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CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Basic Financial Statements and Management's Discussion and Analysis, Required Supplementary Information, Supplemental Schedules and Audit of Federal Awards Performed in Accordance with Uniform Guidance

June 30, 2019 and 2018

(With Independent Auditors' Reports Thereon)

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Table of Contents

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Independent Auditors' Report

The Chairman and Members
Chesapeake Bay Bridge and Tunnel Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of the Chesapeake Bay Bridge and Tunnel District (the District), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chesapeake Bay Bridge and Tunnel District as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 12, the Schedule of Pension Contributions on page 53, the Schedule of the Changes in Net Pension Liability and Related Ratios on page 54, the Schedule of the Changes in Net RHIP OPEB Liability and Related Ratios on page 55, the Schedule of GLI OPEB Contributions on page 56, Schedule of District's Share of Net GLI OPEB Liability on page 57, and the Modified Approach for Infrastructure Reporting – Capital Asset Activity information on pages 59 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the 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.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, the Budgetary Comparison Schedule, the Schedule of Insurance Policies, the Schedule of Comparative Traffic and Revenue Statistics, the Schedule of Investments and 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.

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

The Introductory Section, the Budgetary Comparison Schedule, the Schedule of Insurance Policies, and the Schedule of Comparative Traffic and Revenue Statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019 on our consideration of the District'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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KPMG LLP

Norfolk, Virginia
October 28, 2019

Overview of the Financial Statements

The Chesapeake Bay Bridge and Tunnel District's (the District) annual financial report for the fiscal years ended June 30, 2019 and 2018 provides long-term and short-term information about the District's overall financial status. The financial section of this report consists of four parts: management's discussion and analysis; basic financial statements, including notes to the basic financial statements; required supplementary information; and other supplementary information. Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities. The basic financial statements are the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended. The notes to the basic financial statements consist of information that is essential to a user's understanding of the basic financial statements. The basic financial statements are followed by required supplementary information and other supplementary information that provide the information augmenting the basic financial statements.

As it is considered a special-purpose government engaged only in business-type activities, the District follows enterprise fund reporting; accordingly, the basic financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of nonbridge-tunnel infrastructure assets is recognized in the statements of revenues, expenses, and changes in net position. All assets and deferred outflows of resources and liabilities and deferred inflows of resources resulting from the operation of the District are included in the statements of net position.

Financial Highlights for Fiscal Years ended June 30, 2019 and 2018

- Toll revenues during fiscal year 2019 (FY2019) were $59,471,399 and were 5.6% more than fiscal year 2018 (FY2018) toll revenues. During FY2019, 4,001,697 total revenue vehicles crossed the District's facility. This represents a 1.0% increase in vehicular traffic over FY2018. Toll revenues during fiscal year 2018 (FY2018) were $56,297,673 and were 0.7% less than fiscal year 2017 (FY2017) toll revenues. During FY2018, 3,962,762 total revenue vehicles crossed the District's facility. This represents a 0.7% decrease in vehicular traffic over FY2017.
- Other revenues in FY2019 totaled $1,065,622, which is a decrease of 20.7% from other revenues in FY2018. The decrease in other revenues is due to the closure and demolition of the Virginia Originals & Chesapeake Grill restaurant and gift shop during parallel tunnel construction and the final transition of all the leases for the District's Little Creek property to Chesapeake Tunnel Joint Venture (CTJV) as a staging area during the construction of the parallel tunnel. Other revenues in FY2018 totaled $1,344,550, which is an increase of 7.2% over other revenues in FY2017. The increase in other revenues is due to programmed increases in lease income in place for the full year FY2018 from the various tenants at the District's Little Creek property and the transition to a new lease for a portion of that same property to CTJV.
- Operating expenses in FY2019, before District facility expenses, totaled $14,280,620, which is an increase in operating expenses of $250,453 from FY2018. Operating expenses in FY2018, before District facility expenses, totaled $14,030,167, which is an increase of $143,001 from FY 2017.
- Operating expenses in FY2019, before District facility expenses, were 6.3% less than the legally adopted budget for FY2019 operating expenses, before District facility expenses. Operating expenses in FY2018, before District facility expenses, were 6.7% less than the legally adopted budget for FY2018 operating expenses, before District facility expenses.

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- Total net position at June 30, 2019 was $739,534,839, a 7.2% increase over total net position at June 30, 2018. Total net position at June 30, 2018 was $689,580,629, a 5.3% increase over total net position at June 30, 2017.

Events for Fiscal Year 2020

On August 13, 2019, the District issued First Tier General Resolution Revenue Bond Anticipation Notes, Series 2019 ("Series 2019 BANs") in the aggregate principal amount of $378,140,000 pursuant to its General Revenue Bond Resolution, adopted by the Commission on October 24, 2016 (the "General Resolution") and its Fourth Supplemental Resolution, adopted by the Commission on July 9, 2019 (the "Fourth Supplemental Resolution"). The Series 2019 BANs will mature on November 1, 2023. The proceeds of the Series 2019 BANs will be used to provide funds to pay capitalized interest on the Series 2019 BANs, finance a portion of the costs of the Parallel Thimble Shoal Tunnel Project, and pay certain costs of issuing the Series 2019 BANs. The Series 2019 BANs are being issued in anticipation of the proceeds to be received by the District from disbursements requisitioned by the District in accordance with the terms of the TIFIA Loan Agreement and the VTIB Loan Agreement (see Note 5 for more information). The issuance by the District of the Series 2019 BANs as interim financing in anticipation of the receipt of the TIFIA Loan and VTIB Loan proceeds is expected to provide substantial interest cost savings for the District.

Financial Analysis

Net Position

Net position is the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. As of June 30, 2019, net position was $739,534,839, a 7.2% increase over net position at June 30, 2018. As of June 30, 2018, net position was $689,580,629, a 5.3% increase over net position at June 30, 2017. Total assets and deferred outflows of resources increased 4.3% to $1,148,628,672 and total liabilities and deferred inflows of resources decreased 0.6% to $409,093,833 during FY2019. Total assets and deferred outflows of resources increased 3.2% to $1,101,078,141 and total liabilities and deferred inflows of resources decreased 0.1% to $411,497,512 during FY2018. The net position and increase in net position are indicators of the District's financial health. Table A-1 is a summary of the net position.

TABLE A-1

Summary of Net Position as of June 30, 2019, 2018, and 2017

Assets and deferred outflows of resources	2019	2018	2017
Current assets	$ 137,208,109	82,690,693	69,270,163
Restricted assets	137,069,766	191,943,452	324,594,703
Noncurrent investments	102,751,372	129,679,609	113,108,758
Long-term note receivable	—	—	23,648
Capital assets	767,147,505	692,501,034	554,751,897
Bond insurance costs, net	2,632,500	2,744,793	2,857,086
Deferred outflows of resources	1,819,420	1,518,560	1,860,444
Total assets and deferred outflows of resources	$ 1,148,628,672	1,101,078,141	1,066,466,699

TABLE A-1

Summary of Net Position as of June 30, 2019, 2018, and 2017

Liabilities and deferred inflows of resources		2019	2018	2017
Current liabilities	$	22,639,547	33,910,844	32,231,431
Long-term debt, net of current portion		368,862,824	359,750,023	361,285,777
Net GLI OPEB liability		643,000	637,000	—
Net pension liability		10,705,534	10,414,363	12,591,061
Other post employment benefit liability		5,195,292	5,148,033	5,367,423
Deferred inflows of resources		1,047,636	1,637,249	266,887
Total liabilities and deferred inflows of resources	$	409,093,833	411,497,512	411,742,579
Net position		**2019**	**2018**	**2017**
Net investment in capital assets	$	469,320,744	439,758,391	427,027,701
Restricted for debt service		50,748,012	57,666,561	65,835,138
Restricted for forfeited property		11,421	11,007	9,905
Unrestricted		219,454,662	192,144,670	161,851,376
Total net position	$	739,534,839	689,580,629	654,724,120

Current assets include unrestricted cash and investments that mature in less than 12 months and receivables due in less than 12 months. Restricted assets include cash and investments restricted for current debt service and debt service reserves as required by revenue bond covenants and cash and investments restricted for payment of construction of the Parallel Thimble Shoal Tunnel. Noncurrent investments are unrestricted investments that mature in more than 12 months. Long-term receivables are receivables due in more than 12 months. Capital assets are the bridge and tunnel infrastructure assets, capitalized interest and financing expenses during construction periods, construction in progress for the Parallel Thimble Shoal Tunnel Project (the Project) and other capital assets, such as land, buildings, fleet vehicles, and equipment, net of depreciation. Bond insurance costs are the unamortized costs associated with revenue bonds issued by the District. Deferred outflows of resources include the unamortized portion of differences between expected and actual pension plan and OPEB plan experience, the unamortized portion of differences between expected earnings and actual earnings on pension plan investments and employer contributions to the pension plan and the OPEB plan that occurred after the measurement dates of the net pension liability and total OPEB liability.

Current liabilities include accounts payable and accrued expenses, unearned revenue, bond principal that is due within 12 months, and bond interest due within 12 months. Long-term debt, net of current portion, is the principal amount of bonds payable that will mature after 12 months, net of unamortized discounts or premiums. Net GLI OPEB liability represents the District's proportionate share of the total liability for the group life insurance plan for retirees. Net pension liability represents the amount by which the District's total pension liability exceeds the pension plan's net position available for paying benefits. Other postemployment benefits (OPEB) obligation represents the District's total OPEB liability as the Commission has elected to fund the healthcare benefits for retirees on a "pay-as-you-go" basis. Deferred inflows of resources are the unamortized portion of differences between the expected earnings and the actual earnings on pension plan investments and GLI OPEB plan investments, the unamortized portion of changes in actuarial assumptions for pensions and OPEB and the unamortized portion of differences between expected and actual pension plan and GLI OPEB plan experience.

Unrestricted net position contains the revenue fund, reserve maintenance fund, and general fund net position. The reserve maintenance fund and general fund are expended to preserve the capital assets by planned and unplanned extraordinary maintenance projects. The general fund will be also utilized for current and future construction projects.

Net position restricted for debt service is current debt service due on July 1, 2019, 2018, and 2017, if applicable, and the debt service reserve assets restricted by bond covenants. Net position restricted for forfeited property represents assets lawfully seized by the District's police and restricted for expenditures in accordance with the Virginia Department of Criminal Justice regulations.

In the current year, management determined that an immaterial correction should be made to record an OPEB liability in FY2018.

Changes in Net Position

Net position increased $49,954,210 during FY2019. Net position increased $34,856,509 during FY2018. The total operating revenues for FY2019 were $60,537,021, 5.0% more than FY2018 operating revenues, which were $57,642,223, 0.5% under FY2017 operating revenues, which were $57,958,399. The total operating expenses in FY2019, before District facility charges, were $14,280,620, an increase of 1.8% from FY2018. The total operating expenses in FY2018, before District facility charges, were $14,030,167, an increase of 1.0% from FY2017. Table A-2 is a summary of the changes in net position.

Table A-2

Summary of Statements of Revenues, Expenses, and Changes in Net Position during FY2019, FY2018, and FY2017

Operating revenues		**2019**	**2018**	**2017**
Toll revenues	$	59,471,399	56,297,673	56,704,636
Other revenues		1,065,622	1,344,550	1,253,763
Total operating revenues		60,537,021	57,642,223	57,958,399
Operating expenses, before District facility expenses		14,280,620	14,030,167	13,887,166
District facility expenses		6,420,439	4,493,406	5,300,792
Total operating expenses		20,701,059	18,523,573	19,187,958
Operating income		39,835,962	39,118,650	38,770,441

Table A-2

Summary of Statements of Revenues, Expenses, and Changes in Net Position during FY2019, FY2018, and FY2017

Operating revenues		2019	2018	2017
Net nonoperating revenues (expenses)	$	10,118,248	(3,904,403)	(28,329,388)
Increase in net position		49,954,210	35,214,247	10,441,053
Total net position, beginning of fiscal year		689,580,629	654,724,120	644,283,067
Prior year adjustment of net position		—	(357,738)	—
Total net position, end of fiscal year	$	739,534,839	689,580,629	654,724,120

There are many variables that affect the District's vehicular traffic and resulting revenues. In evaluating FY2019 traffic compared to FY2018, the total traffic figure reflects an increase in the overall results. The disproportionate increase in toll revenues compared to the increase in vehicles is due to an approximate 10% increase in the toll rates on January 1, 2019.

Comparison of Toll Revenues and Vehicular Traffic during FY2019, FY2018 and FY2017

					Percentage change	
		2019	2018	2017	2019 vs. 2018	2018 vs. 2017
Toll revenues	$	59,471,399	56,297,673	56,704,636	5.6 %	(0.7)%
Vehicular traffic:						
Cars and light trucks		3,620,088	3,583,197	3,617,653	1.0	(1.0)
Heavy trucks		369,131	366,378	357,267	0.8	2.6
Busses		12,478	13,187	15,280	(5.4)	(13.7)
Total vehicles		4,001,697	3,962,762	3,990,200	1.0	(0.7)

Operating expenses, before District facility charges, for FY2019 increased 1.8% from FY2018 expenses and were 6.3% less than the budgeted expenses. The FY2019 increase in operating expenses can be attributed to an increase in salary costs and employee health insurance costs with an offsetting decrease in consulting engineers' expense and pension expense. Operating expenses, before the District facility charges, for FY2018 increased 1.0% from FY2017 expenses and were 6.7% less than the budgeted expenses.

