUMMARY OF AUDITOR'S RESULTS

#### *Financial Statements*

Type report the auditor issued on whether the financial statements were audited in accordance with GAAP:  
Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Significant deficiency(ies) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No

#### *Federal Awards*

Internal control over major federal programs:

Material weakness(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Significant deficiency(ies) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?  Yes  No

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
20.505	Metropolitan Transportation Planning and State and Non- Metropolitan Planning and Research
21.027	Coronavirus State and Local Fiscal Recovery Funds – Virginia Telecommunication Initiative (VATI)

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

### Section II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

### Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



ANDRIA P. McCLELLAN, CHAIR • DAVID H. JENKINS, VICE-CHAIR • RANDY R. KEATON, TREASURER

ROBERT A. CRUM, JR., EXECUTIVE DIRECTOR/SECRETARY

MEMBER  
JURISDICTIONS

CHESAPEAKE

FRANKLIN

GOULCESTER

HAMPTON

ISLE OF WIGHT

JAMES CITY

No matters were reported during the prior year audit.

NEWPORT NEWS

NORFOLK

POQUOSON

PORPSMOUTH

SMITHFIELD

SOUTHAMPTON

SUFFOLK

SURRY

VIRGINIA BEACH

WILLIAMSBURG

YORK

THE REGIONAL BUILDING • 723 WOODLAKE DRIVE • CHESAPEAKE, VIRGINIA 23320 • (757) 420-8300

# **HAMPTON ROADS PLANNING DISTRICT COMMISSION**

**REPORT TO THE HONORABLE  
BOARD OF COMMISSIONERS**

**OCTOBER 13, 2023**



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ASSURANCE, TAX & ADVISORY SERVICES



October 13, 2023

To the Honorable Board of Commissioners  
Hampton Roads Planning District Commission  
Chesapeake, Virginia

We are pleased to present this report related to our audit of the basic financial statements and compliance of Hampton Roads Planning District Commission (the Commission) as of and for the year ended June 30, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Commission's financial and compliance reporting process.

This report is intended solely for the information and use of the Commission Board Members and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Commission.

*PBMares, LLP*

PBMares, LLP

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Exhibit B—Significant Written Communications Between Management and Our Firm	
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## REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit and compliance reporting process, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

### **Our Responsibilities With Regard to the Financial Statement and Compliance Audit**

Our responsibilities under auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States; *Specifications for Audits of Authorities, Boards and Commissions* provided by the Auditor of Public Accounts of the Commonwealth of Virginia; and the Single Audit Act and Subpart F of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) have been described to you in our arrangement letter dated May 30, 2023. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### **Overview of the Planned Scope and Timing of the Financial Statement and Compliance Audit**

We have issued a separate communication dated May 30, 2023 regarding the planned scope and timing of our audit and identified significant risks.

### **Accounting Policies and Practices**

#### **Preferability of Accounting Policies and Practices**

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

#### **Adoption of, or Change in, Accounting Policies**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Commission. The Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, during the year ended June 30, 2023.

At June 30, 2023, the GASB had issued several statements not yet implemented by the Commission. The statements which might impact the Commission are included in the attached Exhibit A.

#### **Significant Accounting Policies**

We did not identify any significant accounting policies in controversial or emerging areas for which there is lack of authoritative guidance or consensus.

#### **Significant Unusual Transactions**

We did not identify any significant unusual transactions.

## **Management's Judgments and Accounting Estimates**

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

## **Audit Adjustments and Uncorrected Misstatements**

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

## **Observations About the Audit Process**

### **Disagreements With Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### **Consultations With Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### **Significant Issues Discussed With Management**

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

### **Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in dealing with management during the audit.

### **Difficulties or Contentious Matters that Required Consultation**

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

## **Shared Responsibilities for Independence**

Independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Public Accountants (AICPA) and *Government Accountability Office* (GAO) independence rules. For PBMares, LLP to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Commissioners, and PBMares, LLP each play an important role.

## **Our Responsibilities**

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. PBMares, LLP is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.

## **The Commission's Responsibilities**

- Timely inform PBMares, LLP, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, officers, or persons in financial reporting oversight roles.
  - Changes in the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units or jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Commission and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with PBMares, LLP.
- Not entering into arrangements of nonaudit services resulting in PBMares, LLP being involved in management decisions on behalf of the Commission.
- Not entering into relationships resulting in PBMares, LLP, PBMares, LLP covered persons or their close family members, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Commission.

## **Significant Written Communications Between Management and Our Firm**

Copies of significant written communications between our firm and the management of the Commission, including the representation letter provided to us by management, are attached as Exhibit B.

## SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in the Commission's June 30, 2023 financial statements.

### Pension Liability and Other Postemployment Benefits (OPEB)

<b>Accounting policy</b>	Pension and OPEB liabilities, deferred outflows/inflows of resources and costs for financial accounting and disclosure purposes.
<b>Management's estimation process</b>	Management recognizes pension and OPEB liabilities based on information provided by actuaries and industry standards.
<b>Basis for our conclusion on the reasonableness of the estimate</b>	Management's approach to recognizing pension and OPEB liabilities appears reasonable and consistent with accepted practice. While these estimates are based on assumptions provided by actuaries and industry standards, management should monitor these estimates and compare to actual costs over time.

### Subscription-Based Information Technology Arrangements

<b>Accounting policy</b>	Right-to-use subscription assets and subscription liabilities are amounts management believes will accurately reflect outflows of resources.
<b>Management's estimation process</b>	Based on management's analysis of contracts for subscription terms, modifications, and characteristics, and a determination of the incremental borrowing rate for subscription liabilities.
<b>Basis for our conclusion on the reasonableness of the estimate</b>	We have evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

## **EXHIBIT A**

### **New Governmental Accounting Standards Board Pronouncements**

## RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued as of June 30, 2023 but are not yet effective and may affect the future financial reporting by the Commission:

Pronouncement	Summary
GASB Statement No. 100, <i>Accounting Changes and Error Corrections</i>	<p>The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.</p> <p>The requirements of Statement No. 100 will be effective for fiscal years beginning after June 15, 2023.</p>
GASB Statement No. 101, <i>Compensated Absences</i>	<p>The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.</p> <p>The requirements of Statement No. 101 will be effective for fiscal years beginning after December 15, 2023.</p>

## **EXHIBIT B**

### **Significant Written Communications Between Management and Our Firm**

**Member  
Jurisdictions**

October 13, 2023

Chesapeake  
PBMares, LLP  
558 South Main Street  
Harrisonburg, Virginia 22801

Franklin  
Gloucester  
Hampton

This representation letter is provided in connection with your audit of the basic financial statements of Hampton Roads Planning District Commission (Commission) as of and for the year ended June 30, 2023 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Isle of Wight  
We confirm, to the best of our knowledge and belief, as of October 13, 2023:

*Financial Statements*

James City  
Newport News  
Norfolk  
Poquoson  
Portsmouth  
Smithfield  
Southampton  
Suffolk  
Surry  
Virginia Beach  
Williamsburg  
York

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated May 30, 2023, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Types of related party transactions engaged in by the Commission include:
  - a. Interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees.

6. The financial statements properly classify all funds and activities in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. Components of net position (restricted and unrestricted) and classifications of fund balances are properly classified and, when applicable, approved.
10. Revenues are appropriately classified in the Statement of Activities.
11. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the Statement of Activities, and allocations have been made on a reasonable basis.
12. The following have been properly recorded and/or disclosed in the financial statements:
  - a. The fair value of investments.
  - b. Leases and material amounts of rental obligations under long-term leases.
  - c. Deposits and investment securities categories of risk.
  - d. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
  - e. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
  - f. Contractual obligations for construction and purchase of real property or equipment.
13. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
  - a. The Commission has no significant amounts of idle property and equipment.
  - b. The Commission has no plans or intentions to discontinue the operations of any activities or programs or to discontinue any significant operations.

14. There are no:

- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
- c. Material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the *Contingencies* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification.
- d. Guarantees, whether written or oral, under which the Commission is contingently liable.
- e. Agreements to repurchase assets previously sold.
- f. Security agreements in effect under the Uniform Commercial Code.
- g. Liabilities which are subordinated in any way to any other actual or possible liabilities.
- h. Significant estimates and material concentrations known to management which are required to be disclosed.
- i. Risk financing activities.
- j. Derivative financial instruments.
- k. Special or extraordinary items.
- l. Arbitrage rebate liabilities.
- m. Risk retentions, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2023 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2023.
- n. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.

