

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Lucius J. Kellam, Jr. Bridge-Tunnel



Financial Statements & Quarterly Report
December 31, 2023

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

December 31, 2023

Overview of the Financial Statements

The Chesapeake Bay Bridge and Tunnel District's (the District) financial report for the quarter ended December 31, 2023 provides long-term and short-term information about the District's overall financial status. This report consists of two parts: management's discussion and analysis and the basic financial statements, including notes to the basic financial statements. 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 December 31, 2023 and 2022, the related statements of revenues, expenses, and changes in net position and the statements of cash flows for the quarter and year 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.

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 the Quarter

- Gross toll revenues before deductions for the second quarter of fiscal year 2024 (Q2 FY24) were \$15,262,627 and were 2.2% more than toll revenues in the second quarter of fiscal year 2023 (Q2 FY23). During Q2 FY24, total revenue vehicles of 997,779 crossed the District's facility. This represents an increase in vehicular traffic of only 19,792, or 2.0% from Q2 FY23.
- Other revenues totaled \$276,020 in Q2 FY24 and totaled \$345,571 in Q2 FY23, which is a decrease of \$69,551 or 20.1%.
- Operating expenses before District facility expenses in Q2 FY24 totaled \$4,398,252, which is an increase in operating expenses of \$419,037, or 10.5% from Q2 FY23.
- Facility expenses for Q2 FY24 were \$1,611,599 compared to \$783,531 in Q2 FY23. District facility expenses primarily include preservation expenses for bridge and tunnel assets. Preservation expenses are predominantly large complex repairs and renovations and depending on the nature of the preservation expense can vary greatly from year to year.
- Net non-operating revenues in Q2 FY2024 total \$9,567,892. In comparison to net non-operating expenses of \$401,036 in Q2 FY2023, this represents an increase in non-operating revenues of \$9,968,928. This change is primarily the result of a sharp increase in the gain on the change in fair value of investments of \$9,368,603.
- Total net position at December 31, 2023 was \$866,169,184 an 8.1 % increase over total net position at December 31, 2022.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

December 31, 2023

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 of Finance and Operations, 32386 Lankford Highway, Cape Charles, Virginia 23310.

Chesapeake Bay Bridge and Tunnel District
Statements of Net Position
December 31, 2023 and 2022

Assets and Deferred Outflows of Resources	2023	2022
Current assets:		
Cash	\$ 1,363,248	1,761,526
Investments	59,319,056	171,298,421
Accounts receivable and accrued interest receivable, net	2,473,485	1,560,887
Prepaid expenses and other assets	461,630	373,749
Lease Receivable	1,031,080	1,078,278
Total current assets	64,648,499	176,072,861
Restricted assets:		
Cash	7,946,520	9,483,348
Investments	274,276,256	681,706,240
Accrued interest receivable	1,342,150	432,481
Total restricted assets	283,564,926	691,622,069
Investments	284,197,696	162,714,444
Long term lease receivable	4,041,849	5,234,455
Capital assets:		
Bridge and tunnel facilities	422,370,201	422,370,201
Construction in progress - Parallel Thimble Shoal Tunnel	588,895,646	515,965,839
Construction in progress - Parallel Chesapeake Tunnel	3,476,500	3,476,500
Land	5,232,907	5,232,907
Miscellaneous capital assets, net of accumulated depreciation	4,072,035	4,122,285
Total capital assets	1,024,047,289	951,167,732
Bond insurance costs, net of accumulated amortization	2,127,183	2,239,476
Deferred outflows of resources:		
Pension	2,047,240	3,141,188
RHIP OPEB	951,385	1,035,761
GLI OPEB	105,781	129,244
Total deferred outflows of resources	3,104,406	4,306,193
Total assets and deferred outflows of resources	\$ 1,665,731,848	1,993,357,230

Chesapeake Bay Bridge and Tunnel District
Statements of Net Position
December 31, 2023 and 2022

Liabilities, Deferred Inflows and Net Position	2023	2022
Current liabilities:		
Accounts payable & accrued expenses	\$ 21,291,340	15,225,311
Current portion of long-term debt	-	389,285,073
Accrued interest	12,075,885	17,500,091
Unearned revenue	716,177	738,732
Total current liabilities	34,083,402	422,749,207
Long-term liabilities:		
Long-term debt, net of current portion	739,905,904	741,441,658
Net pension liability	13,051,028	10,380,686
Net RHIP OPEB Liability	5,749,406	5,799,973
Net GLI OPEB Liability	466,106	471,413
Total long-term liabilities	759,172,444	758,093,730
Deferred inflows of resources:		
Pension	1,408,036	4,832,962
RHIP OPEB	181,945	351,271
GLI OPEB	129,141	200,575
Lease Receivable	4,587,696	5,779,181
Total deferred inflows of resources	6,306,818	11,163,989
Total liabilities and deferred inflows of resources	799,562,664	1,192,006,926
Commitments and contingencies		
Net position:		
Net investment in capital assets	508,513,273	65,026,651
Restricted for debt service	35,786,541	419,539,411
Restricted for forfeited property	14,774	12,522
Unrestricted	321,854,596	316,771,720
Total net position	866,169,184	801,350,304
Total liabilities, deferred inflows of resources, and net position	\$ 1,665,731,848	1,993,357,230