Facility expenses for FY2019 increased 42.9% when compared to FY2018. Facility expenses for FY2018 decreased 15.2% when compared to FY2017. District facility expenses primarily include preservation expenses for bridge and tunnel assets. Preservation expenses are predominantly large complex repairs and renovations that may take more than one year to complete. Depending on the nature of the preservation projects, the amount of preservation expense can vary greatly from year to year. Preservation of bridge and tunnel assets has been, and continues to be, a primary goal of the Commission. Refer to the Capital Asset and Debt Administration section for more information regarding preservation expenses.

Net non-operating revenues in FY2019 total $10,118,248 which represents an increase of $14,022,651 compared to FY2018. The increase was a result of three substantial changes from FY2018 to FY2019. In FY 2019, the District reported a gain on the change in fair value of investments of $4,549,873 but, conversely in FY2018, the District reported a loss on the change in fair value of investments of $2,659,081. In FY2019, interest expense decreased by $4,622,743. The decrease in interest expense, despite no change in outstanding debt, is related to capitalization of $13,625,163 versus $8,739,161 in the prior year of interest charges as part of the cost of the parallel tunnel construction project. Additionally, there was a one-time charge for loss on asset disposal of $1,835,351 in FY2018 which reflects the Virginia Originals restaurant closure and demolition.

The change in fair value of investments is inversely related to the overall change in interest rates. The District invests its assets with the purpose of holding investments until maturity unless there is an infrequent need to liquidate a portion for cash management purposes. Therefore, the change in fair value is considered to be a "book entry" gain or loss and not a cash value or maturity gain or loss.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2019, the District has $767,147,505 of capital assets, net of accumulated depreciation. Capital assets include bridge and tunnel assets, capitalized interest and financing expenses, construction in progress and miscellaneous capital assets. The bridges, trestles, approach roads, Fisherman Island Causeway, tunnels, portal islands with all attached improvements, toll plaza infrastructure and the rest area facility, and site-wide utilities are classified as bridge and tunnel assets. Capitalized interest and financing expenses are the amounts that were funded from the 1960 revenue bond issue to pay debt service and associated costs of the bonds during construction until the opening of the Chesapeake Bay Bridge and Tunnel in 1964. Other capital assets include all other capitalized assets such as land, buildings, fleet vehicles, and equipment.

In accordance with U.S. generally accepted accounting principles (GAAP), the District has elected to utilize the modified approach to infrastructure reporting on both bridge and tunnel assets and capitalized interest and financing expenses. Rather than reporting depreciation on any bridge and tunnel assets or capitalized interest, the District reports, as preservation expense, the costs incurred for maintaining bridge and tunnel assets in generally good condition on the statements of revenues, expenses, and changes in net position. GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that governmental entities that utilize the modified approach for infrastructure reporting must have their governing board set a policy for the condition levels at which modified approach assets will be maintained. The Commission's policy is to maintain 90% of its bridge and tunnel assets at a maintenance-rating program (MRP) condition level of "good" or better. GASB also requires that the condition levels for the current and prior two fiscal years be disclosed in the notes to the basic financial statements.

The modified approach to infrastructure reporting highlights the District's proactive maintenance efforts by disclosing the results of the annual condition level assessments performed by the District's consulting engineers at Jacobs Engineering, Inc. The District's utilization of the modified approach for infrastructure reporting makes it an industry leader within the Commonwealth of Virginia.

Jacobs Engineering, Inc. has inspected the bridge and tunnel assets and has determined that in FY2019, FY2018 and FY2017, the overall infrastructure condition level is "good" (Level 7) or better. As shown in the table following, the facility's infrastructure condition level increased slightly from FY2017 to FY2018 and then stayed approximately the same in FY2019. The tunnels and portal islands are the only bridge and tunnel assets that fall below the condition level specified in the Chesapeake Bay Bridge and Tunnel Commission's preservation policy. The tunnels and portal islands have an overall condition level of 7; however, Jacobs Engineering, Inc. assigned some components of the tunnels, which includes the ventilation buildings, a condition level of 6. Extraordinary reserve maintenance projects are planned to address the maintenance requirements for all of these components.

The following two tables detail the condition level of bridge and tunnel assets for the last three years and they derive percentages in different ways. Trestles and bridges that have an MRP numeric condition level are described as a percentage of lane miles. All other bridge and tunnel assets that have an MRP numeric condition level are described as a percentage of that specific bridge and tunnel asset.

Percentage of lane miles at an MRP condition Level 7 or better

Bridge and tunnel assets	2019	2018	2017
Original bridges	100 %	100 %	100 %
Parallel crossing bridges	100	100	100
Original trestles	100	100	100
Parallel crossing trestles	100	100	100

Percentage of capital assets at an MRP condition Level 7 or better

Bridge and tunnel assets	2019	2018	2017
Approach roads	100 %	100 %	100 %
Fisherman Island Causeway	100	100	100
Tunnels	88	87	77
Portal islands	84	90	90
Toll plaza infrastructure	96	96	100
Sitewide utilities	100	100	97

Preservation expenses for FY2019 totaled $4,629,414 and were 98.1% more than FY2018 preservation expenses. Preservation expenses for FY2018 totaled $2,337,137 and were 25.1% less than FY2017 preservation expenses. Preservation expenses for FY2019 included the underwater inspection of the facility, the girder repair project, the Chesapeake Tunnel invert slab repair project, tunnel lighting replacement in Chesapeake Tunnel and pavement marking restriping on the trestles.

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The budgeted preservation expenses for FY2020 are summarized by asset cluster in the table that follows. During a given fiscal year, there may be no preservation expenses budgeted for one or more of the classifications of bridge and tunnel assets. This is an indication that the District assesses that there is no need for preservation work on this classification of bridge and tunnel assets to be able to maintain it at a "good" condition level or better.

Bridge and tunnel assets:		
Original bridges	$	619,653
Parallel crossing bridges		647,000
Original trestles		6,258,897
Parallel crossing trestles		5,283,528
Approach roads		—
Fisherman Island causeway		—
Tunnels		4,870,727
Portal islands		—
Toll plaza infrastructure		125,395
Sitewide utilities		345,323
	$	18,150,523

The District has elected to continue to use the traditional approach or depreciation method for miscellaneous capital assets, such as buildings, fleet vehicles, and equipment that are depreciable. Depreciation expense was $776,932 and $1,152,974 for FY2019 and FY2018, respectively, for nonbridge-tunnel assets that are classified as miscellaneous capital assets on the statements of net position. For FY2019, net capital asset purchases in the amount of $100,997 were added to miscellaneous capital assets. For FY2018, net capital asset purchases in the amount of $200,728 were added to miscellaneous capital assets. Under the District's capitalization policy, computer additions and replacements are not capitalized but are expensed due to their short-term useful life.

Insurance expenses increased 0.1% to $954,080 in FY2019 from $953,407 in FY2018. The insurance market has remained competitive after several years of minimal events. The District secured a multi-year program starting April 1, 2017 via a combination of ACE American Insurance Company and XL Insurance America that offers favorable rates through March 31, 2020.

Long-Term Debt (Bonds Payable)

The District had previously issued its Prior Bonds under its 1991 General Revenue Bond Resolution, adopted by the Commission on November 21, 1991, as amended and supplemented (the 1991 Resolution). To finance the costs of the Project, the Commission determined that the Prior Bonds would be redeemed or defeased and the 1991 Resolution would be terminated so that a new general bond resolution could be issued. The District redeemed the Series 2010A and Series 2011A bonds in the amounts of $30,000,000 and $5,850,000, respectively, and terminated the interest rate swap associated therewith on November 1, 2016. Concurrently with the issuance of the Series 2016 Bonds on November 10, 2016, the District contributed additional money from the General Fund in combination with funds released from the 1991 Resolution to fund the defeasance of the outstanding amount of $44,405,000 for the Series 1998 Bonds, which were noncallable.

On October 24, 2016, the Commission adopted and approved the 2016 General Revenue Bond Resolution (the 2016 Resolution) along with three Supplemental Resolutions authorizing the issuance of $321,515,000 First Tier General Resolution Revenue Bonds, Series 2016 (the Series 2016 Bonds), a loan from the United States Department of Transportation under the TIFIA program (the TIFIA Loan) in the amount of up to $338,528,672, plus capitalized interest and a loan from the Virginia Transportation Infrastructure Bank (the VTIB Loan) in the amount of up to $50,000,000, plus capitalized interest.

The amount of outstanding bonds payable that mature between July 1, 2041 and July 1, 2055 is $368,862,824, net of unamortized bond premium of $36,699,269. All of the bonds payable are backed by the pledge of toll revenues. The underlying credit rating on the Series 2016 Bonds is Baa2 and BBB by Moody's Investors Service and S&P Global Ratings, respectively. The TIFIA Loan is also rated Baa2 and BBB by Moody's Investors Service and S&P Global Ratings, respectively. The VTIB Loan is unrated.

As of June 30, 2019, the District's outstanding debt portfolio is entirely composed of fixed-rate bonds.

The Commission is required to maintain its General Resolution Toll Rate Covenant Ratio, as defined, at a level not less than 150% of the principal and interest requirement of all First Tier Bonds then outstanding; not less than 125% of the principal and interest requirement of all First and Second Tier Bonds then outstanding; not less than 115% of the principal and interest requirement of all First, Second and Subordinate Tier Bonds then outstanding; and 100% of all required deposits under the resolution. For FY2019, the toll rate covenant ratio for First Tier Bonds was 671% and the toll rate covenant ratio for all required deposits was 356%. There were no Second Tier or Subordinate Tier bonds outstanding as of June 30, 2019.

Contacting the District's Financial Management

This financial report is designed to provide the bondholders, customers, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, address your request to the Executive Director or the Deputy Executive Director – Finance and Operations, 32386 Lankford Highway, Cape Charles, Virginia 23310.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Statements of Net Position

June 30, 2019 and 2018

Assets and Deferred Outflows of Resources	**2019**	**2018**
Current assets:		
Cash (note 3)	$ 976,630	1,075,297
Investments (notes 3 and 10)	133,414,797	79,869,432
Accounts receivable and accrued interest receivable, net	2,191,495	1,115,593
Prepaid expenses and other assets	625,187	630,371
Total current assets	137,208,109	82,690,693
Restricted assets:		
Cash (note 3)	31,248	15,681
Investments (notes 3 and 10)	137,034,864	191,904,729
Accrued interest receivable	3,654	23,042
Total restricted assets	137,069,766	191,943,452
Investments (notes 3 and 10)	102,751,372	129,679,609
Capital assets (note 4):		
Bridge and tunnel facilities	422,370,201	422,370,201
Construction in progress – Thimble Shoal Parallel Tunnel	334,966,289	259,643,883
Miscellaneous capital assets, net of accumulated depreciation	9,811,015	10,486,950
Total capital assets	767,147,505	692,501,034
Bond insurance costs, net of accumulated amortization	2,632,500	2,744,793
Deferred outflows of resources:		
Differences between expected and actual pension experience (note 6)	347,486	39,650
Differences between expected and actual RHIP OPEB experience (note 9)	198,816	246,608
Differences between expected and actual GLI OPEB experience (note 10)	31,000	—
RHIP OPEB contributions (note 9)	241,979	216,136
Pension contributions (note 6)	955,139	970,166
GLI OPEB contributions (note 10)	42,000	42,000
Change in proportionate share – GLI OPEB (note 10)	3,000	4,000
Total deferred outflows of resources	1,819,420	1,518,560
Total assets and deferred outflows of resources	$ 1,148,628,672	1,101,078,141
Liabilities, Deferred Inflows and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	$ 14,014,295	25,221,263
Accrued interest	7,912,875	7,912,875
Unearned revenue	712,377	776,706
Total current liabilities	22,639,547	33,910,844
Long-term liabilities:		
Long-term debt (note 5)	368,862,824	359,750,023
Net pension liability (note 6)	10,705,534	10,414,363
Net RHIP OPEB liability (note 9)	5,195,292	5,148,033
Net GLI OPEB liability (note 10)	643,000	637,000
Total long-term liabilities	385,406,650	375,949,419
Deferred inflows of resources:		
Pension investment experience (note 6)	271,042	469,713
GLI OPEB investment experience (note 10)	21,000	24,000
Change in pension assumptions (note 6)	278,895	453,204
Change in RHIP OPEB assumptions (note 9)	306,754	380,493
Change in GLI OPEB assumptions (note 10)	27,000	33,000
Differences between expected and actual pension experience (note 6)	131,945	262,839
Differences between expected and actual GLI OPEB experience (note 10)	11,000	14,000
Total deferred inflows of resources	1,047,636	1,637,249
Total liabilities and deferred inflows of resources	409,093,833	411,497,512
Commitments and contingencies (notes 8 and 11)		
Net position:		
Net investment in capital assets	469,320,744	439,758,391
Restricted for debt service	50,748,012	57,666,561
Restricted for forfeited property	11,421	11,007
Unrestricted	219,454,662	192,144,670
Total net position	739,534,839	689,580,629
Total liabilities, deferred inflows of resources, and net position	$ 1,148,628,672	1,101,078,141