- o. Material losses to be sustained as a result of purchase commitments.
- p. Environmental cleanup obligations.

15. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB Statement No. 5 and/or GASB Statement No. 10.

16. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders.

17. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance.

18. We believe the implementation of the GASB Statement listed below is appropriate:

- a. GASB Statement No. 96, *Subscription Based Information Technology Arrangements (SBITAs)*

19. We have no knowledge of any uncorrected misstatements in the financial statements.

20. We have requested an unsecured electronic copy of the auditor's report and financial statements and agree the auditor's report and financial statements will not be modified in any manner.

*Information Provided*

21. We have provided you with:

- a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
- b. Additional information that you have requested from us for the purpose of the audit.
- c. Unrestricted access to persons within the Commission from whom you determined it necessary to obtain audit evidence.
- d. Minutes of the meetings of the governing body and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

22. All transactions have been recorded in the accounting records and are reflected in the financial statements.

23. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
24. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.
25. We have no knowledge of allegations of fraud or suspected fraud affecting the Commission's financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in the internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
26. We have no knowledge of any allegations of fraud or suspected fraud affecting the Commission's financial statements received in communications from employees, former employees, analysts, regulators, or others.
27. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
28. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
29. We have disclosed to you the identity of the Commission's related parties and all the related-party relationships and transactions of which we are aware.
30. We are aware of no deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the Commission's ability to record, process, summarize, and report financial data.
31. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
32. We agree with the findings of the specialists in evaluating the assertions found in Note 7, Pension Plan, Note 9, Other Postemployment Benefits (OPEB) Plan, and Note 10, Other Postemployment Benefits (OPEB) Plan – Group Life Insurance Program, and have adequately considered the qualifications of the specialists in determining the amounts

and disclosures used in the financial statements and underlying accounting records. We did not give instructions, or cause any instructions to be given, to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

33. We believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining accumulated plan benefits are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the actuary with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the plan's actuary.
34. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

*Supplementary Information*

35. With respect to supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information.
  - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

*Required Supplementary Information*

36. With respect to the Required Supplementary Information presented as required by the GASB to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

*Compliance Considerations*

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm management:

37. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
38. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
39. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.
40. Is responsible 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.
41. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
42. Has a process to track the status of audit findings and recommendations.
43. Has identified for the auditor previous audits, attestation engagements and other studies related to the objectives of the audit and whether related recommendations have been implemented.
44. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.
45. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with Subpart F of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we confirm:

46. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.

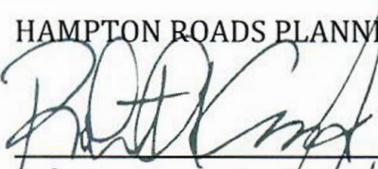
47. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
48. Management is responsible for the design, implementation, and maintenance, and has designed, implemented and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards that could have a material effect on its federal programs.
49. Management has prepared the schedule of expenditures of federal awards, acknowledges and understands its responsibility for the presentation of the schedule of expenditures of federal awards in accordance with Uniform Guidance; believes the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with Uniform Guidance; asserts that methods of measurement or presentation have not changed from those used in the prior period, or if the methods of measurement or presentation have changed, the reasons for such changes have been communicated; and is responsible for any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.
50. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.
51. Management has identified and disclosed to the auditor the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
52. Management has made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
53. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or stated that there was not such noncompliance.
54. Management believes that the auditee has complied with the direct and material compliance requirements (except for noncompliance it has disclosed to the auditor).
55. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
56. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.

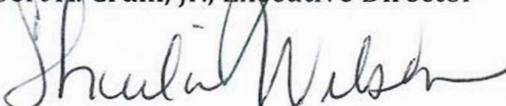
57. Management is aware of no communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
58. There are no findings and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
59. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
60. There are no subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
61. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stated that there were no such known instances.
62. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect the Commission's system of internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
63. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
64. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
65. If applicable, management has monitored subrecipients, as necessary, to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
66. If applicable, management has issued management decisions for audit findings that relate to federal awards it makes to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally,

management has followed up to ensure that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.

67. If applicable, management has considered the results of subrecipient monitoring and audits and has made any necessary adjustments to the auditee's own books and records.
68. Management has charged costs to federal awards in accordance with applicable cost principles.
69. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance.
70. The reporting package does not contain protected personally identifiable information.
71. Management will accurately complete the appropriate sections of the data collection form.
72. If applicable, management has disclosed all contracts or other agreements with service organizations.
73. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

HAMPTON ROADS PLANNING DISTRICT COMMISSION

  
Robert A. Crum, Jr., Executive Director

  
Sheila S. Wilson, Chief Financial Officer



## INDEPENDENT ACCOUNTANT'S REPORT

Board of Commissioners  
Hampton Roads Planning District Commission  
Chesapeake, Virginia

We have examined management of Hampton Roads Planning District Commission's (Commission) assertion the census data reported to the Virginia Retirement System (VRS) by the Commission during the year ended June 30, 2023, were complete and accurate based on the criteria set forth by the VRS and the Board of Trustees' plan provisions as mandated in §51.1-136 of the *Code of Virginia*. The Commission's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Commission's compliance with the specified requirements.

We are required to be independent of the Commission and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

We have included in Appendix A, the sample selection methodologies and the sample sizes for the Commission specifically requested by the Auditor of Public Accounts of the Commonwealth of Virginia in the *Specifications for Audits of Authorities, Boards and Commissions*.

In our opinion, management's assertion the census data reported to the VRS by the Commission during the year ended June 30, 2023, were complete and accurate based on the criteria set forth by the VRS and the Board of Trustees' plan provisions as mandated in §51.1-136 of the *Code of Virginia*, is fairly stated, in all material respects.

This report is intended solely for the information and use of the Auditor of Public Accounts of the Commonwealth of Virginia and the Commission's management and is not intended to be and should not be used by anyone other than these specified parties.

*PB Mares, LLP*

Harrisonburg, Virginia  
October 12, 2023

## Appendix A

We identified one control environment during this examination for which the Commission was responsible.

The following table reflects the population size and sample size for each procedure performed over the control environment for which the Commission was responsible:

<b>Required Procedure</b>	<b>Population Size</b>	<b>Sample Size</b>	<b>Risks and Other Considerations Used to Determine Sample Size</b>
Review of Census Data Elements	50	5	Primary risk: Improper reporting to VRS
Review of Employees with Changes	89	9	Primary risk: Failure to report employee changes
Review of Eligibility of Newly Enrolled Members Reported to the VRS	11	2	Primary risks: Failure to report eligible employees and reporting of ineligible employees
Review of Monthly <i>myVRS</i> Navigator Contribution Confirmation Reconciliations	Not Tested	Not Tested	N/A
Review of <i>myVRS</i> Navigator System Access	Not Tested	Not Tested	N/A



May 30, 2023

Hampton Roads Planning District Commission  
723 Woodlake Drive  
Chesapeake, Virginia 23320

Attention: Mr. Robert A. Crum, Executive Director

This letter is to explain PBMares, LLP (“PBMares”, “we”, “us”, or “our”) understanding of the arrangements regarding our engagement to examine the Hampton Roads Planning District Commission’s (“Commission”) assertion that the census data reported to the Virginia Retirement System (“VRS”) during the year ending June 30, 2023 is complete and accurate based on criteria set forth by the VRS and the Board of Trustees’ plan provisions as mandated by the *Code of Virginia* Sections 51.1-136 (the “Assertion”). We are pleased to confirm our acceptance and our understanding of this examination engagement by means of this letter (“Arrangement Letter”).

#### **Engagement Services**

We will perform an examination of the Assertion in accordance with attestation standards established by the American Institute of Certified Public Accountants (“AICPA”) and in relation to the criteria set forth by the VRS and the Board of Trustees’ plan provisions mandated by the *Code of Virginia* Sections 51.1-136 (“Criteria”). Accordingly, we will perform such procedures as we consider necessary to evaluate the Assertion in relation to the stated or established Criteria for the purpose of expressing an opinion in a written report about whether the Commission’s Assertion is fairly stated, in all material respects.

