RICHMOND METROPOLITAN TRANSPORTATION AUTHORITY

Annual Comprehensive Financial Report

For the year ended June 30, 2021

Serving Chesterfield, Henrico, and Richmond, Virginia

Richmond Metropolitan Transportation Authority

Chesterfield, Henrico, and Richmond, Virginia

Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Prepared by the Department of Finance

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Introductory Section

Transmittal Letter

March 14, 2023

Board of Directors
Richmond Metropolitan Transportation Authority
Richmond, Virginia

Honorable Members of the Board:

The annual comprehensive financial report of the Richmond Metropolitan Transportation Authority ("RMTA" or the "Authority"), as of and for the fiscal year ended June 30, 2021, is hereby submitted. Section 710 of a resolution, adopted October 18, 2011, creating and establishing an issue of revenue bonds of the Authority, requires an annual audit of the Authority's financial statements by independent certified public accountants.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Cherry Bekaert LLP has issued an unmodified ("clean") audit opinion on the Authority's financial statements, as of and for the year ended June 30, 2021. The report of the independent auditor is located at the front of the financial section of this report.

Management's discussion and analysis ("MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Authority

The Authority was created in March 1966 by an Act of the General Assembly of the Commonwealth of Virginia to plan, finance, build, and maintain a toll expressway system to serve the Richmond metropolitan area. In 1973, the Act was amended to authorize the Authority to provide vehicular parking facilities for the Richmond metropolitan area. An additional amendment in 1984 authorized the Authority to acquire land, construction and own a baseball stadium, and lease such land, stadium, and attendant facilities. In 1992, another amendment authorized the Authority to own and operate sports facilities of any nature, including facilities reasonably related thereto and lease such facilities as the Authority may prescribe. In 2016, another amendment expanded the Authority's powers to include the construction, ownership, and operation of coliseums and arenas.

Legislation was introduced and passed during the 2014 General Assembly session that changed the Authority's name to the Richmond Metropolitan Transportation Authority and equalized representation on the Authority's sixteen member Board of Directors.

The City of Richmond and Counties of Chesterfield and Henrico each are authorized to appoint five members to the Board, with the option of one member from each jurisdiction being an elected official. The Commonwealth Transportation Commissioner is authorized to appoint the sixteenth member from the Commonwealth Transportation Board. Reappointment remains the sole responsibility of the aforementioned entities.

The Authority's Board is required to adopt a budget for the fiscal year no less than 30 days prior to the beginning of each fiscal year. The annual budget serves as the foundation for the Authority's financial planning and control. The Authority maintains budgetary monitoring as part of its system of internal controls, with monthly financial reports presented to management and the Authority's Board. As an additional budgetary control, existing bond documents require the Authority's Consulting Engineers and Traffic and Revenue Consultant to certify that the annual operating budget provides sufficient revenues to meet budgeted expenses and to maintain the quality of the Authority's facilities. These bond documents also require the Consulting Engineers to annually certify the amount to be deposited into the Authority's Repair and Contingency fund to pay the extraordinary and non-recurring costs of operation, maintenance, repairs, and replacements to the Expressway System.

Operations of the Authority

The Authority is a self-supporting entity, depending solely on the revenues derived from operations and proceeds from the issuance of revenue bonds to fund the Expressway System. The resolutions authorizing the issuance of bonds prohibit the commingling of funds between the Authority's different operations (tolls cannot be used to support any of the Authority's other facilities).

Comprised of the Powhite Parkway, Downtown Expressway, and Boulevard Bridge, the Expressway System contains over 50 lane miles of roads and 36 bridges. The Expressway System continues to provide a vital urban transportation link for the Richmond metropolitan area, as annual traffic has grown from 17 million in 1976 to approximately 47 million in 2021.

Powhite Parkway – Opening in 1973, the Powhite Parkway provides the only high speed crossing of the James River located in the geographical center of the region. It links expressways running north-south and east-west through the heart of the metropolitan area.

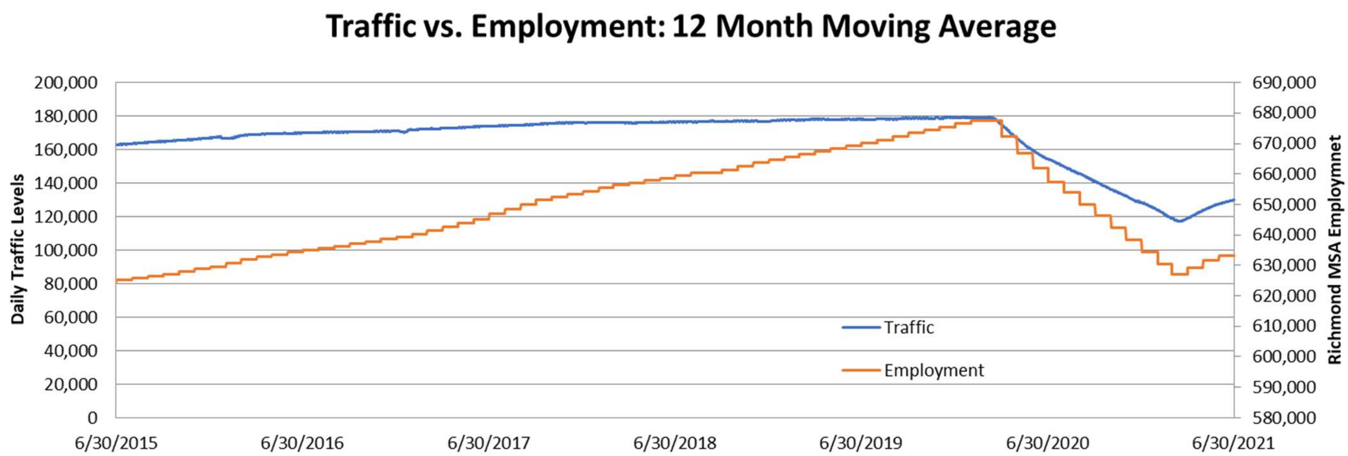
Downtown Expressway – Opening in 1976, the Downtown Expressway connects the Powhite Parkway to downtown Richmond and Interstate 95. The Downtown Expressway extends 2.5 miles from the Meadow Street Ramp in the west to I-95 in the east. The continuation of the Downtown Expressway to the west of Meadow Street is maintained by the Virginia Department of Transportation and offers a connection to I-195 to the north and the Powhite Parkway to the south.

Boulevard Bridge – Purchased in November 1969, the Boulevard Bridge was the first acquisition for the Authority. The steel truss bridge was built in 1925 to improve connectivity of the Westover Hills neighborhood south of the river to areas north of the river.

Economic Condition and Outlook

Traffic on the Authority's Expressway System is primarily commuter-based, with area employment levels directly impacting the number of daily commuter trips. While the unemployment rate indicates the general direction of the economy, area employment is a more appropriate economic indicator to correlate to the Authority's traffic. Due to the COVID-19 pandemic, traffic volume has decreased significantly for the RMTA Expressway system in mid-2020. This was followed by a slow steady recovery continuing throughout FY2021 *Figure 1* compares the 12 month moving average of area employment to the 12 month moving average of daily transactions on the Expressway System.

Figure 1: Richmond MSA Total Employment Levels, Fiscal Years 2016 – 2021

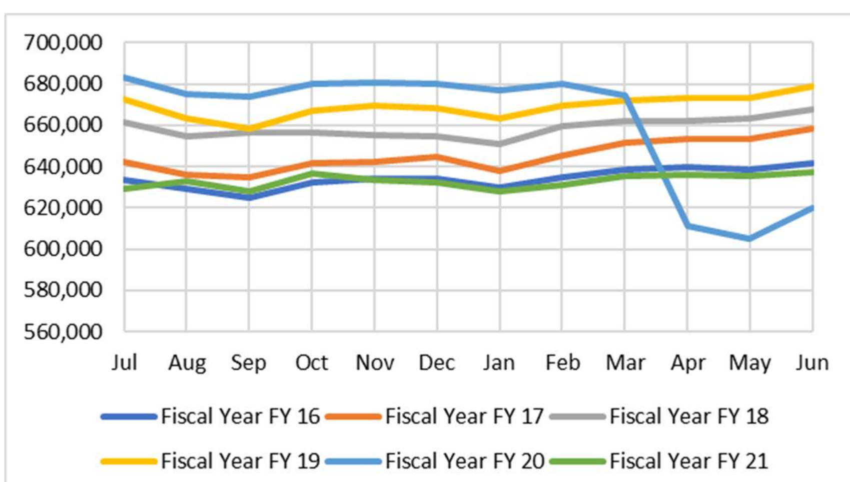


Source: Weldon Cooper Center for Public Service, Demographics Research Group, demographics.coopercenter.org

The employment levels steadily increased over the four fiscal years prior to the COVID-19 pandemic. It was anticipated that employment in the Richmond area was set on a course of stable growth. However, the COVD-19 pandemic negatively impacted employment due to the closure of business in response to the pandemic, generous unemployment benefits, and a decline in the employment participation rate of prime working age adults. In addition, daily traffic levels declined during the COVID-19 pandemic during remote work as more employers moved to a hybrid work environment and traffic volumes increased slightly compared to the initial COVID impact.