See accompanying notes to basic financial statements.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2019 and 2018

		2019	2018
Operating revenues (note 5):			
Tolls	$	59,471,399	56,297,673
Other		1,065,622	1,344,550
Total operating revenues		60,537,021	57,642,223
Operating expenses:			
Administration		313,964	298,809
Finance		802,771	752,351
Operations		4,567,818	4,362,302
Maintenance and tunnel operations		3,752,541	3,857,902
General		3,626,236	3,451,466
Consultants		466,624	537,978
Utilities		750,666	769,359
Total operating expenses before District facility expenses		14,280,620	14,030,167
District facility expenses:			
Insurance		954,080	953,407
Depreciation (note 4)		776,932	1,152,974
Bridge and tunnel preservation (note 4)		4,629,414	2,337,137
Other		60,013	49,888
Total District facility expenses		6,420,439	4,493,406
Total operating and district facility expenses		20,701,059	18,523,573
Operating income		39,835,962	39,118,650
Nonoperating revenues (expenses):			
Change in fair value of investments (note 3)		4,549,873	(2,659,081)
Interest income		6,622,260	6,265,214
Interest expense		(1,040,385)	(5,663,128)
Loss on asset disposal		—	(1,835,351)
Other expenses, net		(13,500)	(12,057)
Total nonoperating expenses, net		10,118,248	(3,904,403)
Increase in net position		49,954,210	35,214,247
Total net position, beginning of year		689,580,629	654,724,120
Prior year adjustment of net position		—	(357,738)
Total net position, end of year	$	739,534,839	689,580,629

See accompanying notes to basic financial statements.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Statements of Cash Flows

Years ended June 30, 2019 and 2018

		2019	2018
Cash flows from operating activities:			
Toll collections from customers	$	58,803,514	55,643,814
Scrip sales		407,290	444,465
Leasing revenue		950,124	1,412,831
Payments to employees for services and employee benefits		(12,575,604)	(11,750,135)
Payments to suppliers and consultants		(6,965,142)	(5,332,301)
Other		(502,754)	(38,739)
Net cash provided by operating activities		40,117,428	40,379,935
Cash flows from investing activities:			
Purchases of investments		(566,838,475)	(669,996,843)
Interest income		6,299,606	6,571,976
Sales and maturities of investments		599,641,085	768,839,773
Net cash provided by investing activities		39,102,216	105,414,906
Cash flows from capital and related financing activities:			
Capitalized expenditures		(73,863,943)	(130,164,406)
Forfeited assets		15,153	3,686
Bond proceeds		10,385,296	—
TIFIA loan servicing fee		(13,500)	(13,000)
Interest paid		(15,825,750)	(15,825,750)
Net cash used in capital and related financing activities		(79,302,744)	(145,999,470)
Net decrease in cash and restricted cash		(83,100)	(204,629)
Cash and restricted cash, beginning of year		1,090,978	1,295,607
Cash and restricted cash, end of year	$	1,007,878	1,090,978
Cash and restricted cash are presented in the accompanying statements of net assets as follows:			
Cash	$	976,630	1,075,297
Restricted cash		31,248	15,681
	$	1,007,878	1,090,978
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	39,835,962	39,118,650
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		776,932	1,152,974
(Increase) decrease in operating assets:			
Accounts receivable		(733,860)	398,719
Prepaid expenses and other assets		5,184	(825)
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses		843,582	101,612
Pension liabilities		(505,512)	(407,201)
RHIP OPEB liabilities		(4,531)	36,621
GLI OPEB liabilities		(36,000)	(34,000)
Unearned revenue		(64,329)	13,385
Net cash provided by operating activities	$	40,117,428	40,379,935

Supplemental disclosure of noncash capital and related financing activities:

The District incurred noncash expenses including the amortization of bond premiums and bond insurance costs that totaled $1,423,461 and $1,423,461 in 2019 and 2018, respectively.

The District incurred noncash capital expenditures related to construction in progress – Thimble Shoal Parallel Tunnel in the amount of $10,189,468 and $22,255,170 that are included in accounts payable as of June 30, 2019 and 2018, respectively.

See accompanying notes to basic financial statements.

(1) Organization and Summary of Operations

The Chesapeake Bay Bridge and Tunnel District (the District) was created as a political subdivision of the Commonwealth of Virginia by Chapter 693 of the Acts of Virginia of 1954. Chapter 693 was subsequently amended by the following Chapters of the Acts of Virginia: Chapters 462 and 714 of the 1956 Session, Chapter 24 of the 1959 Extra Session, Chapters 228 and 605 of the 1962 Session, Chapter 348 of the 1964 Session, Chapter 203 of the 1990 Session, Chapter 548 of the 1998 Session, Chapters 238 and 705 of the 2000 Session, and Chapters 270 and 297 of the 2005 Session, (collectively, the Acts). All such Acts have been codified into Title 33.2 Code of Virginia, Chapter 22. The District comprises the area, all within the Commonwealth of Virginia, in Accomack and Northampton Counties, the Cities of Virginia Beach, Hampton, Newport News, Chesapeake, Norfolk, and Portsmouth, and the area of the Chesapeake Bay between these subdivisions.

By the Acts, the Chesapeake Bay Bridge and Tunnel Commission (the Commission) was created as the governing body of the District. These Acts authorized the Commission to acquire, establish, construct, maintain, repair, and operate a project comprising public ferry service over and across the waters between any two points within the boundaries of the District, where such public ferry services would form a connecting link in the system of state highways.

Under the Acts, the Commission was also authorized to establish, construct, maintain, repair, and operate a bridge or tunnel or a bridge and tunnel project from any point within the boundaries of the District to a point in the County of Northampton, including such approaches and approach highways as the Commission deemed necessary to facilitate the flow of traffic in the vicinity of such project or to connect such project with the highway system or other facilities in the state.

The Chesapeake Bay Bridge and Tunnel (the Bridge-Tunnel) is a 20-mile, four-lane trestle and bridge and two-lane tunnel crossing at the mouth of the Chesapeake Bay between the City of Virginia Beach and Northampton County on the Eastern Shore of Virginia. The Bridge-Tunnel consists principally of low-level trestles, four bridges, two tunnels, approach highways, and an earth-fill causeway. The Bridge-Tunnel is designated as part of U.S. Route 13, the main north-south highway on Virginia’s Eastern Shore and the only direct link between Virginia’s Eastern Shore and the metropolitan area of South Hampton Roads, Virginia.

The District sold a revenue bond issue of $200,000,000 (1960 Bonds) under a Trust Indenture dated July 1, 1960, and constructed the two-lane bridge and tunnel project. The project was opened to traffic on April 15, 1964. The Commission discontinued ferry service following the opening of the two-lane bridge and tunnel project.

On April 15, 1964, the Bridge-Tunnel opened as a two-lane facility. A three-staged parallel crossing project began in 1995. Stage 1 of this project was completed in April 1999. This stage included construction of parallel trestles, bridges, roadways, and rehabilitation of the original two-lane facility. Stage 2 is ongoing and will consist of construction of an additional two-lane tunnel under Thimble Shoal Channel. In the future, Stage 3 will complete the parallel crossing with construction of an additional two-lane tunnel under Chesapeake Channel.

(Continued)

(2) Summary of Significant Accounting Policies

The District is accounted for under the economic resources measurement focus and the accrual basis of accounting as a special-purpose government engaged in business-type activities, which follows enterprise fund reporting. Special-purpose governments engaged in business-type activities are used to account for the ongoing activities that are financed and operated similar to those often found in the private sector. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from the District's ongoing operations. Operating revenues include revenue from toll collection, recognized when travelers cross the bridge and tunnel, and lease income. Operating expenses include District facility and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The statements of net position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the residual net position of the District. Deferred outflows of resources are defined as a consumption of net position by the District that is applicable to a future reporting period. Similarly, deferred inflows of resources are defined as an acquisition of net position by the District that is applicable to a future reporting period.

(a) Cash and Investments

Cash includes cash on hand and various checking accounts.

In accordance with generally accepted accounting principles (GAAP), the District reports its investment securities at fair market value. Fair market value is determined as of the statements of net position date. The fair value is based on either quotations obtained from national security exchanges or on the basis of quotations provided by a pricing service, which uses information with respect to transactions on bonds, quotations from bond dealers, market transactions in comparable securities, and various relationships between securities.

(b) Restricted Assets

In accordance with applicable covenants of certain bond issues, cash, investments, and accrued interest receivables have been appropriately restricted. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.

(c) Capital Assets

The bridge and tunnel assets and construction in progress are stated at cost and include capitalized interest. No provision for depreciation or obsolescence of the Bridge-Tunnel facilities is provided as the District has adopted the modified approach to account for these assets. All other assets excluding bridges and tunnel assets are being depreciated straight-line over their estimated useful lives of 3 years up to 50 years.

(d) Restricted Net Position

Restricted net position, as defined by GAAP, is reported when constraints are placed on the use of assets either externally by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislations. At June 30, 2019 and 2018, the District had net position restricted for debt service of $50,748,012 and $57,666,561, respectively.

(e) Management's Estimates

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

(f) Revenue Recognition

Toll revenues represent the tolls collected, net of any deductions such as credit card fees, EZ Pass fees and medical and educational toll discounts. Revenues are recognized when earned.

(g) Pensions

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

(h) Postemployment benefits other than pensions (OPEB)

District employees participate in two postemployment benefits plans other than pensions (other postemployment benefits or OPEB):

The Chesapeake Bay Bridge and Tunnel District Retiree Health Insurance Plan (RHIP) is a single employer, defined benefit plan that provides health, vision and dental benefit plans for eligible members through a self-funded plan administered by the District. For purposes of measuring the net RHIP OPEB liability, deferred outflows of resources and deferred inflows of resources related to RHIP OPEB, and RHIP OPEB expense, information about the fiduciary net position of the RHIP and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the RHIP. For this purpose, the RHIP recognizes benefit payments when due and payable in accordance with the benefit terms.

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

(3) Cash Deposits and Investments

(a) Deposits

The carrying value of the District's deposits (unrestricted and restricted) was $1,007,878 and $1,090,978 at June 30, 2019 and 2018, respectively. The bank balance of these deposits was $553,619 and $792,353 at June 30, 2019 and 2018, respectively. The entire bank balance was covered for both fiscal years by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (VSPD Act). In accordance with the VSPD Act, the District's depository institution pledged collateral in the form of federal agency obligations with a market value equal to 110% of the District's deposits with a third-party trustee in the name of the Treasurer of the Commonwealth of Virginia. In the event that the banking institution fails, the Treasurer will take possession of the collateral, liquidate it, and reimburse the District up to the value of its deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the VSPD Act and for notifying local governments of compliance by banks.

(b) Investments

The District is authorized to invest in obligations of the United States or agencies thereof; obligations of any state or territory of the United States and any political subdivision thereof; obligations permitted by the laws of the Commonwealth of Virginia; repurchase agreements with respect to the foregoing obligations; certificates of deposit, time deposits, or interest in money market portfolios issued by any bank, banking association, savings and loan association, or trust company insured by the FDIC or Federal Savings and Loan Insurance Corporation; commercial paper, shares in one or more open-ended investment funds provided that the funds are registered under the State Securities Act or the Federal Investment Company Act; bankers' acceptances; and units representing beneficial interests in investment pools created pursuant to the Government Non-Arbitrage Investment Act of the Commonwealth of Virginia.

(c) Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As required by state statute, the policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, Fitch Investors Service, and Duff and Phelps. 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 and "Aa" by Moody's Investors Service.