At the conclusion of our engagement, we will issue a written report of our examination of the Assertion in relation to stated or established Criteria. Our report will be addressed to the Board of Commissioners and the Auditor of Public Accounts for the Commonwealth of Virginia. We cannot guarantee that an unmodified opinion on the Assertion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, or withdraw from the engagement.

The attestation standards require that we perform our examination engagement only if we have reason to believe that the Assertion is capable of consistent measurement or evaluation against criteria that are suitable and available to users. If circumstances arise relating to the condition of the Commission’s records, the availability of appropriate evidence or indications of a significant risk of material misstatement of the Assertion because of error or fraud that, in our professional judgement, prevent us from completing the engagement, forming an opinion or issuing our report, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Because of the inherent limitations of an examination engagement, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the examination is properly planned and performed in accordance with the attestation standards.

Mr. Robert A. Crum, Executive Director  
Hampton Roads Planning District Commission  
May 30, 2023  
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The services that we will perform are not designed and cannot be relied upon to disclose errors, fraud, or illegal acts, should any exist. However, we will inform the appropriate level of management of any material errors that come to our attention and any fraud or illegal acts that come to our attention, unless they are clearly inconsequential.

Furthermore, the services were not designed to provide assurance on internal control. However, we will communicate to management and the Board any internal control deficiencies that become known to us during the course of the engagement.

We will maintain our independence in accordance with the standards of the AICPA.

### **Commission's Responsibilities**

Management and the Board are responsible for:

1. The Assertion;
2. Selecting the Criteria for the purposes of evaluating the Assertion;
3. Determining that such stated or established Criteria is appropriate for the Commission's purposes;
4. Providing us with a written management representation letter confirming certain representations made during the course of the engagement;
5. The design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the Assertion that is free from material misstatement, whether due to fraud or error;
6. Identifying and ensuring that the Commission complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations;
7. The design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Commission involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the Assertion; and
8. Informing us of its knowledge of any allegations of fraud or suspected fraud affecting the Commission received in communications from employees, former employees, analysts, regulators, or others.

### **Records and Assistance**

During the course of our engagement, we may accumulate records containing data that should be reflected in the Commission's books and records. The Commission will determine that all such data, if necessary, will be so reflected. Accordingly, the Commission will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Commission personnel has been discussed and coordinated with Sheila Wilson, Chief Financial Officer. The timely and accurate completion of this work is an essential condition to our completion of our services and issuance of our report.

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### **Parties' Understandings Concerning Situation Around COVID-19**

To the extent any of the services described herein require a party to visit ("Visiting Party") the other party's facilities ("Host Party") in person, the Visiting Party agrees to comply with the Host Party's rules and regulations regarding COVID-19 safety protocols while on the Host Party's premises, provided the Visiting Party is made aware of such rules and regulations. Further, in the event any of the services described herein need to be suspended and/or rescheduled by a party due to the ongoing situation surrounding COVID-19, the party requesting the suspension or rescheduling of the services will provide the other party with prompt written notice of the foregoing. To the extent such suspension and/or rescheduling of the services impacts either the cost of the services or the ability of the Commission or PB Mares to meet any deadlines or timeframes set forth herein, or both, the parties will document this in a written agreement mutually agreed upon and executed by both parties.

### **Fees**

Our fees for the services described above are as indicated in the audit arrangement letter for the Commission, dated May 30, 2023.

Our fee and completion of our work are based upon the following criteria:

1. Anticipated cooperation from Commission personnel.
2. Timely responses to our inquiries.
3. Timely completion and delivery of client assistance requests.
4. Timely communication of all significant accounting and financial reporting matters.
5. The assumption unexpected circumstances will not be encountered during the engagement.

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Amounts not paid within thirty days from the invoice date(s) will be subject to a late payment charge of 1.5% per month (18% per year).

### **Use of Subcontractors and Third-Party Products**

From time to time and depending upon the circumstances, we may, in our sole discretion, use qualified third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose Personal Information or Confidential Information (as both terms are defined below) to them. You hereby consent to us sharing your information, including Confidential Information and Personal Information, with these third-party service providers on the same basis as we would be permitted to share information with one of our employees; provided that such recipients are bound by written obligations of confidentiality that are as protective of your Confidential Information as the confidentiality terms set forth herein. You acknowledge and agree that our use of third-party service providers may involve the processing, input, disclosure, movement, transfer, and storage of your information and data outside of our technology infrastructure.

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Hampton Roads Planning District Commission  
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We also may provide services to you using certain third-party hardware, software, software services, managed services (including, but not limited to, web hosting, data security, data back-up, email security, or similar services subject to direct end-user or subscription agreements), applications, and equipment (collectively, "Third-Party Products"). You acknowledge that your or our use of a Third-Party Product may involve the processing, input, disclosure, movement, transfer, and storage of information provided by you to us, including Personal Information and Confidential Information, within the Third-Party Product's infrastructure and not ours. You further acknowledge that the terms of use and service, including, but not limited to, applicable laws, set forth in the end-user license, end-user subscription agreement, or other end-user agreement for such Third-Party Product (collectively, "EULA(s)") will govern all obligations of such licensor relating to data privacy, storage, recovery, security, and processing within such Third-Party Product's infrastructure, as well as, the service levels associated with such Third-Party Product. You hereby consent to the disclosure of your information, including your Confidential Information and Personal Information, to the licensors of such Third-Party Products for the purpose described herein.

To the extent PBMares gives the Commission access to a Third-Party Product in connection with the services contemplated herein, the Commission agrees to comply with the terms of any applicable EULA for such Third-Party Product, and the Commission shall be solely responsible for the improper use of a Third-Party Product or a violation of the applicable EULA for such Third-Party Product, by the Commission, or any user to whom the Commission grants access to such Third-Party Product.

You acknowledge that your or our use of Third-Party Products may be subject to limitations, delays, interruptions, errors, and other problems which are beyond our control, including, without limitation, internet outage or lack of availability related to updates, upgrades, patches, fixes, maintenance, or other issues. We will not be liable for any delays, delivery failures, or other losses or damages resulting from such issues. Nor will we be held responsible or liable for any loss, or unauthorized use or disclosure, of any information or data provided by you, including, without limitation, Personal Information provided by you, resulting from your or our use of a Third-Party Product.

#### **Use and Ownership; Access to Documentation**

The Documentation for this engagement is the property of PBMares. For the purposes of this Arrangement Letter, the term "Documentation" shall mean the confidential and proprietary records of PBMares' procedures performed, relevant evidence obtained, other related workpapers, and conclusions reached. Documentation shall not include custom-developed documents, data, reports, analyses, recommendations, and deliverables authored or prepared by PBMares for the Commission under this Arrangement Letter, or any documents belonging to the Commission or furnished to PBMares by the Commission.

Review of Documentation by a successor practitioner or as part of due diligence is subject to applicable PBMares policies, and will be agreed to, accounted for and billed separately. Any such access to our Documentation is subject to a successor practitioner signing an Access & Release Letter substantially in PBMares' form. PBMares reserves the right to decline a successor practitioner's request to review our workpapers.

In the event we are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the Commission, the Commission will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Mr. Robert A. Crum, Executive Director  
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### **Dispute Resolution**

If any dispute other than fees arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties. You and we consent to personal jurisdiction, both for mediation and/or litigation, of the Federal District Court, Eastern District of Virginia, sitting in Newport News, Virginia, or the Newport News Circuit Court.

Participation in such mediation shall be a condition to either of us initiating litigation. In order to allow time for the mediation, any applicable statute of limitations shall be tolled for a period not to exceed 120 days from the date either of us first requests in writing to mediate the dispute. The mediation shall be confidential in all respects, as allowed or required by law, except our final settlement positions at mediation shall be admissible in litigation solely to determine the prevailing party's identity for purposes of the award of attorneys' fees.

The parties hereto both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. The arbitration shall take place in Newport News, Virginia. Any award rendered by the Arbitrator pursuant to this Agreement may be filed and entered and shall be enforceable in the Superior Court of the County in which the arbitration proceeds. In agreeing to arbitration, we both acknowledge that, in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury, and instead we are accepting the use of arbitration for resolution.