Figure 2 notes the total employment levels for the Richmond MSA for fiscal years 2016 through 2021. The impact of the COVID-19 pandemic is first identified in March and April 2020 with slow, steady recovery through 2021. Note that 2021 employment levels are similar to 2016, a loss of 5 years of employment growth.

Figure 2: Richmond MSA Total Employment Levels, Fiscal Years 2016– 2021

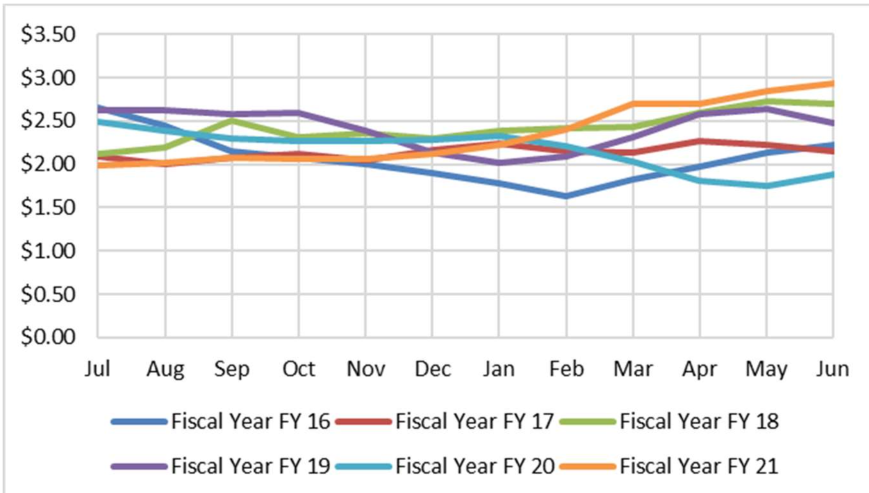


Source: Weldon Cooper Center for Public Service, Demographics Research Group, demographics.coopercenter.org

Elevated fuel prices can negatively impact system traffic levels, however, RMTA's traffic consultant estimates that gas prices would have to be substantially higher than $4 per gallon sustained over many months to have such an impact. While there was substantial growth in gas prices during fiscal year 2021, they peaked well below this threshold finishing the fiscal year in June 2021 at $2.90. It should be noted that Richmond gas prices have been generally below those of the United States as a whole.

Figure 3 notes average regular gas price per gallon for the past six years in the Richmond region.

Figure 3: Gas Prices, Last 6 years



Source: Gas Buddy

Revenue for FY2022 is projected to increase to $30.5 million and final revenue of $28.5M in FY2021. This increase is based upon an anticipated slow, steady recovery from the COVID-19 pandemic. The timing and extent of future rate adjustments will continue to be analyzed as projections are updated and revised based on actual results.

While the Authority believes the traffic and revenue forecast is conservative, objective, and realistic in light of the current environment, the forecast is stressed to determine how a decline in revenue would impact the Authority's financial position.

Financial Policies

The Authority's financial policies serve as guidelines for both the financial planning and internal financial management of the Authority. These policies represent a combination of required practices under existing bond documents and recommended best practices. The Authority's Board of Directors formally adopted a comprehensive set of financial policies with a focus on five key areas: financial planning, revenue and expenses, debt management, reserve funds, and accounting and financial reporting. In March 2016, the Board amended the reserve fund policy to establish a minimum balance of between one and two years of the annual Expressway System operating budget in order to meet liquidity goals.

Awards and Acknowledgments

Transmittal Letter

The Authority has previously received the Government Finance Officers Association of the United States and Canada ("GFOA") Distinguished Budget Presentation Award for fiscal year 2021. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

Preparation of this report was made possible by the dedicated service of the staff of the Finance Department; we appreciate the contributions from each staff member in the preparation of this report. In closing, we would like to thank the Board of Directors for their continued leadership and support in planning and conducting the financial affairs of the Authority in a responsible and progressive manner.

Sincerely,

Joi Dean
Chief Executive Officer

Principal Officials

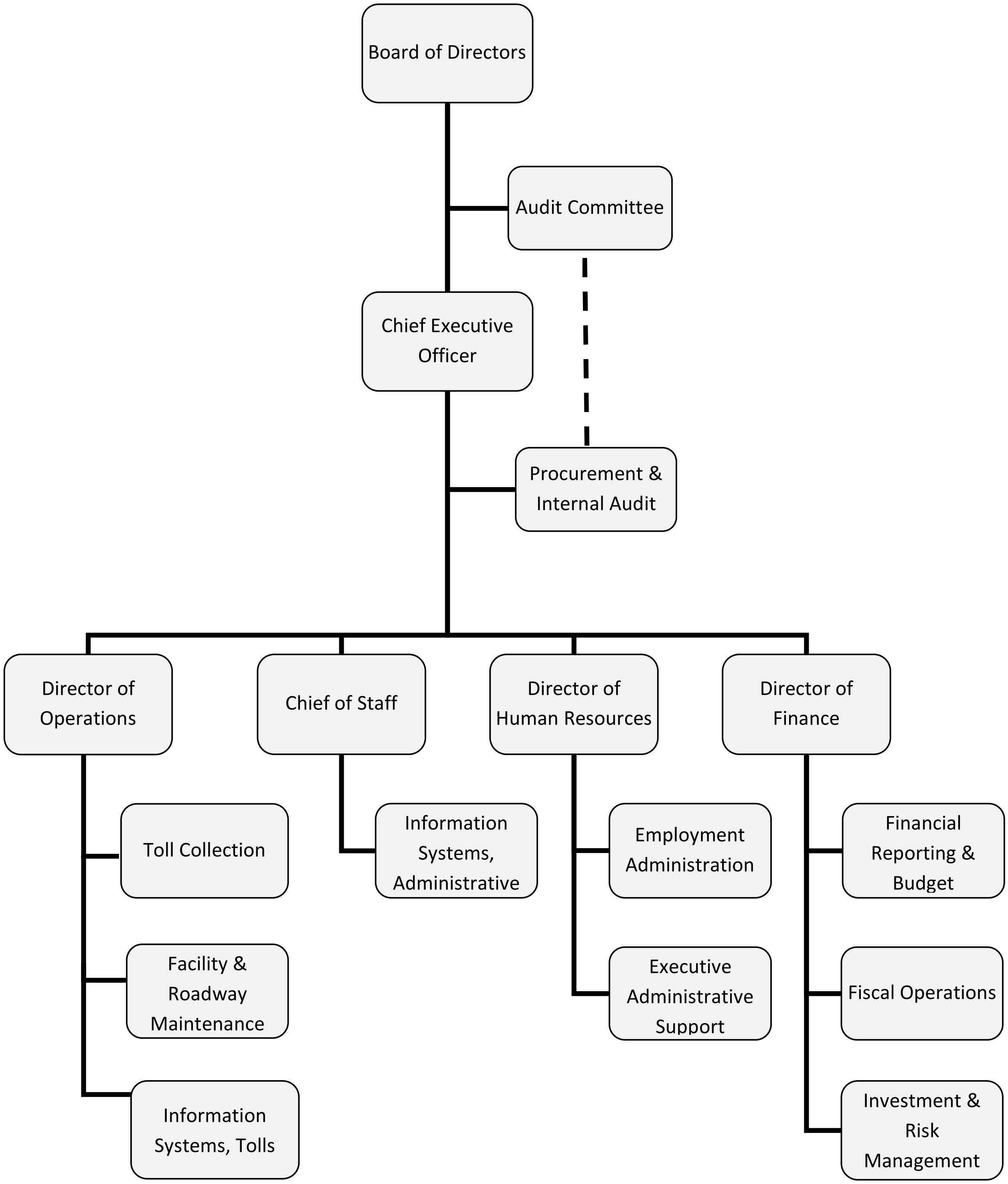
Board of Directors

Marilyn West, Chairwoman	City of Richmond
Marvin Tart, Vice-Chairman	Henrico County
Carlos M. Brown	Commonwealth Transportation Board
Dr. Unwanna Dabney	City of Richmond
Jane duFrane	Henrico County
Steve Elswick	Chesterfield County
Aubrey Fountain	City of Richmond
Barrett Hardiman	City of Richmond
Thomas A. Hawthorne	Henrico County
Harvey Hinson	Henrico County
Darius Johnson	City of Richmond
Tyrone Nelson	Henrico County
Lane Ramsey	Chesterfield County
Gregory Whirley	Chesterfield County
Donald Williams	Chesterfield County
William Woodfin, Jr.	Chesterfield County

Executive Management

Joi Dean	Chief Executive Officer
Sheryl Johnson	Director of Human Resources
Leslie Mehta	Chief of Staff and Counsel to the CEO
James Madison	Director of Finance
Theresa Simmons	Director of Operations
Paula Watson	Audit and Procurement Manager

Organizational Chart



Financial Section

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Directors
Richmond Metropolitan Transportation Authority
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Expressway System major fund and the aggregate remaining fund information of the Richmond Metropolitan Transportation Authority (the "Authority"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority'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 accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express opinions on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications 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 auditor's 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Expressway System major fund and the aggregate remaining fund information of the Authority, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1 to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. As a result, related net position has been restated. Our opinions are not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit trend information, and modified approach for reporting infrastructure information, as listed in the table of contents, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introductory and Statistical Sections 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 March 13, 2023, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
March 13, 2023

Management’s Discussion and Analysis

This section presents management’s discussion and analysis of the financial performance of the Richmond Metropolitan Transportation Authority (the “Authority” or “RMTA”) during the fiscal year ended June 30, 2021. This section should be read in conjunction with the transmittal letter in the introductory section of this report and the Authority’s basic financial statements, which immediately follow this section.