The District’s investment securities using the Standard & Poor’s credit quality ratings scale are presented below:

June 30, 2019	Standard & Poor’s credit rating							
Investment type	AAA	AA+	AA	AA-	A-1+	A-1	A	Total
U.S. Treasuries	$ —	114,953,073	—	—	—	—	—	114,953,073
U.S. agencies	—	104,089,041	—	—	—	—	—	104,089,041
Federal agency mortgage-backed	—	2,545,894	—	—	—	—	—	2,545,894
Supra-national agency	10,744,126	—	—	—	—	—	—	10,744,126
Certificates of deposit	—	—	—	5,570,222	2,699,665	—	—	8,269,887
Corporate notes	1,663,702	2,980,390	5,925,888	3,866,454	—	17,425,597	3,642,685	35,504,716
Total	$ 12,407,828	224,568,398	5,925,888	9,436,676	2,699,665	17,425,597	3,642,685	276,106,737

June 30, 2018	Standard & Poor’s credit rating							
Investment type	AAA	AA+	AA	AA-	A-1+	A-1	A+	Total
U.S. Treasuries	$ —	58,520,356	—	—	—	—	—	58,520,356
U.S. agencies	—	114,169,764	—	—	15,719,854	—	—	129,889,618
Federal agency mortgage-backed	—	3,240,027	—	—	—	—	—	3,240,027
Supra-national agency	7,930,574	—	—	—	—	—	—	7,930,574
Certificates of deposit	—	—	—	9,009,082	—	—	—	9,009,082
Corporate notes	1,640,963	2,907,790	5,815,639	4,295,745	999,413	21,559,874	3,602,093	40,821,517
Total	$ 9,571,537	178,837,937	5,815,639	13,304,827	16,719,267	21,559,874	3,602,093	249,411,174

(d) Concentration of Credit Risk

The District’s investment policy establishes guidelines on portfolio composition by investment type in order to control concentration of credit risk. As of June 30, 2019 and 2018, the District’s portfolio was invested as follows:

Investment type	2019 Fair value	Percentage of portfolio	2018 Fair value	Percentage of portfolio
U.S. Treasuries	$ 114,953,073	30.80 %	$ 58,520,356	14.58 %
U.S. agencies	104,089,041	27.89	129,889,618	32.35
Federal agency mortgage-backed	2,545,894	0.68	3,240,027	0.81
Supra-national agency	10,744,126	2.88	7,930,574	1.98
Certificates of deposit	8,269,887	2.22	9,009,082	2.24
Money market funds	97,094,296	26.02	152,042,596	37.87
Corporate notes	35,504,716	9.51	40,821,517	10.17
	$ 373,201,033	100.00 %	$ 401,453,770	100.00 %

(e) Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits the investment of funds as a means of limiting exposure to fair value losses. Investments in the General Resolution Debt Service Reserve Funds are limited to investments with maturities that are consistent with the next interest or principal payment date. Investments in the General Resolution Reserve Maintenance Fund are limited to investments with maturities less than three years. Investments in the General Resolution General Fund are limited to investments with maturities that are consistent with the schedule of planning, development, and construction of parallel tunnels that would complete the parallel crossing. Investments are selected based on the current perception of the direction of interest rates with a greater emphasis on yield and a lesser emphasis on liquidity.

Proceeds from the sale of bonds issued by the District are invested in compliance with the specific requirements of the bond covenants without further restriction as to the maximum term of securities purchased.

As of June 30, 2019, the District had the following investments and maturities:

		Investment maturities (in years)			
Investment type	**Fair value**	**Less than 1 year**	**1 to 3 years**	**Greater than 3 years**	**Not fixed**
U.S. Treasuries	$ 114,953,073	58,499,710	56,453,363	—	—
U.S. agencies	104,089,041	61,862,806	42,226,235	—	—
Federal agency mortgage-backed	2,545,894	—	301,928	2,243,966	—
Supra-national agency	10,744,126	1,673,804	9,070,322	—	—
Certificates of deposit	8,269,887	2,699,666	5,570,221	—	—
Money market funds	97,094,296	—	—	—	97,094,296
Corporate notes	35,504,716	22,994,374	12,510,342	—	—
Total	$ 373,201,033	147,730,360	126,132,411	2,243,966	97,094,296

As of June 30, 2018, the District had the following investments and maturities:

		Investment maturities (in years)			
Investment type	**Fair value**	**Less than 1 year**	**1 to 3 years**	**Greater than 3 years**	**Not fixed**
U.S. Treasuries	$ 58,520,356	14,244,619	39,538,662	4,737,075	—
U.S. agencies	129,889,618	46,025,063	83,864,555	—	—
Federal agency mortgage-backed	3,240,027	—	64,886	3,175,141	—
Supra-national agency	7,930,574	—	7,930,574	—	—
Certificates of deposit	9,009,082	3,733,714	5,275,368	—	—
Money market funds	152,042,596	—	—	—	152,042,596
Corporate notes	40,821,517	23,058,773	17,762,744	—	—
Total	$ 401,453,770	87,062,169	154,436,789	7,912,216	152,042,596

(f) Summary of Changes in Fair Value of Investments

The change in fair value of investments for the years ended June 30, 2019 and 2018 is calculated as follows:

		2019	2018
Fair value of investments at end of year	$	373,201,033	401,453,770
Add:			
Proceeds from sales and maturities during the year		599,641,085	768,839,773
Less:			
Cost of investments purchased during the year		(566,838,475)	(669,996,843)
Fair value of investments at beginning of year		(401,453,770)	(502,955,781)
Change in fair value of investments	$	4,549,873	(2,659,081)

(4) Capital Assets

Capital assets include bridge and tunnel assets, capitalized interest and financing expenses, and other capital assets. The bridges, trestles, approach roads, Fisherman Island Causeway, tunnels, portal islands with all attached improvements, toll plaza infrastructure and the rest area facility, and site-wide utilities are classified as bridge and tunnel assets. Capitalized interest and financing expenses include the amount of money that was funded from the 1960 Bonds issued for debt service and associated costs of the bonds during construction until the opening of the Bridge-Tunnel in 1964. Miscellaneous capital assets include all other assets that the District has capitalized such as land, buildings, fleet vehicles, and equipment.

The District utilizes the modified approach to infrastructure reporting on bridge and tunnel assets and capitalized interest and financing expenses. In lieu of reporting depreciation on bridge and tunnel assets, the costs incurred for maintaining bridge and tunnel assets at the condition level that is specified by Commission policy are reported as preservation expenses on the accompanying statements of revenues, expenses, and changes in net position.

The District has elected to continue to use the traditional approach or depreciation method for buildings, fleet vehicles, and equipment that are depreciable, as stipulated in the District's Capital Asset Policy.

Capital assets at June 30, 2019 and 2018 comprise the following:

		2019	2018
Bridge and tunnel assets	$	381,488,453	381,488,453
Capitalized interest and finance expenses		66,447,538	52,822,375
Construction in progress – Parallel Thimble Shoal Tunnel		309,400,499	247,703,256
Miscellaneous capital assets		24,037,447	23,936,450
		781,373,937	705,950,534
Less accumulated depreciation		(14,226,432)	(13,449,500)
Total	$	767,147,505	692,501,034

The following is a summary of the changes in capital assets for the year ended June 30, 2019:

		Capital asset balance, June 30, 2018	Capital asset additions	Capital asset disposals	Capital asset depreciation	Capital asset balance, June 30, 2019
Nondepreciable assets:						
Bridge and tunnel assets	$	381,488,453	—	—	—	381,488,453
Construction in progress		247,703,256	61,697,243	—	—	309,400,499
Capitalized interest and finance expenses		52,822,375	13,625,163	—	—	66,447,538
		682,014,084	75,322,406	—	—	757,336,490
Depreciable assets:						
Miscellaneous capital assets		23,936,450	100,997	—	—	24,037,447
Less accumulated depreciation		(13,449,500)	—	—	(776,932)	(14,226,432)
		10,486,950	100,997	—	(776,932)	9,811,015
Total capital assets, net	$	692,501,034	75,423,403	—	(776,932)	767,147,505

The following is a summary of the change in capital assets for the year ended June 30, 2018:

	Capital asset balance, June 30, 2017	Capital asset additions	Capital asset disposals	Capital asset depreciation	Capital asset balance, June 30, 2018
Nondepreciable assets:					
Bridge and tunnel assets	$ 383,051,582	—	(1,563,129)	—	381,488,453
Construction in progress	116,339,831	131,363,425	—	—	247,703,256
Capitalized interest and finance expenses	44,083,214	8,739,161	—	—	52,822,375
	543,474,627	140,102,586	(1,563,129)	—	682,014,084
Depreciable assets:					
Miscellaneous capital assets	23,735,721	362,654	(161,925)	—	23,936,450
Less accumulated depreciation	(12,458,451)	—	161,925	(1,152,974)	(13,449,500)
	11,277,270	362,654	—	(1,152,974)	10,486,950
Total capital assets, net	$ 554,751,897	140,465,240	(1,563,129)	(1,152,974)	692,501,034

(5) General Resolution Revenue Bonds

The principal amounts of bonds outstanding, net of unamortized premium at June 30, 2019 and 2018, are as follows:

	2019	2018
First Tier General Resolution Revenue Bonds, Series 2016	$ 358,214,269	359,750,023
Subordinate General Resolution Revenue Bonds, TIFIA Series 2016	9,277,978	—
Subordinate General Resolution Revenue Bonds, VTIB Series 2016	1,370,577	—
	$ 368,862,824	359,750,023

The General Resolution Revenue Bonds were issued as follows:

	General resolution revenue bonds Series 2016	General resolution revenue bonds TIFIA Series 2016	General resolution revenue bonds VTIB Series 2016
Face value of bonds	$ 321,515,000	9,048,806	1,336,490
Bond premium	40,794,613	—	—
Net proceeds to the district	$ 362,309,613	9,048,806	1,336,490

The District had previously incurred its General Resolution Refunding Bonds, Series 1998, Series 2010A and Series 2011A (collectively, the Prior Bonds) under its General Revenue Bond Resolution, adopted by the Commission on November 21, 1991, as amended and supplemented (the 1991 Resolution). In July 2016, the Commission awarded a contract to Chesapeake Tunnel Joint Venture to design and build the Project and to finance the costs of the Project, the Commission determined that the Prior Bonds would be redeemed or defeased and the 1991 Resolution would be terminated so that a new general bond resolution could be issued. The District redeemed the Series 2010A and Series 2011A Bonds in the amounts of $30,000,000 and $5,850,000, respectively, and terminated the interest rate swap associated therewith on November 1, 2016. Concurrently with the issuance of the Series 2016 Bonds, the District contributed additional moneys in combination with funds released from the 1991 Resolution to fund the defeasance of the Series 1998 Bonds, which are noncallable, on November 10, 2016.

On October 24, 2016, the Commission adopted and approved a new General Revenue Bond Resolution (the 2016 Resolution) along with three Supplemental Resolutions authorizing the issuance of $321,515,000 First Tier General Resolution Revenue Bonds, Series 2016 (the Series 2016 Bonds), a loan from the United States Department of Transportation under the TIFIA program (the TIFIA Loan) in the amount of up to $338,528,672, plus capitalized interest and a loan from the Virginia Transportation Infrastructure Bank (the VTIB Loan) in the amount of up to $50,000,000, plus capitalized interest.

The Series 2016 Bonds are term bonds maturing from July 1, 2041 through July 1, 2055 with coupon interest rate ranging from 4.0% to 5.0%. The proceeds from the Series 2016 Bonds, along with the proceeds of the TIFIA Loan and VTIB Loan and cash contributed by the District will be utilized to finance the development and construction of the Project. The remaining portion of the proceeds from the Series 2016 Bonds will be utilized to (i) pay capitalized interest on a portion of the Series 2016 Bonds to and including July 1, 2021, (ii) to obtain a municipal bond debt service reserve surety policy for the Series 2016 Bonds, and (iii) to pay the related issuance expenses, including bond insurance premiums. Amortization of original issue premium and deferred costs of insurance related to the Series 2016 Bonds was $1,423,461 for the year ended June 30, 2019.

The Series 2016 Bonds are subject to optional redemption prior to maturity by the District on or after July 1, 2026, in whole or in part, at par plus accrued interest. The Series 2016 Bonds are subject to mandatory sinking fund redemption, in part, prior to maturity on July 1 of each year starting in 2035.

The 2041 Term Bond and the 2055 Term Bond are insured by Assured Guaranty Municipal Corporation. The Series 2016 Bonds Debt Service Reserve Fund Requirement of $24,774,566 is secured by a debt service reserve fund policy also issued by Assured Guaranty Municipal Corporation.

The TIFIA Loan and the VTIB Loan are issued on the Subordinate Lien of the 2016 Resolution and bear interest rates of 2.88% and 2.90%, respectively. The loans do not incur interest until drawn which occurred starting in August 2018. In August 2018, $9,048,806 and $1,336,490 was drawn on the TIFA and VTIB loans, respectively. Both loans have first semi-annual interest repayments commencing January 1, 2021 and first annual principal repayments commencing on July 1, 2025. Final repayment on both loans is July 1, 2054.

The underlying credit rating on the Series 2016 Bonds is Baa2 and BBB by Moody’s Investors Service and S&P Global Ratings, respectively. The TIFIA Loan is also rated Baa2 and BBB by Moody’s Investors Service and S&P Global Ratings, respectively. The VTIB Loan is unrated.

(Continued)

The bond premiums for General Resolution Revenue Bonds are being accreted using the straight line method, which is not materially different from using the effective interest method, over the period the bonds will be outstanding.

Tolls and other revenues derived from the operation of the Bridge Tunnel are pledged as security for the General Resolution Revenue Bonds. The General Revenue Bond Resolution includes covenants such as minimum toll rate covenant ratios and minimum debt service reserve requirements.