Statement of Revenues, Expenses, and Changes in Net Position
As of December 31, 2023 & 2022

	Three Months Ended		Six Months Ended		Twelve Months Ended	
	December, 2023	December, 2022	December, 2023	December, 2022	December, 2023	December, 2022
Operating Revenues:						
Toll	\$ 14,987,527	14,608,584	37,115,748	36,933,019	67,451,312	65,941,507
Other	276,020	345,571	702,719	706,549	1,379,047	1,393,216
Total Operating Revenues	<u>15,263,547</u>	<u>14,954,155</u>	<u>37,818,467</u>	<u>37,639,568</u>	<u>68,830,359</u>	<u>67,334,723</u>
Operating Expenses:						
Administration	146,235	99,317	305,857	217,289	513,097	402,112
Finance	259,089	244,328	494,226	462,197	978,581	921,277
Operations	1,393,898	1,214,507	2,720,217	2,432,120	5,107,534	4,615,981
Maintenance	1,100,536	1,087,514	2,208,856	2,216,120	4,510,754	4,289,424
General	1,084,793	1,038,215	2,277,636	2,217,951	4,699,146	4,561,322
Consultants	229,791	95,040	384,421	296,306	861,350	658,566
Utilities	183,910	200,294	441,476	396,936	809,895	979,151
Total Operating Expenses Before District Facility Expenses	<u>4,398,252</u>	<u>3,979,215</u>	<u>8,832,689</u>	<u>8,238,919</u>	<u>17,480,357</u>	<u>16,427,833</u>
District Facility Expenses:						
Insurance	366,063	355,732	815,575	788,302	1,465,194	1,391,223
Depreciation	135,635	151,508	271,270	303,016	605,012	649,210
Bridge and Tunnel Preservation	848,673	250,673	1,913,338	769,187	3,444,870	1,693,306
Other	261,228	25,618	847,439	235,898	745,552	87,827
Total district facility expenses	<u>1,611,599</u>	<u>783,531</u>	<u>3,847,622</u>	<u>2,096,403</u>	<u>6,260,628</u>	<u>3,821,566</u>
Total Operating and District Facility Expenses	<u>6,009,851</u>	<u>4,762,746</u>	<u>12,680,311</u>	<u>10,335,322</u>	<u>23,740,985</u>	<u>20,249,399</u>
Operating Income (Loss)	<u>9,253,696</u>	<u>10,191,409</u>	<u>25,138,156</u>	<u>27,304,246</u>	<u>45,089,374</u>	<u>47,085,324</u>
Nonoperating Revenues (Expenses):						
Change in fair value of investments	12,154,173	2,785,570	20,396,560	(3,102,013)	34,664,013	(19,948,101)
Interest income	3,552,186	1,936,364	6,598,503	3,513,235	12,341,221	7,538,925
Interest expense	(6,138,467)	(5,107,065)	(13,208,459)	(10,101,317)	(27,280,414)	(20,089,542)
Bond issuance costs	-	-	-	-	-	14,549
Gain (loss) on asset disposal	-	-	-	-	4,000	(20,932)
Other revenue/expense, net	-	(15,905)	686	(15,907)	686	(15,885)
Total Nonoperating Revenues (Expenses), net	<u>9,567,892</u>	<u>(401,036)</u>	<u>13,787,290</u>	<u>(9,706,002)</u>	<u>19,729,506</u>	<u>(32,520,986)</u>
Increase (Decrease) in net position	18,821,588	9,790,373	38,925,446	17,598,244	64,818,880	14,564,338
Total net position, beginning of period	847,347,596	791,559,931	827,243,738	783,752,060	801,350,304	786,785,966
Total net position, end of period	<u>\$ 866,169,184</u>	<u>801,350,304</u>	<u>866,169,184</u>	<u>801,350,304</u>	<u>866,169,184</u>	<u>801,350,304</u>