Financial Highlights

Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the fiscal year by $153.6 million (net position), an increase of $2.1 million or 1.4%. This increase in net position is primarily due to increases in assets and reduction of liabilities as a result of operations.

Operating revenues of $29.6 million represent a decrease of 20.1% from the prior fiscal year, primarily from a comparable decrease in traffic volume due to the novel coronavirus (“COVID-19”) pandemic. Operating expenses of $20.1 million represent a decrease of 22.6% primarily due to schedule changes in planned Expressway System preservation and capital maintenance projects and lower depreciation.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Authority’s basic financial statements. The Authority’s basic financial statements consist of two components: 1) financial statements and 2) the notes to financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The financial statements provide both long-term and short-term information about the Authority’s overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information and a section of other statistical information that further explains and supports the information in the financial statements.

The Authority’s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units on an accrual basis. Under this basis of accounting, 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 assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Position. All assets, liabilities, and net position associated with the operation of the Authority are included in the Statement of Net Position. Net position – the difference between assets plus deferred outflows minus liabilities plus deferred inflows – is one way to measure the Authority’s financial health or position.

Overall Financial Position Analysis

	FY2021	FY2020	$ Change	% Change
Assets				
Current and other assets	$ 83,081,115	$ 88,643,532	$ (5,562,417)	-6.3%
Capital assets	212,111,743	212,257,797	(146,054)	-0.1%
Total assets	295,192,858	300,901,329	(5,708,471)	-1.9%
Deferred outflows of resources	5,634,411	6,616,051	(981,640)	-14.8%
Total assets and deferred outflows of resources	$ 300,827,269	$ 307,517,380	$ (6,690,111)	-2.2%
Liabilities				
Current liabilities	$ 13,112,141	$ 14,199,044	$ (1,086,902)	-7.7%
Long-term liabilities	132,292,446	140,714,049	(8,421,603)	-6.0%
Total liabilities	145,404,587	154,913,093	(9,508,505)	-6.1%
Deferred inflows of resources	1,855,506	1,105,000	750,506	67.9%
Net position (deficit)				
Net investment in capital assets	123,588,695	99,330,823	24,257,872	24.4%
Restricted	43,344,595	65,051,274	(21,706,679)	-33.4%
Unrestricted (deficit)	(13,366,114)	(12,882,809)	(483,305)	3.8%
Total net position	153,567,176	151,499,288	2,067,888	1.4%
Total liabilities, deferred inflows of resources, and net position	$ 300,827,269	$ 307,517,381	$ (6,690,111)	-2.2%

The table above presents a summary of the Authority's financial position for fiscal years 2021 and 2020, followed by a description of significant changes. See Note 1 to the financial statements for additional information.

- Current and other assets of $83.1 million decreased as a result of operations.
- Capital assets of $212.1 million decreased due to routine depreciation ($146 thousand).
- Deferred outflows of resources decreased primarily in FY2021 due to amortization of refunding losses ($1.32 million) offset by a $378 thousand increase related to pensions and a $36 thousand decrease related to Other Postemployment Benefits ("OPEB").
- Current liabilities decreased primarily due to a decrease in accounts payable at fiscal year-end as a result of timing and operating activity.
- Long-term liabilities decreased primarily as a result of debt service payments ($7.7 million).
- Deferred inflows of resources increased primarily as a result of OPEB $1.1 million.
- Restricted net position represents resources restricted for the payment of debt service or capital projects (repairs and contingency).
- The net investment in capital assets increased due to a $8.4 million reduction in debt and a $17.7 million change in unspent bond proceeds that were offset by a $1.3 million reduction in the deferred loss on bond refunding associated with the purchase of capital assets. Restricted net position decreased primarily due to a reduction of reserve funds of $10.0 million.
- Net position, unrestricted represents the residual net position that does not meet the definition of "net investment in capital assets" or "restricted" that was offset by the $2.1 million change in net position for the year.

Overall Revenue and Expense Analysis

The following table presents a summary of the Authority's revenues, expenses, and change in net position for fiscal years 2021 and 2020, followed by a description of significant changes. See Note 1 to the financial statements for additional information.

	FY2021	FY2020	$ Change	% Change
Tolls	$ 29,571,562	$ 37,004,506	$ (7,432,944)	-20.1%
Rental	52,493	53,722	(1,229)	-2.3%
Other	296	1,132	(836)	-73.9%
Total operating revenues	29,624,351	37,059,360	(7,435,009)	-20.1%
Operating expenses	20,138,675	26,018,680	(5,880,005)	-22.6%
Operating income	9,485,676	11,040,680	(1,555,004)	-14.1%
Nonoperating expenses, net	(7,417,788)	(6,502,326)	(915,462)	14.1%
Change in net position	2,067,888	4,538,354	(2,470,466)	-54.4%
Beginning net position	151,499,288	146,914,024	4,585,264	3.1%
Ending net position	$ 153,567,176	$ 151,499,288	$ 2,067,888	1.4%

- Operating revenues of $29.6 million decreased from the prior fiscal year primarily due to a decrease in traffic volume as a result of the COVID-19 pandemic.
- Operating expenses of $20.1 million decreased from the prior fiscal year primarily due to a decrease in fiscal year 2021 Expressway System preservation and capital maintenance projects due to schedule changes ($4.6M) and salary and benefits due to a wage freeze and operational adjustments ($1.9M). Preservation and capital maintenance routinely varies between years based on capital plan requirements.

Capital Assets

The Authority's capital assets consist of roads, bridges, tunnels and land that comprise the Expressway System, along with other buildings, vehicles and equipment, and systems. As of June 30, 2021, capital assets net of accumulated depreciation decreased from $212.3 million to $212.1 million, primarily due to routine depreciation ($0.1 million). The change in capital assets is summarized by asset type below:

	FY2021	FY2020	$ Change	% Change
Expressway System	$ 209,969,531	$ 209,969,531	$ -	0.0%
Buildings	1,976,665	2,049,806	(73,141)	-3.6%
Vehicles and equipment	38,787	90,205	(51,418)	-57.0%
Office Furniture and equipment	81,122	95,760	(14,638)	-15.3%
Leasehold	45,638	52,496	(6,858)	100.0%
Total	$ 212,111,743	$ 212,257,798	$ (146,055)	-0.1%

See Note 5 for additional information relative to capital assets.

The Authority has elected to use the modified approach to account for certain infrastructure assets, as provided for in GAAP wherein the Authority does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity, technology or efficiency of the asset; the Expressway System is accounted for using this modified approach. Utilization of this approach requires the Authority to commit to maintaining and preserving affected assets at or above a condition level established by the Authority, maintain an inventory of the assets, perform periodic condition assessments to ensure that the condition level is being maintained, and make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. For fiscal year 2021, the Authority spent approximately $8.1 million to preserve and maintain the Expressway System at or above this level.

The Authority utilizes its independent Consulting Engineer to perform annual pavement condition assessments and bridge inspections. The latest condition assessment and inspection reports, along with the spending noted above, indicate the Authority is in compliance with its established condition levels. See additional information in the Required Supplementary Information section of this document.

Debt Administration

At June 30, 2021, outstanding bonds payable of $140.3 million decreased by $8.0 million or 5.4% from the prior year, primarily due to scheduled debt service payments. The total outstanding bonds payable is comprised of $136.4 million in Expressway System parity debt and related issuance premiums of $3.9 million. Principal in the amount of $8.1 million is payable on July 15, 2021. See Notes 7 and 8 for additional detail.

Economic Factors and Next Year's Budget

Residents of the surrounding counties, commuting daily to employment centers and cultural activities in downtown Richmond, represent the primary users of the Authority's Expressway System. Expressway System traffic levels are closely related to area employment, which directly impacts the number of daily commuter trips.