Bond activity for the years ended June 30, 2019 and 2018 was as follows:

	Balance, June 30, 2018	Bond proceeds	Amortization of costs, premiums, discounts, and deferred losses, net	Capitalized interest	Bond payments	Balance, June 30, 2019	Amounts due within one year
First Tier General Resolution							
Series 2016 Bonds	$ 321,515,000	—	—	—	—	321,515,000	—
Issuance premiums	38,235,023	—	(1,535,754)	—	—	36,699,269	—
Subordinate General Resolution							
TIFIA Series 2016	—	9,048,806	—	229,172	—	9,277,978	—
VTIB Series 2016	—	1,336,490	—	34,087	—	1,370,577	—
	$ 359,750,023	10,385,296	(1,535,754)	263,259	—	368,862,824	—

	Balance, June 30, 2017	Bond proceeds	Amortization of costs, premiums, discounts, and deferred losses, net	Capitalized interest	Bond payments	Balance, June 30, 2018	Amounts due within one year
First Tier General Resolution							
Series 2016 Bonds	$ 321,515,000	—	—	—	—	321,515,000	—
Issuance premiums	39,770,777	—	(1,535,754)	—	—	38,235,023	—
Subordinate General Resolution							
TIFIA Series 2016	—	—	—	—	—	—	—
VTIB Series 2016	—	—	—	—	—	—	—
	$ 361,285,777	—	(1,535,754)	—	—	359,750,023	—

Maturities of bond principal and interest to be paid in subsequent fiscal years for all bonds outstanding at June 30, 2019 were as follows:

Fiscal year		General resolution revenue bonds principal	General resolution revenue bonds interest
2020	$	—	7,912,875
2021		—	7,912,875
2022		—	15,825,750
2023		—	15,825,750
2024		—	15,825,750
2025–2056		332,163,555	323,414,300
	$	332,163,555	386,717,300

(6) Pension Plan

(a) Plan Description

All full-time, salaried permanent employees of the District are automatically covered by a VRS Retirement Plan (the 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 the District 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.

Benefit provisions and all other requirements are established by state statute. VRS administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as defined below:

- VRS Plan 1 is a defined benefit plan. Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service and at age 50 with 30 years of service for participating employers. An optional reduced retirement benefit is available to members of VRS as early as age 50 with at least 10 years of service credit or age 55 with at least five years of service credit.
- VRS Plan 2 is a defined benefit plan. Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. The retirement benefit is based on a member’s age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for an unreduced benefit beginning at their normal Social

Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. An optional reduced retirement benefit is available to Plan 2 members as early as age 60 with at least five years of service credit.

- The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Members hired on or after January 1, 2014 are eligible for the Hybrid Plan. The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit payment payable from the defined contribution plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. Employees are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. An optional reduced retirement benefit is available to Hybrid Retirement Plan members as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. The retirement multiplier for District employees is 1.7% for Plan 1 members, 1.65% for Plan 2 members, and 1.0% for Hybrid Plan members. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the Hybrid Plan, average final compensation is the average of the member's 60 consecutive months of highest compensation. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP), or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option, or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2 and the Hybrid Plan, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Historical trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical trend information for the VRS system may be found in the VRS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. A copy of the report may be obtained on the VRS Web site at https://www.varetire.org/pdf/publications/2018-annual-report.pdf or by writing to the Chief Financial Officer of the Virginia Retirement System at P.O. Box 2500, Richmond, Virginia 23218-2500.

(b) Employees Covered by Benefit Terms

As of the June 30, 2018 and 2017 actuarial valuations, the following employees were covered by the benefit terms of the pension plan:

	2018	2017
Inactive members or their beneficiaries currently receiving benefits	129	121
Inactive members:		
Vested inactive members	11	12
Nonvested inactive members	22	21
Inactive members active elsewhere in VRS	22	26
Total inactive members	55	59
Active members	151	149
Total covered employees	335	329

(c) Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all of the 5.00% member contribution were assumed by the District. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. For District employees hired prior to July 1, 2012, the 5% member contribution was allocated so that the entire 5% was paid by the employee during FY2018.

The District's actuarially required contribution rates were 12.06% and 12.46% of covered employee compensation for the years ended June 30, 2019 and 2018, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and 2015. 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 District, including the employer-paid member contributions, were $955,139 and $970,166 for the years ended June 30, 2019 and 2018, respectively.

(d) Net Pension Liability

The District's net pension liability as of June 30, 2019 and 2018 was measured as of June 30, 2018 and 2017, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018 and 2017.

(e) Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*
Cost-of-living adjustments	2.25% – 2.50%

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

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

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

All Others (Non 10 Largest) – Non-LEOS:

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

(f) Long-Term Expected Rate of Return

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

Asset class (strategy)	Target allocation	Arithmetic long-term expected rate of return	Weighted average long-term expected rate of return
Public equity	40.00 %	4.54 %	1.82 %
Fixed income	15.00	0.69	0.10
Credit strategies	15.00	3.96	0.59
Real assets	15.00	5.76	0.86
Private equity	15.00	9.53	1.43
Total	100.00 %		4.80
Inflation			2.50
*Expected arithmetic nominal return			7.30 %

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

(g) Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. From July 1, 2018 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.

(h) Changes in Net Pension Liability

		Increase (decrease)		
		Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2017	$	44,400,853	33,986,490	10,414,363
Changes for the year:				
Service cost		597,397	—	597,397
Interest		3,032,147	—	3,032,147
Difference between expected and actual experience		492,272	—	492,272
Contributions – employer		—	970,550	(970,550)
Contributions – employee		—	388,140	(388,140)
Net investment income		—	2,495,933	(2,495,933)
Benefit payments, including refunds of employee contributions		(2,168,931)	(2,168,931)	—
Administrative expense		—	(21,765)	21,765
Other changes		—	(2,213)	2,213
Net changes		1,952,885	1,661,714	291,171
Balances at June 30, 2018	$	46,353,738	35,648,204	10,705,534

	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2016	$ 43,634,041	31,042,980	12,591,061
Changes for the year:			
Service cost	640,081	—	640,081
Interest	2,980,890	—	2,980,890
Changes of assumptions	(627,513)	—	(627,513)
Difference between expected and actual experience	(126,846)	—	(126,846)
Contributions – employer	—	948,676	(948,676)
Contributions – employee	—	379,559	(379,559)
Net investment income	—	3,740,285	(3,740,285)
Benefit payments, including refunds of employee contributions	(2,099,800)	(2,099,800)	—
Administrative expense	—	(21,889)	21,889
Other changes	—	(3,321)	3,321
Net changes	766,812	2,943,510	(2,176,698)
Balances at June 30, 2017	$ 44,400,853	33,986,490	10,414,363

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

The following presents the net pension liability as of June 30, 2019 and 2018 of the political subdivision using the discount rate of 7.0%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% decrease (6.00%)	Current discount rate (7.00%)	1% increase (8.00%)
District's net pension liability			
As of June 30, 2019	$ 16,403,617	10,705,534	5,938,360
As of June 30, 2018	16,017,274	10,414,363	5,738,712

(j) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2019 and 2018, the District recognized pension expense of $450,011 and $547,415, respectively. At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2019	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 347,486	131,945
Changes of assumptions	—	278,895
Net difference between projected and actual earnings on plan investments	—	271,042
Employer contributions subsequent to the measurement date	955,139	
Total	$ 1,302,625	681,882

	June 30, 2018	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 39,650	262,839
Changes of assumptions	—	453,204
Net difference between projected and actual earnings on plan investments	—	469,713
Employer contributions subsequent to the measurement date	970,166	—
Total	$ 1,009,816	1,185,756

The District’s contributions subsequent to the measurement date of $955,139 and $970,166 reported as deferred outflows of resources as of June 30, 2019 and 2018, respectively, related to pensions, will be recognized as a reduction of the Net Pension Liability in the years ended June 30, 2020 and 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a decrease to pension expense as follows:

		2019
Year ended June 30:		
2020	$	(13,646)
2021		(1,201)
2022		(290,332)
2023		(29,217)
2024		—
Thereafter		—
	$	(334,396)

(7) Deferred Compensation

Effective July 1, 1999, the District established a Deferred Compensation Plan (DCP) in accordance with Internal Revenue Code Section 457 (IRC-457) that is administered by the VRS. Employees may voluntarily elect to participate in the DCP and may defer a portion of their compensation until future years. The deferred compensation is not available to employees until after termination, retirement, death, or unforeseen financial emergency, as defined in IRC-457.

Salaried employees who elect to participate in the DCP can receive an employer cash match up to a maximum of $100 per pay period. An hourly employee of the District may defer compensation, but does not receive a cash match. The employer cash match is contributed to a separate Internal Revenue Service Section 401(a) account. The District contributed approximately $176,905 and $181,654 to employees' 401(a) accounts during the years ended June 30, 2019 and 2018, respectively.

The defined contribution component of the Hybrid Retirement Plan provides the Hybrid 401(a) Cash Match Plan. The District's employees participating as Hybrid Retirement Plan members contribute a mandatory 1% of their creditable compensation each month to their 401(a) plan account. The District also contributes a mandatory 1% as well as matching contributions on any voluntary contributions a member makes. The District contributed $27,237 and $28,889 to Hybrid Retirement Plan employees' 401(a) accounts during the years ended June 30, 2019 and 2018, respectively.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; employee dishonesty; injuries to employees; and natural disasters. The District purchases insurance for specific types of coverage, including property, loss of revenue, liability, auto, crime, workers' compensation, and public officials. Claims settlements and judgments not covered by insurance are covered by operating resources. The amount of insurance settlements did not exceed insurance coverage for any of the past three years. Claims expenses and liabilities are reported when it is probable that a loss has occurred not otherwise covered by insurance and the amount of the loss can be reasonably estimated.

(Continued)

Effective July 1, 2013, the District changed the health insurance plans offered to employees and retirees for medical and dental benefits from fully insured plans to self-insured plans. Stop-loss coverage for aggregate and individual claims is utilized to protect the District from the potential effects of catastrophic medical claims.

(9) Retiree Health Insurance Plan (RHIP) Other Postemployment Benefit Plan (OPEB)

(a) Plan Description

The District provides RHIP OPEB for its employees through a single employer defined-benefit plan (the Plan). The Plan was established and may be amended by the Commission. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The Plan provides healthcare insurance for eligible retirees and their spouses through the District's group health insurance plans, which cover both active and retired members. Plan benefits vest for employees after a minimum of 10 years of salaried service with the District, after obtaining age 50 and after receiving a retirement benefit under the provisions of the VRS. Retirees with less than 20 years of continuous, salaried service with the District are ineligible for a health insurance premium credit and are, therefore, responsible for their entire health insurance premium. Retirees with more than 20 years of continuous, salaried service with the District receive a credit of $8.50 per month for each complete year of salaried service up to 40 years and a monthly premium credit of $340. Length of service means the total length of service credited by the VRS for calculating the retiree's pension benefits from VRS. All credits cease upon the retiree's death. Spouses may continue coverage under the plan after the death of the retiree.

In no event will the premium credit exceed the actual monthly health cost for Individual coverage. Spouses may be covered, but they must pay the full monthly rate for coverage. The only exception to these rules is for Medicare-eligible retirees who have earned a credit in excess of their plan cost. In this situation, credits earned in excess of the retiree-only cost can be used to pay for prescription drug coverage and for spousal coverage.

The Commission establishes employer contribution rates for the plan participants and determines how the plan will be funded as part of the budgetary process each year. The Commission has elected to continue to fund the healthcare benefits for retirees on a "pay-as-you-go" basis.

Amounts paid by the District for RHIP OPEB during the years ended June 30, 2019 and 2018 amounted to $241,980 and $216,136, respectively.

(Continued)

(b) Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	2017
Inactive members or their beneficiaries currently receiving benefits	72
Active members	157
Total covered employees and retired members	229

(c) Net RHIP OPEB Liability

The District's net RHIP OPEB liability as of June 30, 2019 and 2018 was measured as of June 30, 2018 and 2017, respectively. The total RHIP OPEB liability used to calculate the net RHIP OPEB liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018.

(d) Actuarial Assumptions

The total RHIP OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method:	Entry Age Normal Cost Method; Level Percentage of Pay
Discount rate:	3.55%, based on yields for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The rate used in the current valuation is based on indices published by Bond Buyer and Fidelity for 20-year general obligation bonds as of June 30, 2017.
Healthcare cost trend rates:	The medical trend assumptions used in the valuation were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007. Version 2018_c was used for the 2017 valuation.

The following assumptions were used as input variables into the model:

Assumptions	Model input
Rate of Inflation	2.50 %
Rate of Growth in Real Income/GDP per Capita	1.00 %
Income Multiplier for Health Spending	1.00
Health Share of GDP Resistance Point	25 %
Year for Limiting Cost Growth to GDP Growth	2075

The SOA Long-Run Medical Cost Trend Model and its baseline projections are based on an econometric analysis of historical U.S. medical expenditures and the judgements of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

The following table shows the resulting medical cost trends used in the valuation:

	Medical trend
Year ending June 30:	
2019	5.40%
2020	5.30
2021	5.20
2022	5.09
2023	4.99
2024	4.88
2025	4.77
2026	4.67
2027–2048	4.56
2049–2074	4.48–3.59
2075+	3.53

The actuarial assumptions used for employee decrements (e.g., mortality, turnover, retirement and disability) are based on the results of an experience study on behalf of the Virginia Retirement System for the four year period ending June 30, 2016. Specific assumptions are the same as those used for the Pension Plan and are described more fully on pages 30–31.

Age difference and percentage married:	For active employees, male spouses were assumed to be two years older than females. 100% of active employees are assumed to be married at retirement. For retirees, actual spouse data was used so no assumptions regarding marital status or age of spouse were made.