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Statements of Cash Flows

For the period ended December 31, 2023 and 2022

	<u>Q2 FY2024</u>	<u>Q2 FY2023</u>	<u>FYTD 2024</u>	<u>FYTD 2023</u>
Cash flows from operating activities:				
Toll collections from customers	\$ 14,820,310	14,352,590	36,879,119	36,725,981
Scrip sales	82,660	41,680	137,608	104,000
Leasing revenue	377,950	359,869	788,289	541,128
Payments to employees for services and employee benefits	(3,981,836)	(3,526,290)	(7,472,819)	(7,228,387)
Payments to suppliers and consultants	(1,487,287)	(1,415,771)	(3,711,212)	(2,258,567)
Other	<u>(259,095)</u>	<u>(39,205)</u>	<u>42,966</u>	<u>(226,336)</u>
Net cash provided by (used in) operating activities	<u>9,552,702</u>	<u>9,772,873</u>	<u>26,663,951</u>	<u>27,657,819</u>
Cash flows from investing activities:				
Purchases of investments	(578,234,932)	(919,138,037)	(863,078,472)	(1,126,582,201)
Interest income	2,472,244	1,641,252	4,838,805	3,051,033
Sales and maturities of investments	<u>991,614,227</u>	<u>544,209,315</u>	<u>1,282,366,032</u>	<u>758,946,923</u>
Net cash provided by (used in) investing activities	<u>415,851,539</u>	<u>(373,287,470)</u>	<u>424,126,365</u>	<u>(364,584,245)</u>
Cash flows from capital and related financing activities:				
Capitalized expenditures	(33,144,496)	(14,137,277)	(36,874,700)	(23,446,749)
Forfeited assets	—	—	686	—
Bond proceeds	—	387,192,182	—	387,192,182
TIFIA loan servicing fee	—	(16,000)	—	(16,000)
Debt principal repayments	(378,140,000)	—	(378,140,000)	—
Interest paid	<u>(6,302,332)</u>	<u>—</u>	<u>(27,773,063)</u>	<u>(17,386,940)</u>
Net cash provided by (used in) capital and related financing activities	<u>(417,586,828)</u>	<u>373,038,905</u>	<u>(442,787,077)</u>	<u>346,342,493</u>
Net increase (decrease) in cash and restricted cash	7,817,413	9,524,308	8,003,239	9,416,067
Cash, beginning of period	<u>1,492,355</u>	<u>1,720,566</u>	<u>1,306,529</u>	<u>1,828,807</u>
Cash, end of period	\$ <u>9,309,768</u>	<u>11,244,874</u>	<u>9,309,768</u>	<u>11,244,874</u>
Cash and restricted cash are presented in the accompanying statements of net position as follows:				
Cash	\$ 1,363,248	1,761,526	1,363,248	1,761,526
Restricted cash	<u>7,946,520</u>	<u>9,483,348</u>	<u>7,946,520</u>	<u>9,483,348</u>
	\$ <u>9,309,768</u>	<u>11,244,874</u>	<u>9,309,768</u>	<u>11,244,874</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 9,253,696	10,191,409	25,138,156	27,304,246
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	135,635	151,508	271,270	303,016
(Increase) decrease in operating assets:				
Accounts receivable	(170,774)	(210,582)	746,671	(103,903)
Lease receivable	359,689	305,375	629,991	460,948
Prepaid expenses and other assets	313,559	395,530	577,487	635,233
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	(169,694)	(764,153)	(199,916)	(325,778)
Lease liabilities	(269,020)	(274,430)	(538,040)	(548,859)
Unearned revenue	<u>99,611</u>	<u>(21,784)</u>	<u>38,332</u>	<u>(67,084)</u>
Net cash provided by operating activities	\$ <u>9,552,702</u>	<u>9,772,873</u>	<u>26,663,951</u>	<u>27,657,819</u>

**Chesapeake Bay Bridge and Tunnel District
Statement of Cash & Investments
As of December 31, 2023**

	<u>Cash</u>	<u>Investments</u>	<u>Totals</u>
<u>GENERAL REVENUE BOND RESOLUTION FUNDS:</u>			
Unrestricted:			
Revenue Fund	\$ 866,250	2,641,591	3,507,841
Operations & Maintenance Reserve Fund	-	4,886,837	4,886,837
Reserve Maintenance Fund	319,269	27,195,162	27,514,431
General Fund	177,729	308,793,162	308,970,891
	<u>1,363,248</u>	<u>343,516,752</u>	<u>344,880,000</u>
Restricted:			
Parallel Thimble Shoal Tunnel Project Fund - Series 2016 Bonds	-	321	321
Parallel Thimble Shoal Tunnel Project Fund - VTIB	-	586,853	586,853
Parallel Thimble Shoal Tunnel Project Fund - TIFIA	-	39	39
Parallel Thimble Shoal Tunnel Project Fund - Series 2019 BANs	-	245,818,449	245,818,449
Series 2016 Interest Fund	7,912,875	-	7,912,875
Series 2021 TIFIA Interest Fund	-	3,420,804	3,420,804
Series 2016 VTIB Interest Fund	-	742,206	742,206
TIFIA Debt Service Reserve Fund	-	20,378,784	20,378,784
VTIB Debt Service Reserve Fund	-	3,328,800	3,328,800
	<u>7,912,875</u>	<u>274,276,256</u>	<u>282,189,131</u>
<u>OTHER RESTRICTED ASSETS:</u>			
Restricted Asset Forfeited Property Account	33,645	-	33,645
Totals	<u>\$ 9,309,768</u>	<u>617,793,008</u>	<u>627,102,776</u>

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
SCHEDULE OF INVESTMENTS

As of December 31, 2023

Unrestricted investments at fair market value as of December 31, 2023 consist of the following:

<u>Description</u>	<u>Coupon Rate</u>	<u>Maturity Date</u>	<u>Market Value</u>
<u>Revenue Bond - Revenue Fund</u>			
Truist Trust Deposit	Variable	Not Fixed	\$ 2,641,591
<u>General Revenue Bond - Operations & Maintenance Reserve Fund</u>			
US Treasury Notes	3.000%	06/30/24	4,877,619
Truist Trust Deposit	Variable	Not Fixed	9,218
			<u>4,886,837</u>
<u>General Revenue Bond - Reserve Maintenance Fund</u>			
US Treasury Bill	Discount	01/11/24	1,997,382
US Treasury Notes	2.125%	03/31/24	4,762,500
US Treasury Notes	2.500%	04/30/24	3,467,188
US Treasury Notes	2.500%	05/31/24	3,361,219
US Treasury Notes	3.000%	06/30/24	1,385,125
US Treasury Notes	1.500%	02/15/25	3,474,000
Truist Trust Deposit	Variable	Not Fixed	8,747,748
			<u>27,195,162</u>
<u>General Revenue Bond - General Fund</u>			
US Treasury Bill	Discount	01/02/24	9,514,604
US Treasury Bill	Discount	01/02/24	3,504,486
US Treasury Notes	0.125%	01/15/24	414,416
Fannie Mae Notes	0.310%	01/26/24	3,368,386
US Treasury Notes	0.250%	03/15/24	158,400
Colgate-Palmolive Co. Corp. Notes	3.250%	03/15/24	2,397,287
Federal Farm Credit Bank Notes	0.875%	04/08/24	3,557,293
US Treasury Notes	2.250%	04/30/24	603,900
US Treasury Notes	0.375%	09/15/24	1,384,419
US Treasury Notes	0.625%	10/15/24	2,040,106
US Treasury Notes	2.250%	10/31/24	415,770
US Treasury Notes	1.500%	10/31/24	3,127,090
US Treasury Notes	0.750%	11/15/24	2,016,850
US Treasury Notes	2.125%	11/30/24	1,014,650
US Treasury Notes	1.000%	12/15/24	3,751,419
Fannie Mae Notes	1.625%	01/07/25	3,157,062
Fannie Mae Notes	1.625%	01/07/25	2,619,587
Freddie Mac Notes	1.500%	02/12/25	951,000
Freddie Mac Notes	1.500%	02/12/25	1,419,259
Freddie Mac Notes	1.500%	02/12/25	2,210,954
US Treasury Notes	1.500%	02/15/25	4,849,125
Roche Holdings Inc.	2.132%	03/10/25	1,674,094

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
SCHEDULE OF INVESTMENTS

As of December 31, 2023

Unrestricted investments at fair market value as of December 31, 2023 consist of the following:

Description	Coupon Rate	Maturity Date	Market Value
<u>General Revenue Bond - General Fund (continued)</u>			
US Treasury Notes	0.500%	03/31/25	\$ 2,376,563
Federal Home Loan Bank Notes	0.500%	04/14/25	2,170,883
Fannie Mae Notes	0.625%	04/22/25	1,578,101
Fannie Mae Notes	0.625%	04/22/25	2,899,522
Colgate-Palmolive Co. Corp. Notes	7.600%	05/19/25	2,386,165
US Treasury Notes	0.250%	05/31/25	1,600,922
Fannie Mae Notes	0.500%	06/17/25	3,337,079
Fannie Mae Notes	0.500%	06/17/25	2,062,664
Fannie Mae Notes	0.500%	06/17/25	1,151,693
US Treasury Notes	3.000%	07/15/25	640,672
US Treasury Notes	3.000%	07/15/25	3,012,625
Freddie Mac Notes	4.050%	07/21/25	4,938,755
Freddie Mac Notes	0.375%	07/21/25	1,245,038
US Treasury Notes	0.250%	07/31/25	9,902,496
Federal Home Loan Bank Notes	4.100%	08/08/25	4,937,010
Fannie Mae Notes	0.500%	08/14/25	2,170,576
Fannie Mae Notes	0.375%	08/25/25	2,003,917
Federal National Mortgage Corporation Notes	0.375%	08/25/25	2,247,384
Freddie Mac Notes	4.050%	08/28/25	4,932,970
Fannie Mae Notes	4.000%	08/28/25	4,930,290
US Treasury Notes	0.250%	08/31/25	1,704,094
US Treasury Notes	0.250%	08/31/25	1,204,538
Freddie Mac Notes	0.375%	09/23/25	2,933,225
US Treasury Notes	0.250%	09/30/25	1,909,063
US Treasury Notes	0.250%	09/30/25	3,189,531
US Treasury Notes	4.250%	10/15/25	9,463,706
Fannie Mae Notes	0.500%	10/20/25	2,216,668
Microsoft Corporation	3.125%	11/03/25	2,328,425
Fannie Mae Notes	0.500%	11/07/25	2,102,483
Bank of NY Mellon Notes	5.224%	11/21/25	4,064,557
US Treasury Notes	0.375%	12/31/25	2,826,969
US Treasury Notes	0.375%	12/31/25	1,645,203
US Treasury Notes	0.375%	12/31/25	1,761,063
US Treasury Notes	0.375%	12/31/25	3,624,081
US Treasury Notes	0.375%	12/31/25	2,002,050
US Treasury Notes	0.375%	01/31/26	9,897,981
US Treasury Notes	0.375%	01/31/26	1,708,938
US Treasury Notes	0.750%	04/30/26	9,862,165
Freddie Mac Notes	5.400%	02/23/26	9,085,267
Proctor & Gamble Corporation	1.000%	04/23/26	3,420,877
US Treasury Notes	0.750%	05/31/26	1,043,131
US Treasury Notes	0.750%	05/31/26	1,384,688
US Treasury Notes	2.125%	05/31/26	3,247,000
US Treasury Notes	0.875%	06/30/26	6,890,086
US Treasury Notes	0.625%	07/31/26	3,100,448
Alphabet Inc. Corporate Notes	1.998%	08/15/26	3,238,812
US Treasury Notes	1.500%	08/15/26	1,123,125
US Treasury Notes	0.875%	09/30/26	6,789,563