Due to the recovery from the COVID-19 pandemic, the unemployment rate has decreased in the Richmond metropolitan area. Regional unemployment of 4.8% in June 2021 represents a significant decrease compared to 8.9% in the same month of the prior year. The regional unemployment rate is slightly higher than the state-wide rate of 4.0% but compares favorably to the national rate of 5.9%. Regional population has increased over the past decade, as illustrated in Table 17 in the statistical section.

Traffic levels for the past decade are presented in Table 18 in the statistical section. FY2021 traffic volumes of 47.4 million represent a decrease of 16.1% compared to the traffic levels in FY2020; accordingly, traffic and revenue forecasts for budgeting and planning have been adjusted correspondingly and remain very conservative in light of the current economic environment. The FY2022 budget was prepared conservatively, incorporating the best known impact of the COVID-19 pandemic. FY2022 toll revenues are projected to total $30.5 million with 49.7 million total transactions.

Expressway System tolls were last increased in September 2008 and remain unchanged for next fiscal year. Table 13 in the statistical section presents current and historical toll rates.

Contacting the Authority's Financial Management

This report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions concerning this report or require additional information, contact the Richmond Metropolitan Transportation Authority, Attention: Director of Finance, 901 East Byrd St., Suite 1120, Richmond, Virginia 23219. Interested parties may also call (804) 523-3300.

Statement of Net Position
As of June 30, 2021

	Expressway System
ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	$ 6,992,034
Restricted cash (Note 2)	2,997,478
Restricted short-term investments (Note 3)	29,258,507
Other short-term investments (Note 3)	5,657,022
Accrued interest receivable	153,027
Receivables (Note 4)	14,596
Prepaid expenses	119,893
Total current assets	45,192,557
Noncurrent assets:	
Restricted long-term investments (Note 3)	18,130,237
Other long-term investments (Note 3)	16,606,123
Escrow asset (Note 8)	32,897
Net pension asset (Note 9)	544,138
Net OPEB asset (Notes 10)	2,575,163
Capital assets (Note 5):	
Land and other non-depreciable assets	209,969,531
Buildings, systems, and equipment	12,440,130
Less: accumulated depreciation	(10,297,918)
Capital assets, net	212,111,743
Total noncurrent assets	250,000,301
Total assets	295,192,858
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding (Note 8)	4,014,441
Deferred outflows related to pensions (Note 9)	998,340
Deferred outflows related to OPEB (Notes 10, 11)	621,630
Total deferred outflows of resources	5,634,411
Total assets and deferred outflows of resources	$ 300,827,269

The accompanying notes are an integral part of these statements.

Statement of Net Position (continued)
As of June 30, 2021

	Expressway System
LIABILITIES	
Current liabilities:	
Accounts payable (Note 6)	$ 1,048,375
Accounts payable from restricted cash (Note 6)	282,108
Accrued liabilities (Note 7)	382,746
Accrued interest payable	2,992,466
Bonds payable, current (Note 7, 8)	8,406,446
Total current liabilities	13,112,141
Noncurrent liabilities:	
Accrued liabilities (Notes 7)	90,952
Bonds payable (Notes 7, 8)	131,876,237
Net OPEB Liability (Note 11)	325,257
Total noncurrent liabilities	132,292,446
Total liabilities	145,404,587
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (Note 9)	187,557
Deferred inflows related to OPEB (Notes 10, 11)	1,667,949
Total deferred inflows of resources	1,855,506
NET POSITION	
Net investment in capital assets	123,588,695
Restricted for repairs and contingency	22,117,086
Restricted for debt service	21,227,509
Unrestricted (deficit)	(13,366,114)
Total net position	153,567,176
Total liabilities, deferred inflows of resources, and net position	$ 300,827,269

The accompanying notes are an integral part of these statements.

Statement of Revenues, Expenses, and Change in Net Position
For the Fiscal Year Ended June 30, 2021

		Expressway System
Operating revenues:		
Tolls	$	29,571,562
Rentals		52,493
Other		296
Total operating revenues		29,624,351
Operating expenses:		
Salaries and benefits		4,900,182
Operations		6,953,490
Preservation and capital maintenance		8,138,949
Depreciation		146,054
Total operating expenses		20,138,675
Operating income		9,485,676
Nonoperating revenues (expenses):		
Investment earnings, net		64,420
Interest expense on bonds		(7,482,208)
Total nonoperating expenses, net		(7,417,788)
Change in net position		2,067,888
Net position - beginning		151,499,288
Net position - ending	$	153,567,176

The accompanying notes are an integral part of these statements.

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021

	Expressway System
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 29,612,534
Payments to suppliers and service providers	(15,365,640)
Payments to employees for salaries and benefits	(6,565,851)
Net cash provided by operating activities	7,681,043
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest paid on revenue bonds and notes	(6,725,744)
Principal paid on revenue bonds and notes	(8,031,870)
Net cash used for capital and related financing activities	(14,757,614)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(36,861,684)
Proceeds from sale and maturities of investments	36,615,096
Interest on investments	794,224
Net cash provided by investing activities	547,636
Net decrease in cash and cash equivalents	(6,528,935)
Cash and cash equivalents - July 1	16,518,447
Cash and cash equivalents - June 30	$ 9,989,512
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	$ 9,485,676
Depreciation expense	146,054
Pension expense	(174,764)
OPEB expense	(110,233)
Increase in accounts receivable	(11,817)
Decrease in prepaid expenses	69,663
Decrease in accounts payable and accrued liabilities	(1,723,536)
Net cash provided by operating activities	$ 7,681,043
Non-cash Investing Activities:	
Net change in fair value of investments	$ (691,599)

The accompanying notes are an integral part of these statements.

Statement of Fiduciary Net Position - Fiduciary Fund
As of June 30, 2021

		OPEB Trust Fund
Assets		
Cash and investments held by trustees	$	6,666,370
Total Assets		6,666,370
Net Position		
Restricted for other postemployment benefits		6,666,370
Total net position	$	6,666,370

The accompanying notes are an integral part of these statements.

Statement of Changes in Fiduciary Net Position - Fiduciary Fund
For the Fiscal Year Ended June 30, 2021

	OPEB Trust Fund
Additions	
Employer contributions	$ 201,503
Net gain in fair value of investments	1,520,055
Total additions	1,721,558
Deductions	
Benefit payments	101,503
Total deductions	101,503
Change in net position	1,620,055
Net position - beginning of year, as originally stated	-
Net position - restatement (Note 1)	5,046,315
Net position - beginning of year, as restated	5,046,315
Net position - ending	$ 6,666,370

The accompanying notes are an integral part of these statements.

<u>Note 1 – Summary of significant accounting policies</u>

Reporting entity

The Richmond Metropolitan Transportation Authority (the "Authority") was created in March 1966 by an Act of the General Assembly of the Commonwealth of Virginia for the initial purpose of constructing and operating a toll expressway system to serve the Richmond metropolitan area. In 1973, the Act was amended to authorize the Authority to provide vehicular parking facilities for the Richmond metropolitan area. An additional amendment in 1984 authorized the Authority to acquire land, to construct and own a baseball stadium, and to lease such land, stadium, and attendant facilities. In 1992, another amendment authorized the Authority to own and operate sports facilities of any nature including facilities reasonably related thereto and lease such facilities as the Authority may prescribe. In 2016, another amendment authorized the Authority to construct, own, and operate coliseums and arenas.

The Authority is empowered to issue revenue bonds which shall be payable from revenues derived from the operation of the facilities. In addition, the Authority is empowered to issue bonds for the purpose of refunding any revenue bonds. Under the provisions of the Act, no bond issue of the Authority or any interest thereon is an obligation of the Commonwealth of Virginia or other government entity. The Expressway System bond resolution provides that when all related revenue bonds and interest thereon have been paid, the Expressway System will become the property of the City of Richmond, Virginia (the "City"). The resolution authorizing the issuance of bonds prohibit the commingling of funds of the Authority's various enterprises and prescribe the establishment of certain funds and accounts to receive revenues and transfers and make payments in accordance with the prescribed sequence.

Legislation was introduced and passed during the 2014 General Assembly session that changed the Authority's name to the Richmond Metropolitan Transportation Authority and equalized representation on the Authority's Board of Directors. Previously, the Authority's 11 member Board included six members appointed by the Mayor of the City, with the approval of City Council, and two each by the Boards of Supervisors of the Counties of Chesterfield and Henrico. The Commonwealth Transportation Commissioner appointed the 11th member from the Commonwealth Transportation Board.

The Authority's Board is comprised of 16 members. The City and Counties of Chesterfield and Henrico each are authorized to appoint five members to the Board, with the option of one member from each jurisdiction being an elected official. The Commonwealth Transportation Commissioner is authorized to appoint the 16th member from the Commonwealth Transportation Board. Reappointment remains the sole responsibility of the aforementioned entities.