### **Confidentiality**

PBMares and the Commission may, from time to time, disclose Confidential Information (as defined below) to one another. Accordingly, PBMares and the Commission agree as the recipient of such Confidential Information (the "Receiving Party") to keep strictly confidential all Confidential Information provided to it by the disclosing party (the "Disclosing Party") and use, modify, store, and copy such Confidential Information only as necessary to perform its obligations and exercise its rights under this Arrangement Letter. Except as otherwise set forth herein, the Receiving Party may only disclose the Confidential Information of the Disclosing Party to its personnel, agents, and representatives who are subject to obligations of confidentiality at least as restrictive as those set forth herein and only for the purpose of exercising its rights and fulfilling its obligations hereunder. To avoid any doubt, PBMares is permitted to disclose the Commission's Confidential Information to PBMares' personnel, agents, and representatives to provide the services or exercise its rights under the Arrangement Letter or for the purpose of maintaining compliance with applicable laws and professional, regulatory, and/or ethical standards.

As used herein, "Confidential Information" means, information in any form, oral, graphic, written, electronic, machine-readable or hard copy consisting of: (i) any nonpublic information provided by the Disclosing Party, including, but not limited to, all of its inventions, designs, data, source and object code, programs, program interfaces, know-how, trade secrets, techniques, ideas, discoveries, marketing and business plans, pricing, profit margins and/or similar information; (ii) any information that the Disclosing Party identifies as confidential; or (iii) any information that, by its very nature, a person in the same or similar circumstances would understand should be treated as confidential, including, but not limited to, this Arrangement Letter.

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As used herein, the term “Confidential Information” will not include information that: (i) is publicly available at the time of disclosure by the Disclosing Party; (ii) becomes publicly available by publication or otherwise after disclosure by the Disclosing Party, other than by breach of the confidentiality obligations set forth herein by the Receiving Party; (iii) was lawfully in the Receiving Party’s possession, without restriction as to confidentiality or use, at the time of disclosure by the Disclosing Party; (iv) is provided to the Receiving Party without restriction as to confidentiality or use by a third party without violation of any obligation to the Disclosing Party; or (v) is independently developed by employees or agents of the Receiving Party who did not access or use the Confidential Information.

The Receiving Party will treat the Disclosing Party’s Confidential Information with the same degree of care as the Receiving Party treats its own confidential and proprietary information, but in no event will such standard of care be less than a reasonable standard of care. The Receiving Party will promptly notify the Disclosing Party if it becomes aware that any of the Confidential Information of the Disclosing Party has been used or disclosed in violation of this Arrangement Letter.

Notwithstanding the foregoing, in the event that the Receiving Party becomes legally compelled to disclose any of the Confidential Information of the Disclosing Party, or as may be required by applicable regulations or professional standards, the Receiving Party will use commercially reasonable efforts to provide the Disclosing Party with notice prior to disclosure, to the extent permitted by law.

### **Data Protection Compliance**

Our Privacy Policy (“Privacy Policy”) is located on our website at <https://www.pbmaries.com/-are/privacy-policy>. Our Privacy Policy may be amended from time to time in our sole discretion and without prior notice, and is hereby incorporated by reference into this Arrangement Letter. You acknowledge that you have read and understand the Privacy Policy and agree to the practices as described therein.

We take reasonable steps to comply with all applicable privacy, cybersecurity, and data protection laws that may apply to Personal Information and Confidential Information we process on behalf of our clients. Upon written request, but not more than annually during the term of this Arrangement Letter, we will deliver to you a copy of our data security report evidencing the operating effectiveness of our Information Technology (“IT”) control environment. We will also provide summaries of our IT security and disaster recovery policies and make our senior IT personnel reasonably available for discussion upon request. Our data security report and any information we disclose to you concerning our IT control environment shall constitute Confidential Information of PBMares and shall be subject to the confidentiality obligations set forth in this Arrangement Letter.

PBMares and the Commission acknowledge and agree that they may correspond or convey information and documentation, including Confidential Information and Personal Information, via various forms of electronic transmission, including, but not limited to, Third-Party Products, such as, email, FTP and cloud-based sharing and hosting applications (e.g., portals, data analytics tools, and helpdesk and support ticketing applications), and that neither party has control over the performance, operation, reliability, availability, or security of these electronic transmissions methods. Therefore, neither party will be liable for any loss, damage, expense, harm, disclosure or inconvenience resulting from the loss, delay, interception, corruption, unauthorized disclosure, or alteration of any electronic transmission where the party has used commercially reasonable efforts to protect such information. We offer our clients various platforms for the exchange of information. You hereby agree that you shall be bound by and comply with any and all user terms and conditions made available (whether by link, click-through, or otherwise) with respect to such platforms

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### **Personal Information**

As used herein, the term “Personal Information” means any personal information that directly or indirectly identifies a natural person as may be defined by applicable privacy, data protection or cybersecurity laws, and includes, but is not limited to, nonpublic, personally identifiable information such as Social Security numbers, Social Insurance numbers, driver’s license numbers or state- or province-issued identification card numbers, credit or debit card numbers with or without any required security code, number or passwords, health information, and other personal information as defined by applicable laws, whether of the Commission or the Commission’s customers or other third parties.

Each party agrees to transmit Personal Information consistent with applicable laws and any other obligations the respective party may have. In the event you transmit to us Personal Information in an unencrypted format or via unencrypted means, you agree that we have no obligation to notify you of the foregoing.

You represent and warrant that you have provided all notices and obtained all consents required under applicable data protection laws prior to your collection, use and disclosure to us or our Subcontractors of such Personal Information and shall take reasonable steps to ensure that such Personal Information does not include irrelevant or unnecessary information about individuals.

We are permitted to use all such Personal Information to perform our obligations and exercise our rights under this Arrangement Letter. The parties agree that as part of the performance of the services as described in this Arrangement Letter, and as part of the direct business relationship between the parties, use the Personal Information to improve and develop services and for other similar internal and business purposes. We agree to maintain appropriate security measures to protect such Personal Information in accordance with applicable laws.

If we become aware of an unauthorized acquisition or use of Commission-provided Personal Information, we will promptly inform you of such unauthorized acquisition or use as required by applicable laws and, upon your written request, reasonably cooperate with you at your sole cost in support of any breach notification requirements as imposed upon you by applicable laws.

### **Retention of Records**

We will return to you all original records you provide to us in connection with this engagement. Further, in addition to providing you with those deliverables set forth in this Arrangement Letter, we will provide to you a copy of any records we prepare or accumulate in connection with such deliverables which are not otherwise reflected in your books and records without which your books and records would be incomplete. You have the sole responsibility for retaining and maintaining in your possession or custody all of your financial and nonfinancial records related to this engagement. We will not host, and will not accept responsibility to host, any of your records. We, however, may maintain a copy of any records of yours necessary for us to comply with applicable law and/or professional standards or to exercise our rights under this Arrangement Letter. Any such records retained by us will be subject to the confidentiality obligations set forth herein and destroyed in accordance with our record retention policies.

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### **Termination**

Your failure to make full payment of any and all undisputed amounts invoiced in a timely manner constitutes a material breach for which we may refuse to provide deliverables and/or, upon written notice, suspend or terminate our services under this Arrangement Letter. We will not be liable to you for any resulting loss, damage or expense connected with the suspension or termination of our services due to your failure to make full payment of undisputed amounts invoiced in a timely manner.

In the event you terminate this engagement, you will pay us for all services rendered (including deliverables and products delivered), expenses incurred, and noncancelable commitments made by us on your behalf through the effective date of termination.

We will not be responsible for any delay or failure in our performance resulting from acts beyond our reasonable control or unforeseen or unexpected circumstances, such as, but not limited to, acts of God, government or war, riots or strikes, disasters, fires, floods, epidemics, pandemics or outbreaks of communicable disease, cyberattacks, and internet or other system or network outages. At your option, you may terminate this Arrangement Letter where our services are delayed more than 120 days; however, you are not excused from paying us for all amounts owed for services rendered and deliverables provided prior to the termination of this Arrangement Letter.

When an engagement has been suspended at the request of management or those charged with governance and work on that engagement has not recommenced within 120 days of the request to suspend our work, we may, at our sole discretion, terminate this Arrangement Letter without further obligation to you. Resumption of our work following termination may be subject to our client acceptance procedures and, if resumed, will require additional procedures not contemplated in this Arrangement Letter. Accordingly, the scope, timing and fee arrangement discussed in this Arrangement Letter will no longer apply. In order for us to recommence work, the execution of a new Arrangement Letter will be required.