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
SCHEDULE OF INVESTMENTS

As of December 31, 2023

Unrestricted investments at fair market value as of December 31, 2023 consist of the following:

Description	Coupon Rate	Maturity Date	Market Value
<u>General Revenue Bond - General Fund (continued)</u>			
US Treasury Notes	1.625%	10/31/26	\$ 4,180,355
US Treasury Notes	2.000%	11/15/26	1,418,437
US Treasury Notes	2.000%	11/15/26	4,174,933
US Treasury Notes	1.250%	12/31/26	4,824,143
GNMA Pool #5276	3.000%	01/01/27	65,075
US Treasury Notes	1.500%	01/31/27	4,173,326
Microsoft Corporation	3.300%	02/06/27	2,435,273
US Treasury Notes	1.875%	02/28/27	2,128,834
US Treasury Notes	1.875%	02/28/27	3,226,075
GNMA Pool #794283	3.500%	03/01/27	27,832
FHMS K064 A2	3.224%	03/01/27	3,188,016
US Treasury Notes	2.500%	03/31/27	4,244,363
GNMA Pool #MA0007	3.000%	04/01/27	120,368
Federal Home Loan Mortgage Corporation Notes	3.243%	04/01/27	1,798,142
US Treasury Notes	2.625%	05/31/27	4,739,625
Federal Home Loan Mortgage Corporation Notes	3.117%	06/01/27	2,795,324
US Treasury Notes	3.250%	06/30/27	3,098,675
US Treasury Notes	3.250%	06/30/27	3,372,375
US Treasury Notes	2.750%	07/31/27	4,560,742
US Treasury Notes	3.125%	08/31/27	3,426,961
US Treasury Notes	4.125%	09/30/27	3,886,538
US Treasury Notes	4.125%	10/31/27	4,505,067
US Treasury Notes	2.250%	11/15/27	3,037,714
US Treasury Notes	3.875%	12/31/27	4,395,187
FHMS K507 A1	4.800%	04/01/28	3,206,470
FHMS KJ47 A1	5.272%	08/01/28	1,908,225
FHMS K507 A2	4.800%	09/01/28	3,360,627
FHMS K509 A2	4.850%	09/01/28	2,565,476
FHMS K510 A2	5.069%	10/01/28	1,311,105
FHMSK511A2	4.860%	10/01/28	1,894,301
FHMSK5112A2	5.000%	11/01/28	1,726,218
Fannie Mae Pool #1084	3.500%	06/01/32	239,147
Truist Trust Deposit	Variable	Not Fixed	314,994
			<u>308,793,162</u>
Total unrestricted investments			<u>\$ 343,516,752</u>

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
SCHEDULE OF INVESTMENTS

As of December 31, 2023

Restricted investments at fair market value as of December 31, 2023 consist of the following:

<u>Description</u>	<u>Coupon Rate</u>	<u>Maturity Date</u>	<u>Market Value</u>
<u>General Revenue Bond - TIFIA Debt Service Reserve Fund</u>			
US Treasury Notes	1.750%	12/31/24	\$ 3,464,574
Freddie Mac Notes	0.375%	09/23/25	2,274,650
Truist Trust Deposit	Variable	Not Fixed	14,639,560
			<u>20,378,784</u>
<u>General Revenue Bond - VTIB Debt Service Reserve Fund</u>			
US Treasury Notes	1.750%	12/31/24	931,650
Freddie Mac Notes	0.375%	09/23/25	336,293
Truist Trust Deposit	Variable	Not Fixed	2,060,857
			<u>3,328,800</u>
<u>General Revenue Bond - Series 2016 VTIB Interest Fund</u>			
Truist Trust Deposit	Variable	Not Fixed	<u>742,206</u>
<u>2016 Thimble Shoal Project Fund</u>			
Truist Trust Deposit	Variable	Not Fixed	<u>321</u>
<u>2019 BANs Thimble Shoal Tunnel Project Fund</u>			
US Treasury Notes	0.250%	03/15/24	30,635,549
US Treasury Notes	0.250%	06/15/24	48,890,624
US Treasury Notes	1.750%	06/30/24	25,462,938
US Treasury Notes	4.250%	06/30/24	24,503,003
US Treasury Notes	2.125%	11/30/24	25,112,588
US Treasury Notes	3.875%	03/31/25	25,266,963
US Treasury Notes	3.875%	01/15/26	19,815,263
US Treasury Notes	3.750%	04/15/26	20,026,847
Local Government Investment Pool SNAP	Variable	Not Fixed	25,270,411
Truist Trust Deposit	Variable	Not Fixed	834,263
			<u>245,818,449</u>
<u>General Revenue Bond - Series 2021 TIFIA Interest Fund</u>			
Truist Trust Deposit	Variable	Not Fixed	<u>3,420,804</u>