As required by GAAP, the Authority's financial statements present the Primary Government and its component units, entities for which the government is considered financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The Authority has no component units that meet the requirements to be discretely presented. Blended component units, although legally separate entities, are, in substance, part of a government's operations and so data from these units are combined with data of the primary government. In accordance with GAAP, the Authority has presented the following blended component unit in the government-wide statements.

OPEB Trust fund accumulates assets to pay future healthcare postretirement benefits other than pension. The component unit's activities are detailed in Note 10 of the financial statements.

Notes to Basic Financial Statements

Basis of presentation
The Authority administers one enterprise fund, Expressway System. The Authority also maintains two sub-funds: Repair and Contingency and Central Administration.

The Repair and Contingency ("R&C") sub-fund is used to account for all Expressway System preservation and capital maintenance expenses, as well as new construction projects. The bond indenture requires that the Authority maintain an R&C sub-fund for the purpose of accumulating funds, as determined by the Authority's Consulting Engineers, sufficient to maintain the assets of the Expressway System. Monthly, after satisfying operating and debt service requirements as specified by the bond indenture, the Authority transfers excess funds from the Expressway System revenue account to the R&C sub-fund.

Qualifying expenses are capitalized in accordance with established policy, while the remaining expenses are reflected in the Expressway System fund at the Statement of Revenues, Expenses, and Change in Net Position as "Preservation and capital maintenance".

The Central Administration sub-fund is used to accumulate and allocate central administration expenses. Monthly, budgeted costs are allocated to the enterprise funds based on an allocation formula established during the annual budget process. At year-end, budgeted allocations are adjusted to reflect actual expenses for the year, which results in zero change in net position (net income). Any assets or liabilities of the sub-fund at year end are reflected in Statement of Net Position in the Expressway System.

Measurement focus and basis of accounting
The funds of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting.

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America ("GAAP"), requires management of the Authority to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosures and contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Assets, liabilities, deferred outflows/inflows of resources, and net position
Cash and cash equivalents – For purposes of the Statement of Cash Flows, only cash on hand and cash balances on deposit and available for immediate withdrawal, and short term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents. Other highly liquid instruments are classified as other short-term investments.

Investments – The Authority's investment policy is determined by the Board. Permitted investments are set within the policy. Written investment objectives and procedures are developed by the staff in consultation with the investment advisor. The investment advisor meets quarterly to review the portfolio performance, confirm compliance to the policy, and formulate an investment plan for the next quarter.

Investments (continued) - Investments with an original maturity greater than one year are recorded at their fair value and all investment income, including changes in the fair value of investments, are reported as investment income in the financial statements. Investments with an original maturity of less than one year are carried at amortized cost. Fair value measurements are categorized within the fair value hierarchy and are based on the valuation inputs used to measure the fair value of the asset. The inputs are categorized into levels with highest priority given to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Investments consist of securities with an original maturity greater than three months and include United States government and agency obligations and certificates of deposit.

Fair value measurements – The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Restricted assets – The Expressway System bond indenture restricts certain assets and, accordingly, these funds are reflected on the Statement of Net Position in their current and non-current components. Restricted assets include bond retirement principal and interest accounts, bond reserve funds, and R&C sub-fund accounts. These funds are administered and maintained by the Authority's trustee, except for the R&C sub-fund, which is administered by the Authority.

Prepaids – prepaid expenses reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital assets – Capital assets are stated at cost incurred during the construction period. All land and non-depreciable land improvements are capitalized, regardless of cost. Construction in progress consists of costs capitalized in connection with construction of and improvements to facilities.

All expenses, including equipment and furnishings, are capitalized if they are related to the construction or occupancy of a new facility, or a major renovation of an existing facility that enhances the efficiency or functionality of the asset. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Any expense in connection with maintaining an existing facility in good working order is expensed. Other assets are capitalized if the cost is over $10,000 and useful life is longer than one year.

The Authority has elected to use the "modified approach" to account for certain infrastructure assets, as provided for in GAAP wherein the Authority does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity, technology or efficiency of the asset. Utilization of this approach requires the Authority to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the Authority, 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained, and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. Bridges and roadways maintained by the Authority are accounted for using the modified approach.

Land, construction in progress, and the Expressway System are not depreciated. Other capital assets are depreciated using the straight line method over the following estimated useful lives: buildings – 40 years; systems – 5 to 7 years; vehicles and equipment – 3 to 8 years.

Deferred outflows of resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The Authority has three items that qualify for reporting in this category: accounting loss on debt refunding, deferred outflows of resources related to pensions, deferred outflows of resources related to Other Postemployment Benefits ("OPEB"). Deferred losses on refundings are recognized as a component of interest expense over the shorter of the life of the old debt or new debt (see Note 8). Deferred outflows of resources related to pensions are amortized as follows: contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the next fiscal year, changes in actuarial assumptions are amortized over the remaining service life of all participants and net differences between projected and actual investment earnings are amortized over a closed five-year period (see Note 9). Deferred outflows of resources related to OPEB are amortized as follows: resulting from contributions subsequent to the measurement date are recognized as a reduction of the net OPEB liability in the next fiscal year and differences in change in the proportionate share of the total liability, changes in actuarial assumptions, and expected and actual plan experience are amortized over the remaining service life of all plan participants and net differences between projected and actual investment earnings are amortized over a closed five-year period (See Notes 10 and 11).

Deferred inflows of resources – In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial element represents an acquisition of assets that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. The Authority has three items that qualify for reporting in this category: deferred inflows related to pensions, which represent the difference between expected and actual experience amortized over the remaining service life of all plan participants (see Note 9); deferred inflows of resources related to OPEB, which represent net differences between projected and actual investment earnings amortized over a closed five-year period (see Note 10); and deferred inflows of resources related to OPEB Group Life Insurance (GLI) resulting from the differences in expected and actual plan experience, changes in proportion, and changes of assumptions amortized over the remaining service life of all plan participants (see Note 11).

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

OPEB - The Authority provides postemployment health care benefits through a single-employer defined benefit plan. The Authority participates in the Virginia Pooled OPEB Trust Fund, which accumulates assets and is a multi-employer, external investment pool. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and the additions to/deductions from the Authority's net fiduciary position have been determined on the same basis as they were reported by the Virginia Pooled OPEB Trust Fund. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Group Life Insurance OPEB - The VRS ("GLI") Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI 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.

Net position flow assumptions – Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net position policies – Net position is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, contributions, or laws and regulations of other governments, or imposed by law through state statue.

Revenues and expenses

Operating and nonoperating revenues and expenses – Operating revenues and expenses are those that result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for tolls and facility rentals. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Compensated absences – The Authority's policy permits employees to accumulate earned but unused paid time off benefits. A liability for compensated absences is accrued when incurred. The current portion of the liability is estimated based on historical leave usage.

New Governmental Accounting Standards Board ("GASB") Pronouncements

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) whether the government has administrative and/or direct financial involvement with the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The Authority has restated the Component Unit beginning total net position at June 30, 2020, for the OPEB Trust Fund investments as follows:

OPEB Trust Fund, Net Position at June 30, 2020	$	-
OPEB Trust Fund Investments		5,046,315
OPEB Trust Fund, Net Position, restated June 30, 2020	$	5,046,315

In October 2021, the GASB issued Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the name and acronym of the report replacing the previously known Comprehensive Annual Financial Report. This statement has been early implemented for fiscal year 2021.

Future Governmental Accounting Standards Board ("GASB") Pronouncements

The GASB has issued the following statements with effective implementation dates later than the fiscal year ending June 30, 2021. The statements deemed to have a potential future impact on the Authority are:

- GASB Statement No. 87, *Leases* – This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).
- GASB Statement No. 99, *Omnibus 2022*– This Statement clarifies provisions in Statement No. 87, Leases, which established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.
- GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Note 2 – Cash and cash equivalents

At June 30, 2021, the carrying amount of deposits with banks was $9,989,512 with $2,997,478 being restricted for repairs and contingency. The bank balance of these deposits at June 30, 2021 was $10,026,758. The difference between the carrying and bank totals is primarily due to outstanding checks and deposits in transit. These amounts include petty cash and change funds of $107,500.

Bank deposits are insured by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board.

Notes to Basic Financial Statement

The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire assets of the collateral pool become available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool.