Participation:

Retiree group	Assumed rate of participation
Nondisabled retirees	85 %
Disabled retirees	100
Spouses	40

(e) Changes in the Total RHIP OPEB Liability

	Total RHIP OPEB liability
Balance at June 30, 2017	$ 5,242,303
Changes for the year:	
Service cost	132,336
Interest	146,368
Differences between expected and actual experience	294,400
Changes in assumptions or other inputs	(454,232)
Benefit payments	(213,142)
Net changes	(94,270)
Balance at June 30, 2018	5,148,033
Changes for the year:	
Service cost	104,240
Interest	178,574
Benefit payments	(235,555)
Net changes	47,259
Balance at June 30, 2019	$ 5,195,292

(Continued)

(f) Sensitivity of the Total RHIP OPEB Liability to Changes in the Discount Rate

The following presents the total RHIP OPEB liability of the District as of June 30, 2017 and 2018 using the discount rate of 3.55%, as well as what the District's total RHIP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.55%) or one percentage point higher (4.55%) than the current rate:

		1% decrease (2.55%)	Current discount rate (3.55%)	1% increase (4.55%)
District's total RHIP OPEB liability				
as of June 30, 2019	$	5,802,363	5,195,292	4,677,798
as of June 30, 2018	$	5,764,078	5,148,033	4,623,905

(g) Sensitivity of the Total RHIP OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total RHIP OPEB liability of the District as of June 30, 2017 and 2018 as well as what the District's total RHIP OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

		1% decrease (4.5% decreasing to 2.53%)	Healthcare cost trend rates (5.5% decreasing to 3.53%)	1% increase (6.5% decreasing to 4.53%)
District's total RHIP OPEB liability				
as of June 30, 2019	$	5,011,932	5,195,292	5,409,862
as of June 30, 2018	$	4,978,081	5,148,033	5,346,444

(h) RHIP OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to RHIP OPEB

For the years ended June 30, 2018 and 2019, the District recognized RHIP OPEB expense of $252,757 and $256,867, respectively. At June 30, 2018 and 2019, the District reported deferred outflows of resources and deferred inflows of resources related to RHIP OPEB from the following sources:

	June 30, 2019	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 198,816	—
Changes of assumptions	—	306,754
Employer contributions subsequent to the measurement date	241,979	—
Total	$ 440,795	306,754

	June 30, 2018	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 246,608	—
Changes of assumptions	—	380,493
Employer contributions subsequent to the measurement date	216,136	—
Total	$ 462,744	380,493

The District's contributions subsequent to the measurement date of $241,979 reported as deferred outflows of resources as of June 30, 2019, related to RHIP OPEB, will be recognized as a reduction of the total RHIP OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to RHIP OPEB will be recognized as an decrease to RHIP OPEB expense as follows:

		2019
Year ended June 30:		
2020	$	(25,947)
2021		(25,947)
2022		(25,947)
2023		(25,947)
2024		(4,150)
Thereafter		—
	$	(107,938)

(10) VRS Group Life Insurance (GLI) OPEB Plan

(a) Plan description

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

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

The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

The benefits payable under the GLI Program have several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include accidental dismemberment benefits, safety belt benefits, repatriation benefits, felonious assault benefits and accelerated death benefit options. 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. For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to $8,279 effective July 1, 2018.

In the current year, management determined that an immaterial correction should be made to record an OPEB liability and include certain note disclosures related to CBBT's participation in the Group Life Insurance OPEB plan.

(b) Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the years ended June 30, 2019 and 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the GLI Program from the District were $105,070 and $106,650 for the years ended June 30, 2019 and June 30, 2018, 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, 2019 and 2018, the District reported a liability of $643,000 and $637,000 respectively for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and 2017 respectively and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net GLI OPEB Liability was based on the District's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the District's proportion was 0.04229% as compared to 0.04230% at June 30, 2017.

For the years ended June 30, 2019 and 2018, the District recognized GLI OPEB expense of $5,000 and $8,000, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019 and 2018, the District reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB plan from the following sources:

	June 30, 2019	
	Deferred outflows of resources	**Deferred inflows of resources**
Net difference between projected and actual earnings on GLI OPEB plan investments	$ —	21,000
Change of assumptions	—	27,000
Differences between expected and actual experience	31,000	11,000
Changes in proportionate share	3,000	—
Employer contributions subsequent to the measurement date	42,000	—
Total as of June 30, 2019	$ 76,000	59,000

	June 30, 2018	
	Deferred outflows of resources	**Deferred inflows of resources**
Net difference between projected and actual earnings on GLI OPEB plan investments	$ —	24,000
Change of assumptions	—	33,000
Differences between expected and actual experience	—	14,000
Changes in proportionate share	4,000	—
Employer contributions subsequent to the measurement date	42,000	—
Total as of June 30, 2018	$ 46,000	71,000

(Continued)

Deferred outflows of resources related to GLI OPEB plans totaling $42,000 and $42,000 resulting from the District's contributions subsequent to the measurement dates of June 30, 2018 and 2017, respectively, will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ended June 30, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB plans will be recognized in the District's GLI OPEB expense in future reporting periods as follows:

Year ending June 30:		
2020	$	(8,000)
2021		(8,000)
2022		(8,000)
2023		(3,000)
2024		2,000
Thereafter		—
	$	(25,000)

(d) Actuarial assumptions

The total GLI OPEB liability was based on actuarial valuations as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5 percent
Salary increases, including inflation:	3.5–5.35 percent
Investment rate of return	7.0 percent, net of investment expenses, including inflation*

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

	Mortality assumptions
Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of Rates; females 105% of rates
Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1% increase compounded from ages 70 to 90
Post-disablement:	RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study for general employees include updating to a more current mortality table, lowering retirement rates at older ages and extending final retirement ages, adjusting termination rates, lowering disability rates, and increasing line of duty disability.

(e) Net GLI OPEB Liability

The net GLI OPEB liability for the Group Life Insurance Program represents the program's total GLI OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement dates of June 30, 2017 and 2018, Net GLI OPEB liability amounts for the Group Life Insurance Program are as follows (dollar amounts in thousands):

		2019	2017
Total OPEB liability	$	3,113,508	2,942,426
Plan fiduciary net position		1,594,773	1,437,586
Employers' net OPEB liability	$	1,518,735	1,504,840
Plan fiduciary net position as a percentage of the total OPEB liability		51.22 %	48.86 %

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

(f) Long-Term Expected Rate of Return

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

Asset class (strategy)	Target allocation	Arithmetic long-term expected rate of return	Weighted average long-term expected rate of return
Public equity	40.00%	4.54%	1.82%
Fixed income	15.00	0.69	0.10
Credit strategies	15.00	3.96	0.59
Real assets	15.00	5.76	0.86
Private equity	15.00	9.53	1.43
Total	100.00%		4.80
Inflation			2.50
* Expected arithmetic nominal return			7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

(g) Discount rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the District 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, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB' 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 District's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the Districts proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer'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 (6.00%) or one percentage point higher (8.00%) than the current rate:

		1% Decrease (6.00%)	Current discount rate (7.00%)	1% Increase (8.00%)
The District's proportionate share of the GLI Net OPEB Liability:				
as of June 30, 2019	$	840,000	643,000	483,000
as of June 30, 2018		823,000	637,000	485,000

(i) Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(11) Fair Value Measurements

The District utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The District determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantively the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identified assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

(Continued)

The level in the fair value hierarchy within which a fair value measurement, in its entirety falls in, is based on the lowest level input that is significant to the fair value measurement in its entirety.

Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

All of the District's investments in debt securities are in one of the four categories below and therefore the entire portfolio of debt securities is Level 2.

Debt securities classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. agencies, and supranational: Quoted prices for similar securities in the market are used to draw appropriate correlations
- Corporate notes and municipal bonds: Relevant trade data, benchmark quotes, and surveys of the dealer community are incorporated into the evaluation process
- Certificates of deposit: Matrix pricing based on various market makers and dealers
- Federal agency mortgage-backed: Solicited prices from market buy and sell side sources, including primary and secondary dealers, portfolio managers, and research analysts are used

The fair value of investments in money market funds is based on the published net asset values (NAV) per share of those funds.

The District has the following recurring fair value measurements as of June 30, 2019:

		Fair value measurements using		
	Fair value 2019	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Investments by fair value level:				
U.S. Treasuries	$ 114,953,073	—	114,953,073	—
Supra-national agency	10,744,126	—	10,744,126	—
U.S. agencies	104,089,041	—	104,089,041	—
Federal agency mortgage-backed	2,545,894	—	2,545,894	—
Certificates of deposit	8,269,887	—	8,269,887	—
Corporate notes	35,504,716	—	35,504,716	—
Total investments by fair value level	276,106,737	$ —	276,106,737	—
Investments measured at the NAV:				
Money market funds	97,094,296			
Total investments measured at fair value	$ 373,201,033			

The District had the following recurring fair value measurements as of June 30, 2018:

		Fair value measurements using		
	Fair value 2018	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Investments by fair value level:				
U.S. Treasuries	$ 58,520,356	—	58,520,356	—
Supra-national agency	7,930,574	—	7,930,574	—
U.S. agencies	129,889,618	—	129,889,618	—
Federal agency mortgage-backed	3,240,027	—	3,240,027	—
Certificates of deposit	9,009,082	—	9,009,082	—
Corporate notes	40,821,517	—	40,821,517	—
Total investments by fair value level	249,411,174	$ —	249,411,174	—
Investments measured at the NAV:				
Money market funds	152,042,596			
Total investments measured at fair value	$ 401,453,770			

(12) Commitments and Contingencies

The District is involved in various claims and legal actions that arose in previous years during the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the District's statements of net position and statements of revenues, expenses, and changes in net position.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

At June 30, 2019, the total estimated remaining costs on the Parallel Thimble Shoal Tunnel Project are $508,839,004.

(13) Subsequent Event

On August 13, 2019, the District issued First Tier General Resolution Revenue Bond Anticipation Notes, Series 2019 (“Series 2019 BANs”) in the aggregate principal amount of $378,140,000. This issuance was pursuant to its General Revenue Bond Resolution as adopted by the Commission on October 24, 2016 (the “General Resolution”) and its Fourth Supplemental Resolution as adopted by the Commission on July 9, 2019 (the “Fourth Supplemental Resolution”). The Series 2019 BANs will mature on November 1, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Schedule of Pension Contributions (Unaudited)

June 30, 2019

For the fiscal year ended June 30		Contractually required contribution (1)	Contributions in relation to contractually required contribution (2)	Contribution deficiency (excess) (3)	Employer's covered employee payroll (4)	Contributions as a percentage of covered employee payroll (5)
2019	$	954,678	954,678	—	8,162,058	11.7 %
2018		972,590	972,590	—	8,020,486	12.1
2017		950,993	950,993	—	7,786,589	12.2
2016		1,035,305	1,035,305	—	7,538,996	13.7
2015		1,024,089	1,024,089	—	7,378,844	13.9

See accompanying notes to required supplementary information.

Unaudited – See accompanying independent auditors' report.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Schedule of Changes in Net Pension Liability and Related Ratios (unaudited)

June 30, 2019

	2018	2017	2016	2015	2014
Total pension liability:					
Service cost	$ 597,397	640,081	652,414	653,142	632,909
Interest	3,032,147	2,980,890	2,911,959	2,810,342	2,711,152
Changes of assumptions	—	(627,513)	—	—	—
Differences between expected and actual experience	492,272	(126,846)	(362,546)	179,597	—
Benefit payments, including refunds of employee contributions	(2,168,931)	(2,099,800)	(2,334,410)	(2,048,389)	(1,805,740)
Net change in total pension liability	1,952,885	766,812	867,417	1,594,692	1,538,321
Total pension liability – beginning	44,400,853	43,634,041	42,766,624	41,171,932	39,633,611
Total pension liability – ending (a)	46,353,738	44,400,853	43,634,041	42,766,624	41,171,932
Plan fiduciary net position:					
Contributions – employer	970,550	948,676	1,032,877	1,021,377	944,598
Contributions – employee	388,140	379,559	370,994	368,079	362,177
Net investment income	2,495,933	3,740,285	529,283	1,393,970	4,231,610
Benefit payments, including refunds of employee contributions	(2,168,931)	(2,099,800)	(2,334,410)	(2,048,389)	(1,805,740)
Administrative expense	(21,765)	(21,889)	(19,750)	(19,436)	(23,013)
Other	(2,213)	(3,321)	(227)	(293)	223
Net change in plan fiduciary net position	1,661,714	2,943,510	(421,233)	715,308	3,709,855
Plan fiduciary net position – beginning	33,986,490	31,042,980	31,464,213	30,748,905	27,039,050
Plan fiduciary net position – ending (b)	35,648,204	33,986,490	31,042,980	31,464,213	30,748,905
District’s net pension liability – ending (a)-(b)	$ 10,705,534	10,414,363	12,591,061	11,302,411	10,423,027
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	76.90 %	76.54 %	71.14 %	73.57 %	74.68 %
Covered-employee payroll (c)	$ 8,020,486	7,786,589	7,538,996	7,378,844	7,240,101
District’s net pension liability as a percentage of covered-employee payroll [(a)-(b)]/(c)	133.48 %	133.75 %	167.01 %	153.17 %	143.96 %

See accompanying notes to required supplementary information.