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT
SCHEDULE OF INVESTMENTS

As of December 31, 2023

Restricted investments at fair market value as of December 31, 2023 consist of the following:

<u>Description</u>	<u>Coupon Rate</u>	<u>Maturity Date</u>	<u>Market Value</u>
<u>2016 Thimble Shoal Project Fund - TIFIA</u>			
Truist Trust Deposit	Variable	Not Fixed	\$ <u>39</u>
<u>2016 Thimble Shoal Project Fund - VTIB</u>			
Truist Trust Deposit	Variable	Not Fixed	<u>586,853</u>
Total restricted investments			<u>274,276,256</u>
Total investments			\$ <u><u>617,793,008</u></u>

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Vehicular Traffic Statistics

DESCRIPTION/CLASS	CURRENT YEAR				
	October 2023	November 2023	December 2023	3 Months Ended 12/31/23	12 Months Ended 12/31/23
Cars/Light Trucks:					
Class 1	243,484	236,474	223,295	703,253	3,119,851
Class 1 Round Trip	39,251	37,808	38,699	115,758	463,318
Class 1 Commuter	20,039	18,250	16,564	54,853	215,293
Class 2	3,256	2,232	1,537	7,025	36,294
Class 2 Round Trip	456	402	301	1,159	5,126
Class 3	5,602	3,469	2,549	11,620	58,054
Class 3 Round Trip	672	580	509	1,761	7,373
Class 4	297	272	208	777	3,494
Class 4 Round Trip	25	30	28	83	352
Sub Total	<u>313,082</u>	<u>299,517</u>	<u>283,690</u>	<u>896,289</u>	<u>3,909,155</u>
Heavy Trucks:					
Class 9	5,639	4,879	4,173	14,691	61,048
Class 10	1,842	1,808	1,676	5,326	20,007
Class 11	1,604	1,112	907	3,623	16,495
Class 12	27,403	25,363	21,919	74,685	300,787
Class 13	640	359	307	1,306	4,677
Class 16	22	18	10	50	338
Sub Total	<u>37,150</u>	<u>33,539</u>	<u>28,992</u>	<u>99,681</u>	<u>403,352</u>
Buses:					
Class 8	156	101	136	393	1,631
Class 14	65	32	18	115	547
Class 15	437	454	410	1,301	5,578
Sub Total	<u>658</u>	<u>587</u>	<u>564</u>	<u>1,809</u>	<u>7,756</u>
Totals	<u>350,890</u>	<u>333,643</u>	<u>313,246</u>	<u>997,779</u>	<u>4,320,263</u>
DESCRIPTION/CLASS	PRIOR YEAR				
	October 2022	November 2022	December 2022	3 Months Ended 12/31/22	12 Months Ended 12/31/22
Cars/Light Trucks:					
Class 1	244,189	234,916	221,042	700,147	3,066,508
Class 1 Round Trip	37,015	35,739	36,750	109,504	431,441
Class 1 Commuter	16,942	16,692	16,475	50,109	193,435
Class 2	3,359	2,236	1,511	7,106	36,520
Class 2 Round Trip	434	383	333	1,150	4,999
Class 3	5,413	3,528	2,530	11,471	57,113
Class 3 Round Trip	695	534	456	1,685	6,609
Class 4	300	226	189	715	3,396
Class 4 Round Trip	29	20	19	68	383
Sub Total	<u>308,376</u>	<u>294,274</u>	<u>279,305</u>	<u>881,955</u>	<u>3,800,404</u>
Heavy Trucks:					
Class 9	5,019	4,767	4,204	13,990	59,835
Class 10	2,011	1,949	1,485	5,445	20,815
Class 11	1,440	1,213	1,003	3,656	15,563
Class 12	24,903	22,929	22,354	70,186	295,360
Class 13	278	239	313	830	3,479
Class 16	41	39	31	111	376
Sub Total	<u>33,692</u>	<u>31,136</u>	<u>29,390</u>	<u>94,218</u>	<u>395,428</u>
Buses:					
Class 8	123	87	95	305	1,297
Class 14	59	38	23	120	487
Class 15	509	478	402	1,389	5,312
Sub Total	<u>691</u>	<u>603</u>	<u>520</u>	<u>1,814</u>	<u>7,096</u>
Totals	<u>342,759</u>	<u>326,013</u>	<u>309,215</u>	<u>977,987</u>	<u>4,202,928</u>

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

December 31, 2023

(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. Stage 3 will complete the parallel crossing with construction of an additional two-lane tunnel under Chesapeake Channel.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

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(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 nonoperating 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 nonoperating 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 accounting principles generally accepted in the United States of America ("U.S. 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.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

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(c) Capital Assets

The bridge and tunnel assets and construction in progress are stated at cost and include previously capitalized interest. In FY2020, the District implemented Governmental Accounting Standards Board (“GASB”) Statement 89 – Accounting for Interest Cost Incurred before the End of a Construction Project which no longer requires the capitalization of interest during construction projects beginning with FY2020. The new statement is only applied prospectively. 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 three years up to 50 years.