<u>Note 3 – Investments</u>

As of June 30, 2021, the Authority had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Credit Rating (Moody's, S&P)	% of Total Portfolio
US Treasuries	$ 22,111,153	0.77	NA, NA	32%
US Federally Insured Money Market	16,372,548	0.01	Aaa-mf, AAAm	24%
Federal National Mortgage Association	10,877,854	0.70	AAA, AA+	16%
Federal Home Loan Mortgage	9,846,167	0.38	AAA, AA+	14%
Federal Home Loan Bank	9,447,937	0.28	AAA, AA+	14%
Federal Farm Credit Bureau	996,230	0.01	AAA, AA+	1%
	$ 69,651,889	2.15		

The Authority classifies its investments using the fair value hierarchy established by generally accepted accounting principles as follows:

Investment Type	Total Fair Value at 6/30/21	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
US Treasuries	$ 22,111,153	$ -	$ 22,111,154	$ -
Federal National Mortgage Association	10,877,854	-	10,877,854	-
Federal Home Loan Mortgage Corporation	9,846,167	-	9,846,167	-
Federal Home Loan Bank	9,447,937	-	9,447,937	-
Federal Farm Credit Bank	996,230	-	996,230	-
Total Securities	$ 53,279,342	$ -	$ 53,279,342	$ -
Investments measured at amortized cost:				
US Federally Insured Money Market	16,372,548			
Total investments measured at fair	$ 69,651,889			

Debt securities classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Certain funds are held as restricted investments because their use is limited by the terms of applicable bond covenants. The Authority's investments are classified as follows:

Purpose	Restricted	Unrestricted	Total
Bond retirement principal and interest	$ 11,432,849	$ -	$ 11,432,850
Debt service reserves	12,780,969	-	12,780,969
Restricted for Repair and Contingency	19,304,732	-	19,304,732
Reserve funds	3,870,194	22,263,145	26,133,339
	$ 47,388,744	$ 22,263,145	$ 69,651,889

Interest rate risk – As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the investment of funds to investments with a stated maturity of no more than five years from the date of purchase.

Credit risk – The *Code of Virginia* and other applicable law, the Authority's bond indentures, and the Authority's investment policy adopted by the Board of Directors, limit credit risk by restricting authorized investments to obligations of and obligations guaranteed by the Commonwealth of Virginia or any of its counties, cities, towns, districts, authorities, or public bodies, obligations of and obligations guaranteed by the United States or certain of its agencies, and certain other instruments of specified quality and rating as dictated by the resolutions.

Concentration of credit risk – The *Code of Virginia* and the Authority's investment policy place no limit on the amount the Authority may invest in any one issuer. The composition of the Authority's total investment portfolio by issuer can be found above.

<u>Note 4 – Receivables</u>

Receivables at June 30, 2021 for the Authority totaled $14,596. Management has evaluated the outstanding receivables at year-end and deem them to be collectible, therefore no allowance provision was considered necessary.

Note 5 – Capital Assets

Capital assets activity for the year ended June 30, 2021 was as follows:

Type	June 30, 2020	Additions	Deletions	June 30, 2021
Non-depreciable:				
Expressway System	$ 209,969,531	$ -	$ -	$ 209,969,531
Depreciable:				
Buildings	2,925,621	-	-	2,925,621
Vehicles & Equipment	801,846	-	-	801,846
Office Furniture & Equipment	135,433	-	-	135,433
Toll Systems	8,508,652	-	-	8,508,652
Leasehold	68,578	-	-	68,578
Total depreciable	12,440,130	-	-	12,440,130
Total Assets	222,409,661	-	-	222,409,661
Less accumulated depreciation:				
Buildings	(875,815)	(73,141)	-	(948,956)
Vehicles & Equipment	(711,641)	(51,417)	-	(763,059)
Office Furniture & Equipment	(39,673)	(14,638)	-	(54,311)
Toll Systems	(8,508,652)	-	-	(8,508,652)
Leasehold	(16,082)	(6,858)	-	(22,940)
Total accumulated depreciation	(10,151,863)	(146,054)	-	(10,297,918)
Total depreciable, net	2,288,267	(146,054)	-	2,142,212
Total capital assets, net	$ 212,257,798	$ (146,054)	$ -	$ 212,111,743

Depreciation expense for the year ended June 30, 2021 was $146,054. The Authority has elected to use the "modified approach" to account for certain Expressway System infrastructure assets. Consequently, these assets are not depreciated (see Note 1, Capital Assets).

Note 6 – Payables and accrued liabilities

Payables and accrued liabilities at June 30, 2021 for the Authority consisted of:

Type	Expressway System
Current:	
Due to other governments	$ 260,820
Salaries and benefits	180,781
Other accounts payable	888,882
Total current	$ 1,330,483

Note 7 – Long-term liabilities

Long-term liabilities at June 30, 2021 for the Authority consisted of:

Type	June 30, 2020	Additions	Reductions	June 30, 2021	Due Within One Year
Bonds payable					
Series 1998	$ 13,325,000	$ -	$ (4,480,000)	$ 8,845,000	$ 4,710,000
Series 2002	9,870,000	-	(3,120,000)	6,750,000	3,290,000
Series 2011 A, B, C	39,660,000	-	-	39,660,000	3,290,000
Series 2022 - D	43,875,000	-	-	43,875,000	-
Series 2017	19,355,000	-	(50,000)	19,305,000	-
Series 2019	17,985,000	-	-	17,985,000	-
Issuance premiums	4,244,553	-	(381,870)	3,862,683	356,446
Total bonds payable	148,314,553	-	(8,031,870)	140,282,683	8,406,446
Compensated absences	503,787	378,953	(409,042)	473,698	382,746
Total long-term liabilites, net	$ 148,818,340	$ 378,953	$ (8,440,912)	$ 140,756,381	$ 8,789,193

Note 8 – Bonds payable

The Authority's issued and outstanding bonds for the Expressway System are:

					As of June 30, 2021		
Series	Sale Date	Original Borrowing	Interest Rate to Maturity	Final Maturity	Outstanding Balance	Unamortized Premium	Deferred Loss on Refunding
1998	Mar. 1998	$ 80,705,000	3.65-5.25%	July 2022	$ 8,845,000	$ 13,648	$ 840,445
2002	Apr. 2002	28,430,000	3.50-5.25%	July 2022	6,750,000	18,435	169,452
2011 - A,B,C	Nov. 2011	77,490,000	4.62-4.75%	July 2041	39,660,000	-	929,691
2011 - D	Nov. 2011	43,875,000	4.29%	July 2041	43,875,000	-	-
2017	Aug. 2017	19,735,000	4.50%	July 2041	19,305,000	1,568,585	1,398,788
2019	Aug. 2019	17,985,000	4.30%	July 2041	17,985,000	2,262,014	496,667
Preveiousy defeased debt					-	-	179,398
					$ 136,420,000	$ 3,862,682	$ 4,014,441

Series 1998

Revenue bonds were issued to refund $76,725,000 of Series 1992 bonds. Certain of the 1998 bonds are subject to mandatory redemption at par plus accrued interest beginning in July 2013 continuing through the final maturity date in July 2022.

Series 2002

Revenue bonds were issued to refund a portion of Series 1992 bonds. The Series 2002 bonds may not be redeemed until maturity.

Series 2011-A, B, & C
Revenue bonds were issued to refund a portion of Series 1998 and Series 2002 bonds; fully refund Series 1999, Series 2000, Series 2005, Series 2006, and Series 2008 bonds; and fund various construction of $22.3 million, including the Downtown Expressway Open Road Tolling Project.

Series 2011-D
Revenue bonds were issued and combined with other resources to pay $22.8 million of subordinate notes and related accrued interest of $39.4 million (total $62.2 million) to the City. The Authority issued debt in 1975 to construct the Expressway System with a Moral Obligation from the City to cover debt service short falls. Between 1975 and 1991, the Authority transferred funds from debt service reserves in order to meet required debt service. The City provided contributions to restore the debt reserve fund balances after these transfers; accordingly, the Authority issued subordinate notes to the City for amounts equal to the City's contributions. Based on the non-capital nature of the subordinate notes, the outstanding principal liability for Series 2011-D is applied against unrestricted net position.

Series 2017
In August 2017, the RMTA participated in the Virginia Pooled Financing Program ("VPFP") of Virginia Resources Authority ("VRA") to issue Series 2017 bonds to advance refund $18.8 million of the Series 2011-A bonds. The refunding lowers total debt service over $2.6 million and approximately $105,000 annually. The Net Present Value Savings of the transaction was $1.86 million at a 2.97% effective interest rate.

Series 2019
In August 2019, the RMTA participated in the VPFP of VRA to issue Series 2019 bonds to advance refund $19.0 million of the Series 2011-A and Series 2011-B bonds. The refunding lowers total debt service over $4.2 million. The Net Present Value Savings of the transaction was $3.1 million at a 2.64% effective interest rate.

Defeased bonds
At June 30, 2021, outstanding bonds in the amount of $4,275,000 are considered defeased. Investments and cash are held in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liabilities for defeased bonds are not included in the accompanying financial statements.