Unaudited – See accompanying independent auditors’ report.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Schedule of the Changes in Net RHIP OPEB Liability and Related Ratios (Unaudited)

June 30, 2019

		2018	2017
Total RHIP OPEB liability:			
Service cost	$	104,240	132,336
Interest		178,574	146,368
Differences between expected and actual experience		—	294,400
Changes in assumptions or other inputs		—	(454,232)
Benefit payments		(235,555)	(213,142)
Net change in total RHIP OPEB liability		47,259	(94,270)
Total RHIP OPEB liability – beginning		5,148,033	5,242,303
Total RHIP OPEB liability – ending (a)	$	5,195,292	5,148,033
Covered-employee payroll (b)	$	8,308,734	8,263,807
District's total RHIP OPEB liability as a percentage of covered-employee payroll ((a)/(b))		62.53 %	62.30 %

See accompanying notes to required supplementary information.

Unaudited – See accompanying notes to basic financial statements.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Schedule of GLI OPEB Contributions (Unaudited)

For the Year ended June 30, 2019

Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2019	$ 42,443	42,443	—	8,162,058	0.52%
2018	41,820	41,820	—	8,042,257	0.52
2017	40,570	40,570	—	7,801,902	0.52
2016	40,028	36,252	3,776	7,552,374	0.48
2015	39,239	35,537	3,702	7,403,480	0.48
2014	38,372	34,752	3,620	7,240,101	0.48
2013	37,469	33,934	3,535	7,069,688	0.48
2012	30,190	19,212	10,978	6,861,518	0.28
2011	29,208	18,587	10,621	6,638,269	0.28
2010	23,751	13,322	10,429	6,597,474	0.20

Unaudited – See accompanying independent auditors' report and notes to required supplementary information.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Schedule of District's Share of GLI Net OPEB Liability (Unaudited)

For the Year ended June 30, 2019

		2018	2017
District's Proportion of the Net GLI OPEB Liability		0.04229%	0.04230%
District's Proportionate Share of Net GLI OPEB Liability	$	643,000	637,000
Employer's Covered Payroll		8,042,257	7,801,902
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll		8.00%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%	48.86%

See accompanying notes to required supplementary information.

Unaudited – See accompanying independent auditors' report and notes to required supplementary information.

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(1) Changes of Benefit Terms

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

(2) Changes of Assumptions

The following changes in pension and GLI OPEB actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- Updated to a more current mortality table – RP-2014
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates for pension and OPEB general employees.
- Increased line of duty disability from 14% to 15% for pension and OPEB general employees.

(3) Years Presented in Schedules

The Schedule of Changes in the District’s Net Pension Liability and Related Ratios and the Schedule of Pension Contributions are required to be presented for the last ten fiscal years. However, the District has only presented the required supplementary information for the last five years as fiscal year 2015 was the first year of implementation of the requirement to provide such required supplementary information and such information is not available for the prior years.

The Schedule of the Changes in Net RHIP OPEB Liability and Related Ratios and the Schedule of District’s Share of Net GLI OPEB liability are required to be presented for the last ten fiscal years. However, the District has only presented the required supplementary information for the last two years as fiscal year 2018 was the first year of implementation of the requirement to provide such required supplementary information and such information is not available for the prior years.

Unaudited – See accompanying independent auditors’ report.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Modified Approach for Infrastructure Reporting – Capital Asset Activity (Unaudited)

June 30, 2019

The following is a summary of the changes in capital assets for the year ended June 30, 2019:

	Capital asset balance, June 30, 2018	Capital asset additions	Capital asset disposals	Capital asset depreciation	Capital asset balance, June 30, 2019
Bridge and tunnel assets:					
Original bridges	$ 8,474,789	—	—	—	8,474,789
Parallel crossing bridges	50,721,759	—	—	—	50,721,759
Original trestles	31,562,850	—	—	—	31,562,850
Parallel crossing trestles	117,324,020	—	—	—	117,324,020
Approach roads	11,269,645	—	—	—	11,269,645
Fisherman Island Causeway	8,722,510	—	—	—	8,722,510
Tunnels	60,182,509	—	—	—	60,182,509
Portal islands	52,695,162	—	—	—	52,695,162
Toll plaza infrastructure	6,069,397	—	—	—	6,069,397
Sitewide utilities	34,465,812	—	—	—	34,465,812
Total bridge and tunnel assets	381,488,453	—	—	—	381,488,453
Construction in progress – Parallel Thimble Shoal Tunnel	247,703,256	61,697,243	—	—	309,400,499
Capitalized interest and finance expenses	52,822,375	13,625,163	—	—	66,447,538
Miscellaneous capital assets:					
Land	5,232,907	—	—	—	5,232,907
Buildings	5,983,960	38,787	—	—	6,022,747
Fleet vehicles and equipment	12,719,583	62,210	—	—	12,781,793
Total miscellaneous capital assets	23,936,450	100,997	—	—	24,037,447
Less accumulated depreciation:					
Buildings	(3,060,174)	—	—	(167,321)	(3,227,495)
Fleet vehicles and equipment	(10,389,326)	—	—	(609,611)	(10,998,937)
Total accumulated depreciation	(13,449,500)	—	—	(776,932)	(14,226,432)
Total capital assets, net	$ 692,501,034	75,423,403	—	(776,932)	767,147,505

Unaudited – See accompanying independent auditors' report.

The table below summarizes by asset clusters the budgeted preservation expenses to bridge and tunnel assets for the last five fiscal years, as referenced in the Chesapeake Bay Bridge and Tunnel District's (the District) annually updated six-year reserve maintenance plan. The six-year reserve maintenance plan is a planning tool that includes extraordinary maintenance projects to maintain the bridge and tunnel assets at a condition level of "generally good" or better. Extraordinary maintenance projects include many complex, multi-year contracts. The timing of actual project payments can vary from fiscal year to fiscal year due to the complexity of the projects. Each fiscal year's budgeted preservation expenses include the budget for projects that actually commenced during that respective fiscal year.

	2015	2016	2017	2018	2019
Bridge and tunnel assets:					
Original bridges	$ 3,510	281,510	84,800	50,000	550,000
Parallel crossing bridges	71,677	222,189	220,117	63,216	500,000
Original trestles	717,892	5,221,721	3,034,282	1,486,283	3,336,982
Parallel crossing trestles	352,269	89,536	303,172	878,713	3,615,025
Approach roads	40,365	40,365	—	—	—
Fisherman Island Causeway	15,795	15,795	—	—	—
Tunnels	9,293,385	4,506,147	1,795,435	4,307,404	3,712,470
Portal islands	—	7,500	35,000	25,000	—
Toll plaza infrastructure	43,000	250,000	778,050	204,047	82,080
Sitewide utilities	8,847,255	134,500	51,500	240,000	499,258
	$ 19,385,148	10,769,263	6,302,356	7,254,663	12,295,815

The table below summarizes by asset cluster the actual preservation expenses to bridge and tunnel assets for the last five fiscal years:

	2015	2016	2017	2018	2019
Bridge and tunnel assets:					
Original bridges	$ 2,383	72,093	140,594	73,358	81,511
Parallel crossing bridges	52,135	87,622	—	—	20,635
Original trestles	405,768	829,426	1,462,596	1,252,828	560,607
Parallel crossing trestles	138,911	47,609	290,020	384,886	432,334
Approach roads	27,399	—	—	—	—
Fisherman Island Causeway	10,721	—	—	—	—
Tunnels	4,324,085	3,970,261	592,744	527,581	3,316,363
Portal islands	—	7,485	30,879	22,988	—
Toll plaza infrastructure	20,138	202,325	511,806	55	88,216
Sitewide utilities	4,222,511	71,245	92,582	75,441	129,748
	$ 9,204,051	5,288,066	3,121,221	2,337,137	4,629,414

Unaudited – See accompanying independent auditors' report.

(Continued)

The budgeted preservation expenses for FY2020 are summarized by asset cluster in the table below. During a given fiscal year, there may be no preservation expenses budgeted for one or more of the classifications of bridge and tunnel assets. This is an indication that the District assesses that there is no need for preservation work on this classification of bridge and tunnel assets to be able to maintain it at a condition level of “generally good” or better.

Bridge and tunnel assets:		
Original bridges	$	619,653
Parallel crossing bridges		647,000
Original trestles		6,258,897
Parallel crossing trestles		5,283,528
Approach roads		—
Fisherman Island Causeway		—
Tunnels		4,870,727
Portal islands		—
Toll plaza infrastructure		125,395
Sitewide utilities		345,323
	$	18,150,523

U.S. GAAP requires that governmental entities that utilize the modified approach for infrastructure reporting must have their governing board set a policy for the condition levels at which modified approach assets will be maintained. GAAP also requires that a third party perform condition level assessments of the modified approach assets annually and that the condition levels for the current and prior two fiscal years be disclosed in the notes to the financial statements.

The Commission’s preservation policy is to maintain 90% of the bridge and tunnel assets at an MRP condition level of “good” or better.

Unaudited – See accompanying independent auditors’ report.

Jacob’s Engineering, Inc., the District’s consulting engineer, has inspected the District’s bridge and tunnel assets. Jacob’s Engineering, Inc. determines the MRP condition level for the bridge and tunnel assets as a numeric scaled rating. The numeric scaled rating is based on a condition index utilized by the Virginia Department of Transportation whereby 0 is a failed condition level and 9 is an excellent condition level. The table below defines the numeric scaled ratings assigned by Jacob’s Engineering, Inc.:

MRP Numeric code scale

Numeric code	Narrative code	Definition
9	Excellent	Component has been recently put in service or remains in new condition
8	Very good	No problems noted, potential exists for minor preventative maintenance
7	Good	Potential exists for minor maintenance
6	Satisfactory	Potential exists for major maintenance
5	Fair	Potential exists for minor repair or rehabilitation
4	Poor	Potential exists for major repair or rehabilitation
3	Serious	Major repair or rehabilitation required immediately
2	Critical	The need for repair or rehabilitation is urgent
1	Imminent failure	Component is out of service; study feasibility for repair or rehabilitation
0	Failed	Component is out of service and beyond repair, replacement required

The following two tables derive percentages in different ways. Trestles and bridges that have an MRP numeric condition level are described as a percentage of lane miles. All other bridge and tunnel assets that have an MRP numeric condition level are described as a percentage of that specific bridge and tunnel asset.

The tunnels and portal islands are the only bridge and tunnel assets that falls below the condition level specified in the Chesapeake Bay Bridge and Tunnel Commission’s preservation policy. The tunnels and portal islands have an overall condition level of 7; however, Jacobs Engineering, Inc. assigned some components of the portal islands and tunnels, which includes the ventilation buildings, a condition level of 6. Extraordinary reserve maintenance projects are planned to address the maintenance requirements for all of these components.

The following tables detail the MRP condition level of bridge and tunnel assets for the last three years:

Percentage of lane miles at an MRP condition Level 7 or better

Bridge and tunnel assets	2019	2018	2017
Original bridges	100 %	100 %	100 %
Parallel crossing bridges	100	100	100
Original trestles	100	100	100
Parallel crossing trestles	100	100	100

Unaudited – See accompanying independent auditors’ report.

(Continued)

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Modified Approach for Infrastructure Reporting – Capital Asset Activity (Unaudited)

June 30, 2019

Percentage of capital assets at an MRP condition Level 7 or better

Bridge and tunnel assets	2019	2018	2017
Approach roads	100 %	100 %	100 %
Fisherman Island Causeway	100	100	100
Tunnels	88	87	77
Portal islands	84	90	90
Toll plaza infrastructure	96	96	100
Site-wide utilities	100	100	97

Unaudited – See accompanying independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Budgetary Comparison Schedule (Unaudited)

Year ended June 30, 2019

Budgetary Accounting and Control

The Commission does not adopt a revenue budget.

		Budgeted amount	Actual amount	Variance over (under)	Percentage variance
Operating expenses before district facility expenses:					
Administration	$	327,835	313,964	(13,871)	(4.23)%
Finance		823,075	802,771	(20,304)	(2.47)
Operations		4,570,227	4,567,818	(2,409)	(0.05)
Maintenance and tunnel operations		4,057,435	3,752,541	(304,894)	(7.51)
General		3,873,800	3,626,236	(247,564)	(6.39)
Consultants		668,200	466,624	(201,576)	(30.17)
Utilities		916,150	750,666	(165,484)	(18.06)
Total operating expenses before district facility expenses	$	15,236,722	14,280,620	(956,102)	(6.27)

The Chesapeake Bay Bridge and Tunnel Commission (the Commission) prepares a preliminary fiscal year budget before April 20 for the ensuing fiscal year, which begins on July 1. This budget is required to be adopted before June 1 of each year. The Commission covenants, in accordance with Section 504 of its General Revenue Bond Resolution adopted October 24, 2016, that the expenses budgeted in any fiscal year will not exceed the amounts that are reasonable and necessary to maintain, repair, and operate the facility in accordance with the provisions of its enabling legislation. No provision is made in the budget for noncash items, such as depreciation.

The District’s General Revenue Bond Resolution dated October 24, 2016 requires a ratio of 1.50x of net revenues available for debt service to the principal and interest requirements for such fiscal year on account of all First Tier Bonds then outstanding. This ratio is 6.71x for fiscal year 2019.