(d) Net Position

Net position is classified into four different components: net investment in capital assets, restricted for debt service, restricted for forfeited property, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position restricted for debt service 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. 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. Unrestricted net position contains the revenue fund, reserve maintenance fund, and the 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 also be used for current and future construction projects.

(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) Accounts Receivable

A significant portion of the District’s toll revenues are collected electronically via credit card, debit card or E-ZPass. E-ZPass allows tolls to be paid from a prepaid account between a participating group of toll agencies throughout the northeastern and mid-Atlantic United States. The payment of the tolls is governed by a reciprocal agreement between the participating agencies. Electronic toll payment via all three methods is usually received within one to three days following the toll charge.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

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The lagged toll payment is recorded as a receivable on the District's statement of net position. In management's estimate an allowance for doubtful account is unnecessary given the reliability of payment under the reciprocal agreement.

(h) 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.

(i) Postemployment benefits other than pensions (OPEB)

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

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 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 GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The 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 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.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

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(j) *Deferred Outflows and Inflows of Resources*

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 positions by the District that is applicable to a future reporting period. The pension and OPEB deferred inflows and outflows related to the difference between expected and actual experience and changes in assumptions are recognized using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions and OPEB through the plans. The pension and OPEB deferred inflows and outflows related to investment experience are recognized using a systematic and rational method over a closed five-year period. The pension and OPEB deferred outflows of resources related to contributions subsequent to the measurement date are recognized as a reduction of the net pension and OPEB liabilities in the subsequent fiscal year. The deferred inflows from leases are recognized as lease revenue by using straight-line amortization over the life of the lease.

(k) *New Accounting Pronouncements*

The District implemented GASB Statement No. 96 – Subscription Based Information Technology Arrangements (SBITAs) effective July 1, 2022. The requirements of this Standard provide guidance on the accounting and financial reporting for SBITAs for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right- to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Upon review, the District concluded that SBITA's are immaterial and do not warrant disclosure.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

December 31, 2023

(3) Cash Deposits and Investments

(a) *Deposits*

The bank balance of the District's deposits (unrestricted and restricted) was \$9,447,666 and \$12,090,672 at December 31, 2023 and 2022, respectively. The carrying value of these deposits was \$9,309,768 and \$11,244,874 at December 31, 2023 and 2022, 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 first-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.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

Quarterly Report for the Period Ending

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

Investment Type	Standard & Poor Credit Rating				
	Total	AAA	AA+	AA-	A-1+
U.S. Treasuries	\$ 435,534,317	-	422,515,227	-	13,019,090
U.S. Agencies	76,838,009	-	76,838,009	-	-
Federal Agency					
Commercial - Backed	23,753,905	-	23,753,905	-	-
Federal Agency					
Mortgage - Backed	452,422	-	452,422	-	-
Corporate Notes	21,945,490	4,763,698	7,299,071	9,882,721	
	<u>\$ 558,524,143</u>	<u>4,763,698</u>	<u>530,858,634</u>	<u>9,882,721</u>	<u>13,019,090</u>

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 December 31, 2023, the District's portfolio was invested as follows:

Investment Type	2023 Fair Value	Percentage of Portfolio
U.S. Treasuries	\$ 435,534,317	70.51%
U.S. Agencies	76,838,009	12.51%
Federal Agency		
Commercial - Backed	23,753,905	3.84%
Federal Agency		
Mortgage - Backed	452,422	0.00%
Corporate Notes	21,945,490	3.55%
Money Market Funds	59,268,865	9.59%
	<u>\$ 617,793,008</u>	<u>100.0%</u>

(d) 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 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.

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

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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 December 31, 2023, the District had the following investments and maturities:

Investment Type	Fair Value	Investment maturities (in years)			Not Fixed
		Less than 1 Year	Between 1 to 3 Years	Greater than 3 Years	
U.S. Treasuries	\$ 435,534,317	206,798,067	80,453,661	148,282,589	-
U.S. Agencies	76,838,009	6,925,680	60,827,062	9,085,267	-
Federal Agency					
Commercial - Backed	23,753,905	-	-	23,753,905	-
Federal Agency					
Mortgage - Backed	452,422	-	-	452,422	-
Money Market Funds	59,268,865	-	-	-	59,268,865
Corporate Notes	21,945,490	2,397,287	10,453,241	9,094,962	-
	<u>\$ 617,793,008</u>	<u>216,121,034</u>	<u>151,733,964</u>	<u>190,669,145</u>	<u>59,268,865</u>

(f) Summary of Changes in Fair Value of Investments

The calculation of realized gains and losses is independent of the calculation of the change in fair value (including purchases and sales) that occurred during the year. Realized gains and losses on investments that were held by the District during previous years, but sold during the current year, were used to compute the change in fair value of investments for the previous year as well as the current year. The change in fair value of investments for the quarter ended December 31, 2023 is calculated as follows:

	<u>Q2 FY24</u>
Investment Fair Value at end of quarter	\$ 617,793,008
Add:	
Proceeds from sales and maturities during the quarter	991,614,227
Less:	
Cost of investments purchased during the quarter	(578,234,932)
Fair value of investments at beginning of quarter	<u>(1,019,018,130)</u>
Change in fair value of investments	<u>\$ 12,154,173</u>

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

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(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.