Escrow asset
The escrow receivable for the year ended June 30, 2021 is $32,897 and was created by funds transferred from the Expressway System revenue account for the early retirement of defeased bonds, as required by the 1992 bond resolution. The Authority has directed the trustee, to the extent possible, to purchase Series 1998 bonds in the open market from these funds. No purchases were made during the fiscal year. As a result of the Series 2011 refunding, no additional transfers to escrow will occur.

Arbitrage
Expressway System bond issues are reviewed annually to ensure compliance with the Internal Revenue Sevice regulations regarding arbitrage rebates. As of June 30, 2021 none of the bond series are accruing an arbitrage rebate liability.

Debt service requirements

Remaining debt service requirements on the Expressway System bonds are scheduled as follows:

Fiscal Year	Principal	Interest	Total
2022	8,050,000	6,314,458	14,364,458
2023	7,650,000	5,902,548	13,552,548
2024	4,050,000	5,606,562	9,656,562
2025	4,245,000	5,408,217	9,653,217
2026	4,455,000	5,199,891	9,654,891
2027-2031	25,660,000	22,463,101	48,123,101
2032-2036	32,360,000	15,575,363	47,935,363
2037-2041	40,670,000	6,985,324	47,655,324
2042	9,280,000	211,799	9,491,799
	$ 136,420,000	$ 73,667,262	$ 210,087,262

<u>Note 9 – Defined benefit pension plan</u>

Plan description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.

		• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan ("ORP") must elect the ORP plan or the

Members who were eligible for an optional retirement plan (“ORP”) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Members who were eligible for an optional retirement plan (“ORP”) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member’s retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee’s creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member’s total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the	**Service credit** Same as Plan 1.	**Service credit** **<u>Defined Benefit Component:</u>** Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member’s total service credit is one of the factors used to determine their eligibility for

health insurance credit in retirement, if the employer offers the health insurance credit.		retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **<u>Defined Contributions Component:</u>** Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **<u>Defined Benefit Component:</u>** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **<u>Defined Contributions Component:</u>** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

		Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distributions not required, except as governed by law.
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1 **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the

highest compensation as a covered employee.	highest compensation as a covered employee.	defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Normal Retirement Age **VRS:** Age 65.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving

		employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of service credit.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age 60 with at least five years (60 months) of service credit. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment ("COLA") in Retirement The COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. **Exceptions to COLA Effective Dates:**	**Cost-of-Living Adjustment ("COLA") in Retirement** The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1. **Exceptions to COLA Effective Dates:**	**Cost-of-Living Adjustment ("COLA") in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program ("VLDP") unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. **Defined Contribution Component:** Not applicable.

Employees covered by benefit terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	55
Inactive members:	
Vested inactive members	13
Non-vested inactive members	52
Inactive members elsewhere in VRS	15
Total inactive members	80
Active members	94
Total covered employees	229

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

The Authority's contractually required contribution rate for the year ended June 30, 2021 was 0.75% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan from the Authority were $236,129 and $274,645 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net pension asset
The Authority's net pension liability was measured as of June 30, 2020. The total pension asset used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

Actuarial methods and assumptions
The total pension liability for the Authority was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.5%
Salary increases, including inflation	3.5-5.35%
Investment rate of return	6.75%, net of pension plan investment expense, 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 GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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%
Discount Rate	Decrease rate from 7.00% to 6.75%

All Others (Non 10 Largest) – 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 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 Real Rate of Return	Weighted Average Long-Term Expected Real Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS – Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP – Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
Inflation			2.50%
Expected arithmetic nominal return*			7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020 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.

Changes in net pension asset

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Asset (a)-(b)**
Balance at June 30, 2019	$ 18,382,904	$ 19,809,083	$ (1,426,179)
Changes for the year:			
Service cost	334,229	-	334,229
Interest	1,211,289	-	1,211,289
Change of assumptions			
Difference between expected and actual experience	(103,784)	-	(103,784)
Contributions – employer	-	26,766	(26,766)
Contributions – employee	-	172,704	(172,704)
Net investment income	-	373,785	(373,785)
Benefit payments, including refunds of employee contributions	(875,768)	(875,768)	-
Administrative expenses	-	(13,122)	13,122
Other changes	-	(440)	440
Net changes	565,966	(316,075)	882,041
Balance at June 30, 2020	$ 18,948,870	$ 19,493,008	$ (544,138)

Sensitivity of the Net Pension Asset to changes in the discount rate
The following presents the Authority's net pension asset using the discount rate of 6.75%, as well as what the Authority's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 1,721,133	$ (544,138)	$ (2,445,912)

Pension expense and deferred outflows and deferred inflows of resources related to pensions
For the year ended June 30, 2021, the Authority recognized pension expense of ($163,014). At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	$ 236,129	$ -
Differences between expected and actual experience	-	187,557
Changes of assumptions	180,210	-
Net difference between projected and actual earnings on pension plan investments	582,001	-
	$ 998,340	$ 187,557

Deferred outflows of resources related to pensions of $236,129 resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2022	$ 29,598
2023	157,390
2024	199,657
2025	188,009
2026	-
Thereafter	-
	$ 574,654

Pension Plan Data
Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report. A copy of the 2020 VRS Comprehensive Annual Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 10 – Other Postemployment Benefits

Plan Description

The Authority provides other postemployment health care benefits ("OPEB") for retired employees through a single-employer defined benefit plan ("Plan"). The benefit levels, employee contributions and employer contributions are governed by the Authority and can be amended by the Authority with approval of the Authority's Board.

The Authority participates in the Virginia Pooled OPEB Trust Fund ("Trust Fund"), an agent multiple-employer external investment pool that operates an irrevocable trust established for the purpose of accumulating assets to fund postemployment health care benefits. The Trust Fund is established as an investment vehicle for participating employers to accumulate assets to fund OPEB. Trust Fund assets are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which (a) contributions to the Trust Fund are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the authority and the Trust Fund administrator, for the payment of benefits in accordance with terms of the Plan. The Trust Fund is governed by a Board of Trustees composed of local officials elected at an Annual Meeting of participants of the Trust Fund that issues a separate Comprehensive Annual Financial Report, which can be obtained by requesting a copy from the Plan Administrator, VML/VACo Finance, Managing Director, 8 East Canal Street Richmond, VA 23219

Plan Membership

Total active and retired membership count in the plan at June 30, 2021 was 114.

The number of retiree participants and active employees currently eligible for immediate retirement benefits for each tier at June 30, 2020 were:

	Tier 1	Tier 2	Tier 3	Total
Retirees	-	3	27	30
Active Employees	-	5	8	13
Total	-	8	35	43

Benefits Provided

On July 1, 2007 the Authority amended its retiree medical benefit plan to include three tiers. The employee's hire date determines which tier governs future benefits. To participate in one of the three plans, an employee must:

1. Be 60 years old at the time of retirement
2. Be eligible for VRS Retirement
3. Have a least 10 years of full-time service (25 years of full-time service for employees hired July 1, 2007, or after)
4. Be retired in good standing from the Authority

The first tier is applicable to employees with at least 25 years of service and who were promoted or hired to a full-time position on or after July 1, 2007. Eligible retirees receive a monthly contribution credit of $6 for each year of full-time service.

The second tier is applicable to employees who were hired or promoted to a full-time position between the dates of July 1, 1998 and June 30, 2007. This tier provides a monthly contribution credit equaled to a percentage of the monthly premium, based on the following years of service scale:

Years of Service	Contribution
0 to 10	0%
10 to 15	25%
15 to 20	50%
20 to 25	75%
25 and over	100%

The third tier is applicable to employees hired before July 1, 1998. The Authority will pay 100% of the employee's and 50% of the spouse's monthly premium, less a $15 per month retiree contribution. Upon the death of the retiree, the surviving spouse may continue coverage at full cost.

Spouses are eligible for all three tiers, provided they were enrolled in the Authority's medical plan for at least two years prior to the date of retirement. With the exception of the third tier, retirees are responsible for 100% of monthly premiums attributable to their spouses. Eligible retirees who are age 65 or over must enroll in Medicare Part B coverage and can participate only in the Authority's health insurance plans that coordinate with Medicare benefits.

Contributions
Employer contributions are governed by the Authority and can be amended by the Authority with approval of the Authority's Board. The Authority contributes to the Trust Fund based on an actuarially determined amount. For the year ended June 30, 2021, the Authority's average contribution rate was 5.43% of covered employee payroll. Contributions were $201,503 and $430,008 for the years ended June 30, 2021 and June 30, 2020, respectively.

Financial Statements
The Plan does not issue separate stand-alone financial statements in accordance with GAAP and is not a fiduciary activity of the Authority and, as such, is not included within the reporting entity. Information specific to the Plan's activities are included within this section as a source of additional information for the reader of the financial statements.