Either party may terminate this Arrangement Letter upon written notice if: (i) circumstances arise that in its judgment would cause its continued performance would result in a violation of law, regulatory requirements, applicable professional or ethical standards, or in the case of PBMares, our client acceptance or retention standards; or (ii) if the other party is placed on a Sanctioned List (as described herein) or if any director or executive of, or other person closely associated with such other party or its affiliate, is placed on a Sanctioned List.

The parties agree that those provisions of this Arrangement Letter which, by their context, are intended to survive, including, but not limited to, payment, limitations on liability, dispute resolution, use and ownership, and confidentiality obligations, shall survive the termination of this Arrangement Letter.

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#### **Miscellaneous**

Each party hereto affirms it has not been placed on a Sanctioned List (as defined below) and will promptly notify the other party upon becoming aware that it has been placed on a Sanctioned List at any time throughout the duration of this Arrangement Letter. The Commission shall not, and shall not permit third parties to, access or use any of the deliverables provided for hereunder, or Third-Party Products provided hereunder, in violation of any applicable sanctions laws or regulations, including, but not limited to, accessing or using the deliverables provided for hereunder or any Third-Party Products from any territory under embargo by the United States or Canada. The Commission shall not knowingly cause PBMares to violate any sanctions applicable to PBMares. As used herein "Sanctioned List" means any sanctioned person or entity lists promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the Consolidated Canadian Autonomous Sanctions List, the United Nations Security Council, the European Union, and United Kingdom.

Nothing in this Arrangement Letter shall limit the liability of PBMares to the Commission for any negligence, violation of applicable auditing standards, or other fault in the performance of audit procedures, whether at common law, under the federal securities laws, or pursuant to any applicable state law. Any term of this Arrangement Letter that would be prohibited by or impair our independence under applicable law or regulation shall not apply, to the extent necessary only to avoid such prohibition or impairment.

#### **Notices**

Unless otherwise expressly agreed upon by the parties in this Arrangement Letter, all notices required to be given hereunder will be in writing and addressed to the party at the business address provided in this Arrangement Letter, or such other address as such party may indicate by a notice delivered to the other party. A copy of any legal notice (e.g., any claimed breach or termination of this Arrangement Letter) sent by the Commission to PBMares shall also be sent to the following address: Office of the General Counsel, PBMares, LLP, 701 Town Center Drive, Suite 900, Newport News, VA 23606. Except as otherwise expressly provided in this Arrangement Letter, notices hereunder will be deemed given and effective: (i) if personally delivered, upon delivery; (ii) if sent by registered or certified mail or by overnight courier service with tracking capabilities, upon receipt; and, (iii) if sent by electronic mail (without indication of delivery failure), at such time as the party that sent the notice receives confirmation of receipt, whether by read-receipt confirmation or otherwise.

#### **Entire Agreement**

This Arrangement Letter constitutes the complete and exclusive statement of agreement between PBMares and the Commission and supersedes all prior agreements, understandings, and proposals, whether oral or written, relating to the subject matter of this Arrangement Letter.

If any term or provision of this Arrangement Letter is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

This Arrangement Letter may be amended or modified only by a written instrument executed by both parties.

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### **Electronic Signatures and Counterparts**

Each party hereto agrees that any electronic signature of a party to this Arrangement Letter or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (a) to be "written" or "in writing," (b) to have been signed and (c) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (a) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (b) an electronic copy of a traditional signature affixed to a document, (c) a signature incorporated into a document utilizing touchscreen capabilities or (d) a digital signature. This Arrangement Letter may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

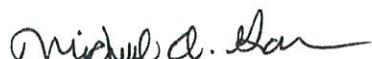
Please sign and return a copy of this Arrangement Letter to indicate your acknowledgment of, and agreement with, the arrangements for the examination we are to perform with respect to the Assertion, including our respective responsibilities.

### **Acknowledgement and Acceptance**

Each party acknowledges that it has read and agrees to all of the terms and conditions contained herein. Each party and its signatory below represents that said signatory is a duly authorized representative of such party and has the requisite power and authority to bind such party to the undertakings and obligations contained herein.

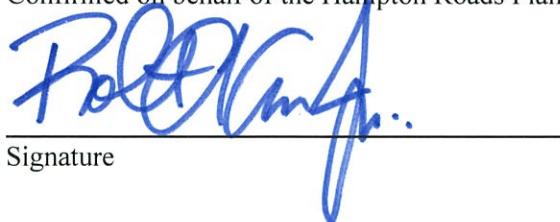
Sincerely,

PBMares, LLP

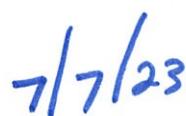


Michael A. Garber, Partner

Confirmed on behalf of the Hampton Roads Planning District Commission:



Signature



7/7/23

Date



May 30, 2023

Hampton Roads Planning District Commission  
723 Woodlake Drive  
Chesapeake, Virginia 23320

Attention: Mr. Robert A. Crum, Executive Director

**The Objective and Scope of the Audit of the Financial Statements**

You have requested PBMares, LLP (“PBMares”, “we”, “us”, or “our”), audit Hampton Roads Planning District Commission’s (“Commission”) governmental activities, and major fund as of and for the year ending June 30, 2023, which collectively comprise the basic financial statements. In addition, the required supplementary information, presented in relation to the financial statements taken as a whole will be subjected to the auditing procedures applied in our audit of the basic financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter (“Arrangement Letter”).

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (“GAAS”) and *Government Auditing Standards* issued by the Comptroller General of the United States (“GAS”) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements. 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.

You have also requested that PBMares perform the audit of the Commission as of June 30, 2023 to satisfy the audit requirements imposed by the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Mr. Robert A. Crum, Executive Director  
Hampton Roads Planning District Commission  
May 30, 2023  
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### **The Responsibilities of the Auditor**

We will conduct our audit in accordance with GAAS; GAS; the Uniform Guidance; the U.S. Office of Management and Budget's ("OMB") Compliance Supplement; and the *Specifications for Audits of Audits of Authorities, Boards, and Commissions*, provided by the Auditor of Public Accounts for the Commonwealth of Virginia. Those standards, regulations, supplement, and specifications require that we comply with applicable ethical requirements. As part of an audit in accordance with GAAS and GAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, based on an understanding of the Commission and its environment, the applicable financial reporting framework, and the Commission's system of internal control, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
2. Consider the Commission's system 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. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
3. 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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
4. Conclude, based on the audit evidence obtained, 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 a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of controls, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and GAS. Because the determination of waste or abuse is subjective, GAS does not require auditors to perform specific procedures to detect waste or abuse in financial statement audits.

We will communicate to the Board (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

No component units are to be included in the Commission's basic financial statements.

We are responsible for the compliance audit of major programs under the Uniform Guidance, including the determination of major programs, the consideration of internal control over compliance, and reporting responsibilities.

Mr. Robert A. Crum, Executive Director  
Hampton Roads Planning District Commission  
May 30, 2023  
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Our report(s) on internal control over financial reporting and over compliance for major programs will include any significant deficiencies and material weaknesses in internal control over financial reporting and over compliance for major programs of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control over financial reporting and over compliance for major programs consistent with requirements of the standards, regulations, supplement and specifications identified above. Our report(s) on compliance matters will address material errors, fraud, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts; and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with requirements of the standards, regulations, supplement and specifications identified above.

We will maintain our independence in accordance with the standards of the American Institute of Certified Public Accountants ("AICPA") and GAS.

### **The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**

Management is responsible for:

1. Identifying and ensuring that the Commission complies with the laws and regulations applicable to its activities, and for informing us about all known violations of such laws or regulations, other than those that are clearly inconsequential;
2. The design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Commission involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements; and
3. Informing us of its knowledge of any allegations of fraud or suspected fraud affecting the Commission received in communications from employees, former employees, analysts, regulators, vendors, customers or others.

Management is responsible for the preparation of the required supplementary information (RSI) which the Governmental Accounting Standards Board ("GASB") requires be presented to supplement the basic financial statements. Management is also responsible for the preparation of the supplementary information in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and indicates that the auditor has reported on such supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon

The Board is responsible for informing us of its views about the risks of fraud, waste or abuse within the Commission, and its knowledge of any fraud, waste or abuse or suspected fraud, waste or abuse affecting the Commission.