Unaudited – See accompanying independent auditors’ report.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Schedule of Insurance Policies (Unaudited)

Year ended June 30, 2019

Type	Insurer/agent	Amount of coverage	Expiration date	
Automobile liability and physical damage	Virginia Municipal Liability Pool/Virginia Municipal League Insurance Programs	$ 1,000,000	June 30, 2019	*
Boiler and machinery	Virginia Municipal Liability Pool/Virginia Municipal League Insurance Programs	10,000,000	June 30, 2019	*
Bridge floater (bridges, tunnels, trestles, and loss of revenue)	ACE American Insurance Company & XL Insurance America/Aon Risk Solutions	225,000,000	March 31, 2020	
Crime (theft, disappearance, and employee dishonesty)	Virginia Municipal Liability Pool/Virginia Municipal League Insurance Programs	700,000	June 30, 2019	*
General liability	Virginia Municipal Liability Pool/Virginia Municipal League Insurance Programs	1,000,000	June 30, 2019	*
Cyber liability	Virginia Municipal Liability Pool/Virginia Municipal League Insurance Programs	2,000,000	June 30, 2019	*
No fault property damage	Virginia Municipal Liability Pool/Virginia Municipal League Insurance Programs	10,000	June 30, 2019	*
Property direct damage	Virginia Municipal Liability Pool/Virginia Municipal League Insurance Programs	25,000	June 30, 2019	*
Excess liability	Virginia Municipal Liability Pool/Virginia Municipal League Insurance Programs	10,000,000	June 30, 2019	*
Wharfinger's liability	Atlantic Specialty Insurance/Brown & Brown Flagship Group LTD	4,000,000	September 30, 2019	
Workers' compensation	Virginia Municipal Liability Pool/Virginia Municipal League Insurance Programs	Statutory	June 30, 2019	*
Line of Duty Act	Virginia Municipal Liability Pool/Virginia Municipal League Insurance Programs	Statutory	June 30, 2019	*

* The District has renewed these policies for fiscal year 2020.

See accompanying independent auditors' report.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Schedule of Comparative Traffic and Revenue Statistics (Unaudited)

Years ended June 30, 2019 and 2018

	2019		2018		Increase (decrease)	
	Vehicles	Revenue	Vehicles	Revenue	Vehicles	Revenue
Vehicle classifications:						
Cars and light trucks	3,620,088	$ 46,785,077	3,583,197	$ 44,304,563	36,891	$ 2,480,514
Heavy trucks	369,131	13,618,650	366,378	12,856,449	2,753	762,201
Buses	12,478	375,923	13,187	384,643	(709)	(8,720)
	4,001,697	60,779,650	3,962,762	57,545,655	38,935	3,233,995
Nonrevenue	110,623	—	93,626	—	16,997	—
Deductions from toll revenues	—	(1,308,251)	—	(1,247,982)	—	(60,269)
	4,112,320	$ 59,471,399	4,056,388	$ 56,297,673	55,932	$ 3,173,726

See accompanying independent auditors' report.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Schedule of Investments

June 30, 2019

Unrestricted investments at fair market value as of June 30, 2019 consist of the following:

Description	Coupon rate	Maturity date		Market value
Revenue Bond – Revenue Fund:				
BB&T Trust Deposit	Variable	Not Fixed	$	4,458,116
				4,458,116
General Revenue Bond – Operations & Maintenance Reserve Fund:				
US Treasury Notes	1.375%	12/15/19		3,887,660
BB&T Trust Deposit	Variable	Not Fixed		39,809
				3,927,469
GR Reserve Maintenance Fund:				
US Treasury Notes	0.750	07/15/19		2,098,809
Cooperative Rabobank Commercial Paper	Variable	09/13/19		994,963
US Treasury Notes	1.250	10/31/19		2,243,320
US Treasury Notes	1.375	02/29/20		2,488,867
US Treasury Notes	3.500	05/15/20		3,003,106
BB&T Trust Deposit	Variable	Not Fixed		8,206,615
				19,035,680
GR General Fund:				
Federal Home Loan Mortgage Corp. Notes	0.875	07/19/19		919,256
Freddie Mac Global Notes	1.250	08/01/19		2,298,073
Federal Home Loan Bank	0.875	08/05/19		4,993,510
Freddie Mac Notes	1.375	08/15/19		1,962,905
MUFG Bank LTD/NY Commercial Paper	Variable	08/26/19		5,478,644
Credit Agricole NY Commercial Paper	Variable	08/26/19		5,479,694
US Treasury Notes	1.250	08/31/19		1,557,322
Cooperative Rabobank UA Commercial Paper	Variable	09/13/19		5,472,297
US Treasury Notes	1.000	09/30/19		1,749,995
US Treasury Notes	1.750	09/30/19		1,957,932
Freddie Mac Global Notes	1.250	10/02/19		2,992,725
International Bank of Recon and Dev Global	1.875	10/07/19		1,673,804
Fannie Mae Global Notes	1.000	10/24/19		7,073,794
FNMA Benchmark Note	1.750	11/26/19		1,997,078
US Treasury Notes	1.500	11/30/19		5,017,033
US Treasury Notes	1.875	12/31/19		2,847,663
Freddie Mac Global Notes	1.500	01/17/20		1,843,442

(Continued)

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Schedule of Investments

June 30, 2019

Unrestricted investments at fair market value as of June 30, 2019 consist of the following:

Description	Coupon rate	Maturity date	Market value
General Resolution General Fund (Continued):			
Freddie Mac Agency Notes	1.500%	01/17/20	$ 4,982,275
IBM Corporation Notes	1.900	01/27/20	3,642,685
US Treasury Notes	1.250	01/31/20	2,622,031
Microsoft Corp.	1.850	02/06/20	908,050
Federal Home Loan Bank Notes	2.125	02/11/20	3,211,332
Nordea Bank CD	2.720	02/20/20	2,699,665
Federal National Mortgage Assn.	1.500	02/28/20	7,570,793
US Treasury Notes	1.250	02/29/20	1,477,228
Toyota Motor Credit Corp.	1.950	04/17/20	1,018,042
Federal Home Loan Mortgage Corp. Notes	1.375	04/20/20	1,984,869
Federal Home Loan Mortgage Corp. Notes	1.375	04/20/20	8,954,298
Federal Home Loan Mortgage Corp. Notes	1.375	04/20/20	2,188,828
Federal Home Loan Mortgage Corp. Notes	1.375	04/20/20	4,342,835
Federal Home Loan Mortgage Corp. Notes	1.375	04/20/20	2,984,766
Federal Home Loan Mortgage Corp. Notes	1.375	04/20/20	1,562,028
FNMA Notes	1.500	07/30/20	3,731,280
US Treasury Notes	1.625	07/31/20	2,028,244
International Bank of Recon & Dev Global	1.561	09/12/20	3,338,134
Federal Home Loan Bank Notes	1.375	09/28/20	2,309,646
Federal Home Loan Bank Notes	2.625	10/01/20	776,601
HSBC Bank Certificate of Deposit	2.700	10/02/20	2,923,048
Proctor & Gamble Co. Corp. Notes	1.900	10/23/20	729,647
Swedbank New York CD	2.270	11/16/20	2,647,173
Johnson & Johnson Corp. Notes	1.950	11/10/20	755,652
Federal Home Loan Mortgage Corp. Notes	1.875	11/17/20	2,044,356
Walmart Stores Inc. Corp. Notes	1.900	12/15/20	3,393,893
Asian Development Bank Note	2.250	01/20/21	1,737,643
Freddie Mac Notes	2.375	02/16/21	2,476,258
Freddie Mac Notes	2.375	02/16/21	3,025,977
Berkshire Hathaway Inc.	2.200	03/15/21	2,531,994
African Development Bank Note	2.625	03/22/21	1,310,844
Toyota Motor Credit Corp. Notes	2.950	04/13/21	2,118,764
Federal Home Loan Mortgage Corp. Notes	6.000	06/01/21	32,283
US Treasury Notes	2.125	06/30/21	17,129,246
International Bank of Recon & Dev Global	2.750	07/23/21	2,683,700
US Treasury Notes	2.000	10/31/21	2,852,166
Federal National Mortgage Assn.	5.500	11/01/21	18,570

(Continued)

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Schedule of Investments

June 30, 2019

Unrestricted investments at fair market value as of June 30, 2019 consist of the following:

Description	Coupon rate	Maturity date		Market value
Federal Home Loan Bank Notes	2.625	10/12/21	$	1,729,882
US Treasury Notes	2.875	11/15/21		5,029,007
Fannie Mae Notes	2.625	01/11/22		1,954,769
Fannie Mae Notes	2.625	01/11/22		2,112,988
US Treasury Notes	2.500	01/15/22		2,409,713
Federal Home Loan Mortgage Corp. Notes	5.500	02/01/22		48,270
Apple Inc. Bonds	2.500	02/09/22		2,980,390
US Treasury Notes	2.500	02/15/22		5,455,117
Fannie Mae Notes	1.875	04/05/22		4,858,691
Federal Home Loan Bank Notes	2.700	04/29/22		1,166,955
US Treasury Notes	1.875	04/30/22		2,831,345
US Treasury Notes	1.875	04/30/22		3,714,885
Federal Home Loan Bank Notes	2.650	05/23/22		3,000,867
US Treasury Notes	1.750	05/31/22		2,416,603
Fannie Mae Pool	3.000	06/01/22		202,804
Federal Home Loan Mortgage Corp. Notes	6.000	07/01/22		29,151
GNMA Pool #5276	3.000	01/01/27		424,445
GNMA Pool #794283	3.500	03/01/27		255,114
GNMA Pool #MA0007	3.000	04/01/27		714,453
Fannie Mae Pool #1084	3.500	06/01/32		820,804
BB&T Trust Deposit	Variable	Not Fixed		528,640
				208,744,904
Total unrestricted investments			$	236,166,169

(Continued)

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Schedule of Investments

June 30, 2019

Restricted investments at fair market value as of June 30, 2019 consist of the following:

Description	Coupon rate	Maturity date		Market value
General Revenue Bond – TIFIA Debt Service				
Reserve Fund:				
US Treasury Notes	1.125%	12/31/19	$	11,529,780
FNMA Benchmark Notes	1.875	12/18/20		11,358,228
BB&T Trust Deposit	Variable	Not Fixed		232,863
				23,120,871
General Revenue Bond – VTIB Debt Service				
Reserve Fund:				
US Treasury Notes	1.125	12/31/19		1,706,693
FNMA Benchmark Notes	1.875	12/28/20		1,679,738
BB&T Trust Deposit	Variable	Not Fixed		38,916
				3,425,347
General Revenue Bond – Series 2016				
Interest Fund:				
BB&T Trust Deposit	Variable	Not Fixed		7,573,021
				7,573,021
2016 Thimble Shoal Project Fund:				
Local Government Investment Pool	Variable	Not Fixed		75,799,515
BB&T Trust Deposit	Variable	Not Fixed		11,100
				75,810,615
2016 Thimble Shoal Project Fund – TIFIA:				
US Treasury Notes	1.875	12/31/19		9,122,513
BB&T Trust Deposit	Variable	Not Fixed		8,223
				9,130,736
2016 Thimble Shoal Project Fund – VTIB:				
US Treasury Notes	1.875	12/31/19		1,343,897
BB&T Trust Deposit	Variable	Not Fixed		4,724
				1,348,621
2016 Capitalized Interest Fund:				
US Treasury Notes	1.625	12/31/19		3,825,861
US Treasury Notes	1.625	06/30/20		3,852,319
US Treasury Notes	—	12/31/20		3,894,821
US Treasury Notes	1.125	06/30/21		4,839,897
BB&T Trust Deposit	Variable	Not Fixed		192,755
				16,605,653
Total restricted investments			$	137,014,864

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/program title	CFDA number	Project number	Expenditures
Department of Transportation:			
Federal Highway Administration:			
Transportation Infrastructure Finance and Innovation Act (TIFIA)	20.223	2017-1001A	$ 9,048,806
			$ 9,048,806

See accompanying notes to schedule of expenditures of federal awards.
See accompanying independent auditors' report.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activities of the federal financial assistance programs of the Chesapeake Bay Bridge and Tunnel District.

(2) Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting.

(3) De Minimus Cost Rate

The auditee has not elected to use the 10% de minimus indirect cost rate as discussed in Uniform Guidance Section 200.414.

(4) Amounts Passed to Subrecipients

There were no amounts passed to subrecipients for the year ended June 30, 2019.

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Independent Auditors' 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*

The Chairman and Members
Chesapeake Bay Bridge and Tunnel Commission:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Chesapeake Bay Bridge and Tunnel District (the District), which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2019.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Norfolk, Virginia
October 28, 2019

KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Commissioners
Chesapeake Bay Bridge and Tunnel District:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

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

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

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of and for the year ended June 30, 2019, and have issued our report thereon dated October 28, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole

KPMG LLP

Norfolk, Virginia
October 28, 2019

CHESAPEAKE BRIDGE AND TUNNEL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

(1) Summary of Auditors' Results

(a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

(c) Noncompliance material to the financial statements: **No**

(d) Internal control deficiencies over the major program disclosed by the audit:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

(e) Type of report issued on compliance for the major program: **Unmodified**

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**

(g) Major programs:

- Transportation Infrastructure Finance and Innovation Act– CFDA 20.223

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

(i) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

None

(3) Findings and Questioned Costs Relating to Federal Awards:

None