U.S. generally accepted accounting principles (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 first 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 a maintenance rating program (MRP) condition level of "good" or better.

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.:

CHESAPEAKE BAY BRIDGE AND TUNNEL DISTRICT

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MRP Numeric code scale

Numeric code	Narrative code	Definition
9	Excellent	Component/Element 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
2	Critical	The need for repair or rehabilitation is urgent. Component/Element should be taken out of service until indicated repair is complete.
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 following tables detail the MRP condition level of bridge and tunnel assets for the last three years:

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

Bridge and tunnel assets	2023	2022	2021
Approach roads	100%	100%	100%
Fisherman Island Causeway	100	100	100
Tunnels	88	88	88
Portal islands	89	89	89
Toll plaza infrastructure	100	100	100
Site-wide utilities	100	100	100

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

Bridge and tunnel assets	2023	2022	2021
Original bridges	100%	100%	100%
Parallel crossing bridges	100	100	100
Original trestles	84	84	84
Parallel crossing trestles	100	100	100

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(5) General Resolution Revenue Bonds

Bond activity for Q2 FY24 was as follows:

	Balance September 30, 2023	Bond proceeds	Amortization of costs, premiums, discounts, net	Principal payments	Balance December 31, 2023	Amounts due within one year
<u>First Tier General Resolution</u>						
Series 2016 Bonds	\$ 321,515,000	-	-	-	321,515,000	-
Series 2016 Issuance Premiums	30,172,314	-	(383,938)	-	29,788,376	-
Series 2019 BANs	378,140,000	-	-	(378,140,000)	-	-
Series 2019 Issuance Premiums	1,114,507	-	(1,114,507)	-	-	-
<u>Subordinate Tier General Resolution</u>						
TIFIA Series 2021	338,528,672	-	-	-	338,528,672	-
VTIB Series 2016	50,073,856	-	-	-	50,073,856	-
	\$ 1,119,544,349	-	(1,498,445)	(378,140,000)	739,905,904	-

In July 2016, the Commission awarded a contract to Chesapeake Tunnel Joint Venture to design and build the Parallel Thimble Shoal Tunnel Project (the "Project"). On October 24, 2016, to finance the costs of the Project, 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 of 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 Parallel Thimble Shoal Tunnel 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 insurance policy for the Series 2016 Bonds, and (iii) to pay the related issuance expenses, including bond insurance premiums.

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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.

On November 23, 2021, the original 2016 TIFIA Loan was terminated and replaced by a new 2021 TIFIA Loan as part of a refinancing. The material terms of the TIFIA Loan remained unchanged except for a reduction in the interest rate from 2.88% to 2.01%. The outstanding balance of the 2016 TIFIA Loan of \$9,547,850 plus accrued interest was repaid and a new loan for the same amount of \$338,528,672 was issued. The 2021 TIFIA Loan and the VTIB Loan are issued on the Subordinate Lien of the 2016 Resolution and bear interest rates of 2.01% and 2.90%, respectively. The loans do not incur interest until drawn. The first semi-annual interest repayment for the VTIB Loan commenced January 1, 2021. The first semi-annual interest repayment for the 2021 TIFIA Loan will commence after the initial disbursement of the loan. The first annual principal repayment for both loans is scheduled to commence on July 1, 2025. Final repayment on both loans is July 1, 2054.

On August 13, 2019, the District issued First Tier General Resolution Revenue Bond Anticipation Notes, Series 2019 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 First Supplemental Resolution, adopted by the Commission on July 9, 2019 (the "First 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. 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.

On December 27, 2022, the District received a draw on the outstanding TIFIA loan and the VTIB loan in the amounts of \$338,528,672 and \$48,663,510, respectively. The funds from these two loans secure the District's outstanding Series 2019 BANs. The funds from the two draws were utilized to purchase a Federal Home Loan Bank Note investment that will mature on the same date as the maturity of the Series 2019 BANs. The District will earn approximately \$8.9 million in additional interest income as a result of this transaction.

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.

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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.

(6) 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).

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.

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

- U.S. Treasuries, U.S. Agencies, and Supra-Nationals: 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 per share of those funds. The District has the following recurring fair value measurements as of December 31, 2023:

	Fair value 2023	Fair value measurements using		
		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	\$ 435,534,317	—	435,534,317	—
U.S. Agencies	76,838,009	—	76,838,009	—
Federal agency commercial-backed	23,753,905	—	23,753,905	—
Federal agency mortgage-backed	452,422	—	452,422	—
Corporate notes	21,945,490	—	21,945,490	—
Total investments by fair value level	<u>558,524,143</u>	<u>—</u>	<u>558,524,143</u>	<u>—</u>
Investments measured at the net asset value (NAV):				
Money market funds	<u>59,268,865</u>			
Total investments measured at fair value	<u>\$ 617,793,008</u>			