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Hampton Roads Planning District Commission  
May 30, 2023  
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Our audit will be conducted on the basis that management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with U.S. GAAP;
2. To evaluate subsequent events through the date the financial statements are issued. Management also agrees that it will not conclude on subsequent events earlier than the date of the management representation letter referred to below;
3. 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;
4. For report distribution; and
5. To provide us with:
  - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, including information relevant to disclosures;
  - b. Draft financial statements, including information relevant to their preparation and fair presentation, when needed, to allow for the completion of the audit in accordance with the proposed timeline;
  - c. Additional information that we may request from management for the purpose of the audit; and
  - d. Unrestricted access to persons within the Commission from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management and, when appropriate, those charged with governance written confirmation concerning representations made to us in connection with the audit, including, among other items:

1. That management has fulfilled its responsibilities as set out in the terms of this Arrangement Letter; and
2. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Because the audit will be performed in accordance with the Single Audit Act and the Uniform Guidance, management is responsible for (a) identifying all federal awards received and expended; (b) preparing and the fair presentation of the Schedule of Expenditures of Federal Awards (including notes and noncash assistance received) in accordance with Uniform Guidance requirements; (c) internal control over compliance; (d) compliance with federal statutes, regulations, and the terms and conditions of federal awards; (e) making us aware of significant vendor relationships where the vendor is responsible for program compliance; (f) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings and a corrective action plan; (g) timely and accurate completion of the data collection form and (h) submitting the reporting package and data collection form.

## **Reporting**

We will issue a written report upon completion of our audit of the Commission's financial statements. Our report will be addressed to the Board of the Commission. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, or add an emphasis-of-matter paragraph or other-matter paragraph to our auditor's report.

If circumstances arise relating to the condition of the Commission's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including, but not limited to, declining to express an opinion or issue a report, or withdrawing from the engagement.

In addition to our report on the Commission's financial statements, we will also issue the following types of reports:

1. A report on the fairness of the presentation of the Commission's schedule of expenditures of federal awards for the year ending June 30, 2023;
2. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with GAS;
3. Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance; and
4. An accompanying schedule of findings and questioned costs.

## **Records and Assistance**

During the course of our engagement, we may accumulate records containing data that should be reflected in the Commission's books and records. The Commission will determine that all such data, if necessary, will be so reflected. Accordingly, the Commission will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Commission personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Ms. Sheila Wilson, Chief Financial Officer. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

## **Nonaudit Services**

In connection with our audit, you have requested us to perform certain nonaudit services:

1. Drafting the financial statements.
2. Drafting the SEFA

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Hampton Roads Planning District Commission  
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GAS independence standards require that the auditor maintain independence so that opinions, findings, conclusions, judgments and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to the Commission, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit services to be performed. The Commission has agreed that Ms. Sheila Wilson, Chief Financial Officer possesses suitable skill, knowledge or experience and that the individual understands the nonaudit services to be performed sufficiently to oversee them. Accordingly, the management of the Commission agrees to the following:

1. The Commission has designated Ms. Sheila Wilson, Chief Financial Officer as a senior member of management who possesses suitable skill, knowledge and experience to oversee the services;
2. Ms. Sheila Wilson, Chief Financial Officer will assume all management responsibilities for subject matter and scope of the nonaudit services;
3. The Commission will evaluate the adequacy and results of the services performed; and
4. The Commission accepts responsibility for the results and ultimate use of the services.

GAS further requires that we establish an understanding with the Commission's management and those charged with governance of the objectives of the non-audit services, the services to be performed, the Commission's acceptance of its responsibilities, the auditor's responsibilities and any limitations of the non-audit services. We believe this Arrangement Letter documents that understanding.

#### **Parties' Understandings Concerning Situation Around COVID-19**

To the extent any of the services described herein require a party to visit ("Visiting Party") the other party's facilities ("Host Party") in person, the Visiting Party agrees to comply with the Host Party's rules and regulations regarding COVID-19 safety protocols while on the Host Party's premises, provided the Visiting Party is made aware of such rules and regulations. Further, in the event any of the services described herein need to be suspended and/or rescheduled by a party due to the ongoing situation surrounding COVID-19, the party requesting the suspension or rescheduling of the services will provide the other party with prompt written notice of the foregoing. To the extent such suspension and/or rescheduling of the services impacts either the cost of the services or the ability of the Commission or PB Mares to meet any deadlines or timeframes set forth herein, or both, the parties will document this in a written agreement mutually agreed upon and executed by both parties.

#### **Other Relevant Information**

In accordance with GAS, a copy of our most recent peer review report can be located on our website at [www.pbmares.com](http://www.pbmares.com).

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### **Fees, Costs, and Access to Workpapers**

Our fees for the audit and accounting services described above are not expected to exceed \$47,750, plus directly billed expenses, including report processing, travel, meals, and fees for services from other professionals, as well as a charge of 5% of fees for all other expenses, including indirect administrative expenses such as technology, research and library databases, communications, photocopying, postage and clerical assistance. Our fee estimate and completion of our work are based upon the following criteria:

1. Anticipated cooperation from Commission personnel.
2. Timely responses to our inquiries.
3. Timely completion and delivery of client assistance requests.
4. Timely communication of all significant accounting and financial reporting matters.
5. The assumption unexpected circumstances will not be encountered during the engagement.

If any of the aforementioned criteria are not met, then fees may increase. Billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Amounts not paid within thirty days from the invoice date(s) will be subject to a late payment charge of 1.5% per month (18% per year).

### **Use of Subcontractors and Third-Party Products**

From time to time and depending upon the circumstances, we may, in our sole discretion, use qualified third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose Personal Information or Confidential Information (as both terms are defined below) to them. You hereby consent to us sharing your information, including Confidential Information and Personal Information, with these third-party service providers on the same basis as we would be permitted to share information with one of our employees; provided that such recipients are bound by written obligations of confidentiality that are as protective of your Confidential Information as the confidentiality terms set forth herein. You acknowledge and agree that our use of third-party service providers may involve the processing, input, disclosure, movement, transfer, and storage of your information and data outside of our technology infrastructure.

We also may provide services to you using certain third-party hardware, software, software services, managed services (including, but not limited to, web hosting, data security, data back-up, email security, or similar services subject to direct end-user or subscription agreements), applications, and equipment (collectively, "Third-Party Products"). You acknowledge that your or our use of a Third-Party Product may involve the processing, input, disclosure, movement, transfer, and storage of information provided by you to us, including Personal Information and Confidential Information, within the Third-Party Product's infrastructure and not ours. You further acknowledge that the terms of use and service, including, but not limited to, applicable laws, set forth in the end-user license, end-user subscription agreement, or other end-user agreement for such Third-Party Product (collectively, "EULA(s)") will govern all obligations of such licensor relating to data privacy, storage, recovery, security, and processing within such Third-Party Product's infrastructure, as well as, the service levels associated with such Third-Party Product. You hereby consent to the disclosure of your information, including your Confidential Information and Personal Information, to the licensors of such Third-Party Products for the purpose described herein.

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Hampton Roads Planning District Commission  
May 30, 2023  
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To the extent PBMares gives the Commission access to a Third-Party Product in connection with the services contemplated herein, the Commission agrees to comply with the terms of any applicable EULA for such Third-Party Product, and the Commission shall be solely responsible for the improper use of a Third-Party Product or a violation of the applicable EULA for such Third-Party Product, by the Commission, or any user to whom the Commission grants access to such Third-Party Product.

You acknowledge that your or our use of Third-Party Products may be subject to limitations, delays, interruptions, errors, and other problems which are beyond our control, including, without limitation, internet outage or lack of availability related to updates, upgrades, patches, fixes, maintenance, or other issues. We will not be liable for any delays, delivery failures, or other losses or damages resulting from such issues. Nor will we be held responsible or liable for any loss, or unauthorized use or disclosure, of any information or data provided by you, including, without limitation, Personal Information provided by you, resulting from your or our use of a Third-Party Product.

#### **Use and Ownership; Access to Audit Documentation**

The Audit Documentation for this engagement is the property of PBMares. For the purposes of this Arrangement Letter, the term "Audit Documentation" shall mean the confidential and proprietary records of PBMares' audit procedures performed, relevant audit evidence obtained, other audit-related workpapers, and conclusions reached. Audit Documentation shall not include custom-developed documents, data, reports, analyses, recommendations, and deliverables authored or prepared by PBMares for the Commission under this Arrangement Letter, or any documents belonging to the Commission or furnished to PBMares by the Commission.

Review of Audit Documentation by a successor auditor or as part of due diligence is subject to applicable PBMares policies, and will be agreed to, accounted for and billed separately. Any such access to our Audit Documentation is subject to a successor auditor signing an Access & Release Letter substantially in PBMares' form. PBMares reserves the right to decline a successor auditor's request to review our workpapers.

In the event we are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the Commission, the Commission will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

You acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the Audit Documentation upon their request and that we shall maintain the Audit Documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to the requested Audit Documentation will be provided under the supervision of PBMares audit personnel and at a location designated by our firm.

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### **Dispute Resolution**

Because PBMares will rely on the Commission, its management and Board to discharge the foregoing responsibilities, the Commission agrees to hold harmless and release PBMares and its partners, principals, officers, directors, employees, affiliates, subsidiaries, contractors, Subcontractors, agents, representatives, successors, or assigns from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing misrepresentation by a member of the Commission's management.

If any dispute other than fees arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties. You and we consent to personal jurisdiction, both for mediation and/or litigation, of the Federal District Court, Eastern District of Virginia, sitting in Newport News, Virginia, or the Newport News Circuit Court. Participation in such mediation shall be a condition to either of us initiating litigation. In order to allow time for the mediation, any applicable statute of limitations shall be tolled for a period not to exceed 120 days from the date either of us first requests in writing to mediate the dispute. The mediation shall be confidential in all respects, as allowed or required by law, except our final settlement positions at mediation shall be admissible in litigation solely to determine the prevailing party's identity for purposes of the award of attorneys' fees.

The parties hereto both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. The arbitration shall take place in Newport News, Virginia. Any award rendered by the Arbitrator pursuant to this Agreement may be filed and entered and shall be enforceable in the Superior Court of the County in which the arbitration proceeds. In agreeing to arbitration, we both acknowledge that, in the event of a dispute over fees charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury, and instead we are accepting the use of arbitration for resolution.

### **Confidentiality**

PBMares and the Commission may, from time to time, disclose Confidential Information (as defined below) to one another. Accordingly, PBMares and the Commission agree as the recipient of such Confidential Information (the "Receiving Party") to keep strictly confidential all Confidential Information provided to it by the disclosing party (the "Disclosing Party") and use, modify, store, and copy such Confidential Information only as necessary to perform its obligations and exercise its rights under this Arrangement Letter. Except as otherwise set forth herein, the Receiving Party may only disclose the Confidential Information of the Disclosing Party to its personnel, agents, and representatives who are subject to obligations of confidentiality at least as restrictive as those set forth herein and only for the purpose of exercising its rights and fulfilling its obligations hereunder. To avoid any doubt, PBMares is permitted to disclose the Commission's Confidential Information to PBMares' personnel, agents, and representatives to provide the services or exercise its rights under the Arrangement Letter or for the purpose of maintaining compliance with applicable laws and professional, regulatory, and/or ethical standards.

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As used herein, “Confidential Information” means, information in any form, oral, graphic, written, electronic, machine-readable or hard copy consisting of: (i) any nonpublic information provided by the Disclosing Party, including, but not limited to, all of its inventions, designs, data, source and object code, programs, program interfaces, know-how, trade secrets, techniques, ideas, discoveries, marketing and business plans, pricing, profit margins and/or similar information; (ii) any information that the Disclosing Party identifies as confidential; or (iii) any information that, by its very nature, a person in the same or similar circumstances would understand should be treated as confidential, including, but not limited to, this Arrangement Letter.

As used herein, the term “Confidential Information” will not include information that: (i) is publicly available at the time of disclosure by the Disclosing Party; (ii) becomes publicly available by publication or otherwise after disclosure by the Disclosing Party, other than by breach of the confidentiality obligations set forth herein by the Receiving Party; (iii) was lawfully in the Receiving Party’s possession, without restriction as to confidentiality or use, at the time of disclosure by the Disclosing Party; (iv) is provided to the Receiving Party without restriction as to confidentiality or use by a third party without violation of any obligation to the Disclosing Party; or (v) is independently developed by employees or agents of the Receiving Party who did not access or use the Confidential Information.

The Receiving Party will treat the Disclosing Party’s Confidential Information with the same degree of care as the Receiving Party treats its own confidential and proprietary information, but in no event will such standard of care be less than a reasonable standard of care. The Receiving Party will promptly notify the Disclosing Party if it becomes aware that any of the Confidential Information of the Disclosing Party has been used or disclosed in violation of this Arrangement Letter.

Notwithstanding the foregoing, in the event that the Receiving Party becomes legally compelled to disclose any of the Confidential Information of the Disclosing Party, or as may be required by applicable regulations or professional standards, the Receiving Party will use commercially reasonable efforts to provide the Disclosing Party with notice prior to disclosure, to the extent permitted by law.

### **Data Protection Compliance**

Our Privacy Policy (“Privacy Policy”) is located on our website at <https://www.pbmaries.com/-are/privacy-policy>. Our Privacy Policy may be amended from time to time in our sole discretion and without prior notice, and is hereby incorporated by reference into this Arrangement Letter. You acknowledge that you have read and understand the Privacy Policy and agree to the practices as described therein.

We take reasonable steps to comply with all applicable privacy, cybersecurity, and data protection laws that may apply to Personal Information and Confidential Information we process on behalf of our clients. Upon written request, but not more than annually during the term of this Arrangement Letter, we will deliver to you a copy of our data security report evidencing the operating effectiveness of our Information Technology (“IT”) control environment. We will also provide summaries of our IT security and disaster recovery policies and make our senior IT personnel reasonably available for discussion upon request. Our data security report and any information we disclose to you concerning our IT control environment shall constitute Confidential Information of PBMares and shall be subject to the confidentiality obligations set forth in this Arrangement Letter.

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Hampton Roads Planning District Commission  
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Prior to disclosing to us or our Subcontractors or granting us or our Subcontractors with access to your data, you will identify in writing any personal, technical, or other data provided or made accessible to us or our Subcontractors pursuant to this Arrangement Letter that may be subject to heightened protections under applicable privacy, cybersecurity, export control, and/or data protection laws, including, but not limited to, protected health information pursuant to the Health Information Portability and Accountability Act of 1996 (“HIPAA”), classified or controlled unclassified information subject to the National Industrial Security Program, the National Industrial Security Program Operating Manual, or the Defense Federal Acquisition Regulation Supplement (“DFARS”), data subject to Export Administration Regulations (“EAR”), or International Traffic in Arms Regulations (“ITAR”) controlled data. Unless otherwise expressly agreed upon and specified in writing by PBMares and the Commission, you shall not provide us or any of our Subcontractors with access to such data and you shall be responsible for the handling of all such data in connection with the performance of the services requested hereunder, including, but not limited to, the scrubbing, de-identification, de-aggregation, protection, encryption, transfer, movement, input, storage, migration, deletion, copying, processing, and modification of such data.

PBMares and the Commission acknowledge and agree that they may correspond or convey information and documentation, including Confidential Information and Personal Information, via various forms of electronic transmission, including, but not limited to, Third-Party Products, such as, email, FTP and cloud-based sharing and hosting applications (e.g., portals, data analytics tools, and helpdesk and support ticketing applications), and that neither party has control over the performance, operation, reliability, availability, or security of these electronic transmissions methods. Therefore, neither party will be liable for any loss, damage, expense, harm, disclosure or inconvenience resulting from the loss, delay, interception, corruption, unauthorized disclosure, or alteration of any electronic transmission where the party has used commercially reasonable efforts to protect such information. We offer our clients various platforms for the exchange of information. You hereby agree that you shall be bound by and comply with any and all user terms and conditions made available (whether by link, click-through, or otherwise) with respect to such platforms.

### **Personal Information**

As used herein, the term “Personal Information” means any personal information that directly or indirectly identifies a natural person as may be defined by applicable privacy, data protection or cybersecurity laws, and includes, but is not limited to, nonpublic, personally identifiable information such as Social Security numbers, Social Insurance numbers, driver’s license numbers or state- or province-issued identification card numbers, credit or debit card numbers with or without any required security code, number or passwords, health information, and other personal information as defined by applicable laws, whether of the Commission or the Commission’s customers or other third parties.

Each party agrees to transmit Personal Information consistent with applicable laws and any other obligations the respective party may have. In the event you transmit to us Personal Information in an unencrypted format or via unencrypted means, you agree that we have no obligation to notify you of the foregoing.

You represent and warrant that you have provided all notices and obtained all consents required under applicable data protection laws prior to your collection, use and disclosure to us or our Subcontractors of such Personal Information and shall take reasonable steps to ensure that such Personal Information does not include irrelevant or unnecessary information about individuals.

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We are permitted to use all such Personal Information to perform our obligations and exercise our rights under this Arrangement Letter. The parties agree that as part of the performance of the services as described in this Arrangement Letter, and as part of the direct business relationship between the parties use the Personal Information to improve and develop services and for other similar internal and business purposes. We agree to maintain appropriate security measures to protect such Personal Information in accordance with applicable laws.

If we become aware of an unauthorized acquisition or use of Commission-provided Personal Information, we will promptly inform you of such unauthorized acquisition or use as required by applicable laws and, upon your written request, reasonably cooperate with you at your sole cost in support of any breach notification requirements as imposed upon you by applicable laws.

#### **Retention of Records**

We will return to you all original records you provide to us in connection with this engagement. Further, in addition to providing you with those deliverables set forth in this Arrangement Letter, we will provide to you a copy of any records we prepare or accumulate in connection with such deliverables which are not otherwise reflected in your books and records without which your books and records would be incomplete. You have the sole responsibility for retaining and maintaining in your possession or custody all of your financial and nonfinancial records related to this engagement. We will not host, and will not accept responsibility to host, any of your records. We, however, may maintain a copy of any records of yours necessary for us to comply with applicable law and/or professional standards or to exercise our rights under this Arrangement Letter. Any such records retained by us will be subject to the confidentiality obligations set forth herein and destroyed in accordance with our record retention policies.

#### **Termination**

Your failure to make full payment of any and all undisputed amounts invoiced in a timely manner constitutes a material breach for which we may refuse to provide deliverables and/or, upon written notice, suspend or terminate our services under this Arrangement Letter. We will not be liable to you for any resulting loss, damage or expense connected with the suspension or termination of our services due to your failure to make full payment of undisputed amounts invoiced in a timely manner.

In the event you terminate this engagement, you will pay us for all services rendered (including deliverables and products delivered), expenses incurred, and noncancelable commitments made by us on your behalf through the effective date of termination.

We will not be responsible for any delay or failure in our performance resulting from acts beyond our reasonable control or unforeseen or unexpected circumstances, such as, but not limited to, acts of God, government or war, riots or strikes, disasters, fires, floods, epidemics, pandemics or outbreaks of communicable disease, cyberattacks, and internet or other system or network outages. At your option, you may terminate this Arrangement Letter where our services are delayed more than 120 days; however, you are not excused from paying us for all amounts owed for services rendered and deliverables provided prior to the termination of this Arrangement Letter.

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When an engagement has been suspended at the request of management or those charged with governance and work on that engagement has not recommenced within 120 days of the request to suspend our work, we may, at our sole discretion, terminate this Arrangement Letter without further obligation to you. Resumption of our work following termination may be subject to our client acceptance procedures and, if resumed, will require additional procedures not contemplated in this Arrangement Letter. Accordingly, the scope, timing and fee arrangement discussed in this Arrangement Letter will no longer apply. In order for us to recommence work, the execution of a new Arrangement Letter will be required.

Either party may terminate this Arrangement Letter upon written notice if: (i) circumstances arise that in its judgment would cause its continued performance would result in a violation of law, a regulatory requirement, applicable professional or ethical standards, or in the case of PBMares, our client acceptance or retention standards; or (ii) if the other party is placed on a Sanctioned List (as defined herein), or if any director or executive of, or other person closely associated with such other party or its affiliate, is placed on a Sanctioned List.

The parties agree that those provisions of this Arrangement Letter which, by their context, are intended to survive, including, but not limited to, payment, dispute resolution, use and ownership, and confidentiality obligations, shall survive the termination of this Arrangement Letter.

#### **Miscellaneous**

The Commission agrees that it will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our written permission. Any such request is also a matter for which separate arrangements may be necessary. After obtaining our permission, the Commission also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. If, based on our review, we identify no material inconsistencies with our audit, or other misstatements of fact, we will promptly communicate in writing to the Commission that we do not object to the inclusion of our report in the offering documents. In the event our auditor/client relationship has been terminated when the Commission seeks such consent, we will be under no obligation to grant such consent or approval.

Each party hereto affirms it has not been placed on a Sanctioned List (as defined below) and will promptly notify the other party upon becoming aware that it has been placed on a Sanctioned List at any time throughout the duration of this Arrangement Letter. The Commission shall not, and shall not permit third parties to, access or use any of the deliverables provided for hereunder, or Third-Party Products provided hereunder, in violation of any applicable sanctions laws or regulations, including, but not limited to, accessing or using the deliverables provided for hereunder or any Third-Party Products from any territory under embargo by the United States or Canada. The Commission shall not knowingly cause PBMares to violate any sanctions applicable to PBMares. As used herein "Sanctioned List" means any sanctioned person or entity lists promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the Consolidated Canadian Autonomous Sanctions List, the United Nations Security Council, the European Union, and United Kingdom.

Nothing in this Arrangement Letter shall limit the liability of PBMares to the Commission for any negligence, violation of applicable auditing standards, or other fault in the performance of audit procedures, whether at common law, under the federal securities laws, or pursuant to any applicable state law. Any term of this Arrangement Letter that would be prohibited by or impair our independence under applicable law or regulation shall not apply, to the extent necessary only to avoid such prohibition or impairment.

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### **Notices**

Unless otherwise expressly agreed upon by the parties in this Arrangement Letter, all notices required to be given hereunder will be in writing and addressed to the party at the business address provided in this Arrangement Letter, or such other address as such party may indicate by a notice delivered to the other party. A copy of any legal notice (e.g., any claimed breach or termination of this Arrangement Letter) sent by the Commission to PBMares shall also be sent to the following address: Office of the General Counsel, PBMares, LLP, 701 Town Center Drive, Suite 900, Newport News, VA 23606. Except as otherwise expressly provided in this Arrangement Letter, notices hereunder will be deemed given and effective: (i) if personally delivered, upon delivery; (ii) if sent by registered or certified mail or by overnight courier service with tracking capabilities, upon receipt; and, (iii) if sent by electronic mail (without indication of delivery failure), at such time as the party that sent the notice receives confirmation of receipt, whether by read-receipt confirmation or otherwise.

### **Entire Agreement**

This Arrangement Letter constitutes the complete and exclusive statement of agreement between PBMares and the Commission and supersedes all prior agreements, understandings, and proposals, whether oral or written, relating to the subject matter of this Arrangement Letter.

If any term or provision of this Arrangement Letter is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

This Arrangement Letter may be amended or modified only by a written instrument executed by both parties.

### **Electronic Signatures and Counterparts**

Each party hereto agrees that any electronic signature of a party to this Arrangement Letter or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (a) to be "written" or "in writing," (b) to have been signed and (c) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (a) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (b) an electronic copy of a traditional signature affixed to a document, (c) a signature incorporated into a document utilizing touchscreen capabilities or (d) a digital signature. This Arrangement Letter may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

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Please sign and return a copy of this Arrangement Letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements, including our respective responsibilities.

**Acknowledgement and Acceptance**

Each party acknowledges that it has read and agrees to all of the terms and conditions contained herein. Each party and its signatory below represents that said signatory is a duly authorized representative of such party and has the requisite power and authority to bind such party to the undertakings and obligations contained herein.

**AGREED TO AND ACKNOWLEDGED BY:**

PBMares, LLP



Michael A. Garber, Partner

Confirmed on behalf of the Hampton Roads Planning District Commission:

  
\_\_\_\_\_  
Signature  
\_\_\_\_\_  
Date