Plan Actuarial Assumptions
Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the Authority are subject to continual revision as actual results are compared with expectations and new estimates are made about the future. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay
Asset valuation method	Market Value
Investment return	7.00%
Healthcare cost trend rate	8.0% for 2020, decreasing 0.5% per year to an ultimate rate of 5.0% for 2026 and later years

Projected salary increases 2.5%, average

Mortality rates were based on the RP-2006 Combined Mortality Table with MP2019 projection for Males or Females, as appropriate.

Investments
The Authority participates in the Trust Fund, an agent multiple-employer external investment pool that operates an irrevocable trust established for the purpose of accumulating assets to fund postemployment health care benefits. Trust Fund assets are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which contributions to the plan are irrevocable. At June 30, 2021, the actuarial value of the Plan assets was $6,666,370. The 10-year average annual rate of return as of June 30, 2021 was 8.12%.

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	6.0%
Fixed Income	1.5%
Private Equity	6.0%
Real Estate	5.5%
Cash	0.0%
Total	7.0%

Plan Discount Rate
The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from the Authority will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset).

Plan Net OPEB asset
The components of the Plan's net OPEB asset at June 30, 2021, were as follows:

Plan total OPEB Liability	$ 4,091,207
Plan fiduciary net position	6,666,370
Plan net OPEB Asset	$ (2,575,163)
Plan fiduciary net position as a percentage of total OPEB liability	162.9%

Sensitivity of the Plan's Net OPEB Asset to Changes in the Plan's Discount Rate
The following presents the Plan's net OPEB asset calculated using the discount rate of 7.0 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Rate (7.0%)	1% Increase (8.0%)
Net OPEB asset	$ (2,155,932)	$ (2,575,163)	$ (2,994,394)

Sensitivity of the Plan's Net OPEB Asset to Changes in the Plan's Healthcare Cost Trend Rates
The following presents the Plan's net OPEB asset calculated using the current healthcare cost trend rate of 8.0 percent decreasing to 5.0 percent, as well as what the net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (9.0 percent decreasing to 6.0 percent) than the current rate:

	1% Decrease (7.0% decreasing to 4.0%)	Current Rate (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
Net OPEB asset	$ (3,289,698)	$ (2,575,163)	$ (1,719,200)

Schedule of Changes in Net OPEB Asset

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Asset
Beginning Balance June 30, 2020	$ 4,082,464	$ 5,046,315	$ (963,851)
Changes for the Year:			
Service cost	48,458	-	48,458
Interest	282,220	-	282,220
Difference between expected & actual experience	(220,432)	-	(220,432)
Contributions - employer	-	201,503	(201,503)
Investment income	-	1,520,055	(1,520,055)
Benefit payments	(101,503)	(101,503)	-
Net Changes	8,743	1,620,055	(1,611,312)
Ending Balance June 30, 2021	$ 4,091,207	$ 6,666,370	$ (2,575,163)

OPEB Expense for Year Ending June 30, 2021

OPEB Expense	
Service Cost	$ 48,458
Interest cost	(71,022)
Experience & Assumption Amortization	(31,281)
Investment Amortization	(220,237)
	$ (274,082)

Deferred Outflows and Deferred Inflows Summary

Deferred Schedule

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 409,864	$ 655,154
Net difference between projected and actual earnings of Plan investments	143,098	978,117
Total	$ 552,962	$ 1,633,271

Schedule of Deferred Resources

Year Ended June 30:	
2022	$ (251,518)
2023	(251,518)
2024	(247,544)
2025	(283,003)
2026	(49,640)
Thereafter	2,914
	$ (1,080,309)

Note 11 – OPEB - Group Life Insurance

Plan Description

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City Schools Board

Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts

The benefits payable under the GLI Program have several components.

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
    - Accidental dismemberment benefit
    - Safety belt benefit
    - Repatriation benefit
    - Felonious assault benefit
    - Accelerated death benefit option

Reduction in Benefit Amounts

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.

Minimum Benefit Amount and Cost-of-Living Adjustment ("COLA")

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at $8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 COLA calculation. The minimum benefit adjustment for the COLA was $8,616 as of June 30, 2021.

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were $20,901 and $20,863 for the years ended June 30, 2021 and June 30, 2020, respectively.

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, 2021, the Authority reported a liability of $325,257 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was 0.01949% as compared to 0.01982% at June 30, 2020.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of $4,515. 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.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

Deferred Schedule

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	$ 20,901	$ -
Differences between expected and actual experience	20,862	2,921
Change in assumptions	16,267	6,792
Changes in proportion	868	24,965
Net difference between projected and actual earnings of Plan investments	9,770	-
Total	$ 68,668	$ 34,678

$20,901 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Deferred Expenses

Year Ended June 30:	
2022	$ (2,989)
2023	(230)
2024	5,253
2025	9,173
2026	1,883
Thereafter	(1)
	$ 13,089

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation		2.5 percent
Salary increases, including inflation –		
	General state employees	3.5 percent – 5.35 percent
	Teachers	3.5 percent – 5.95 percent
	SPORS employees	3.5 percent – 4.75 percent
	VaLORS employees	3.5 percent – 4.75 percent
	JRS employees	4.5 percent
	Locality – General employees	3.5 percent – 5.35 percent
	Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return		6.75 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 GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 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 Life Mortality Table 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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 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 Life Mortality Table 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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Net GLI OPEB Liability

The net OPEB liability ("NOL") for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 3,523,937
Plan Fiduciary Net Position	1,855,102
Employers' Net GLI OPEB Liability	$ 1,668,835
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The Net GLI OPEB Liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return	Weighted Average Long-Term Expected Real Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS – Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP – Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
Inflation			2.50%
Expected arithmetic nominal return*			7.14%

*The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations provide a median return of 6.81%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the Net GLI OPEB Liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	(5.75%)	Rate (6.75%)	(7.75%)
Employer's proportionate share of the GLI Program Net OPEB Liability	$ 427,575	$ 325,257	$ 242,165

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report. A copy of the 2020 VRS Comprehensive Annual Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12 – Risk management

The Authority is exposed to the risk of loss due to the wide range of services provided by its employees. Auto fleet coverage, general liability, property damage, building and contents, bridge, inland marine, boiler and machinery, dishonesty bond (crime), workers' compensation, and public officials' and employee's legal liability coverage is obtained through membership in the VRSA Insurance Program. Members are liable for any and all unpaid claims in the event the association is in a deficit position. No settlements have exceeded coverage limits during the three years ended June 30, 2021.

Note 13 – Leases

Office Space Rental – The Authority relocated its corporate office in June 2017 and leases its administrative offices under an operating lease agreement expiring in April 2028. In October 2018, the Authority amended the operating lease agreement for its corporate office to include additional space it acquired for office, storage, and conference rooms. Total annual office lease payments were $171,500 in fiscal year 2021.

Office Equipment Rental – The Authority leases certain office equipment under an operating lease agreements that expired in March 2021. Lease payments were $926 for fiscal year 2021.

Rent expense on all leases was approximately $172,500 in fiscal year 2021.

Note 14 – Commitments and Contingencies

Commitments – The Authority has active construction projects and various open purchase orders at times throughout the fiscal year. As of June 30, 2021, the Authority's open construction contracts were:

Project	Fund	Total Contract	Spent to Date	Remaining Commitment
Toll System	Expressway	$ 18,198,309	$ 1,331,410	$ 16,866,899
Maintenance/Repairs	Expressway	1,869,410	1,497,961	371,449

Litigation – The Authority is contingently liable with respect to lawsuits and other claims that arise in the normal course of its operations. Management of the Authority does not expect that any amount it may have to pay in connection with these matters would have a material adverse effect on the financial position of the Authority.

COVID-19 – During 2020 an outbreak of a COVID-19 emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Authority's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time. The Authority has made operational adjustments to reduce expenses and maintain revenue.

Required Supplementary Information (Unaudited)

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

	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability							
Service cost	$ 468,184	$ 384,956	$ 379,740	$ 360,287	$ 310,874	$ 298,399	$ 334,229
Interest	1,040,878	1,108,957	1,095,521	1,136,809	1,155,612	1,193,021	1,211,289
Changes of assumptions	-	-	-	(157,661)	-	510,868	-
Difference between expected and actual experience	-	(1,092,566)	(228,073)	(342,873)	(177,228)	(296,050)	(103,784)
Benefit payments, including refund of employee contributions	(521,921)	(551,090)	(635,512)	(679,198)	(776,698)	(732,983)	(875,768)
Net change	987,141	(149,743)	611,676	317,364	512,560	973,255	565,966
Total pension liability, beginning	15,130,651	16,117,792	15,968,049	16,579,725	16,897,089	17,409,649	18,382,904
Total pension liability, ending (a)	$ 16,117,792	$ 15,968,049	$ 16,579,725	$ 16,897,089	$ 17,409,649	$ 18,382,904	$ 18,948,870
Plan Fiduciary Net Position							
Contributions – employer	$ 299,893	$ 286,867	$ 282,685	$ 104,434	$ 95,897	$ 29,746	$ 26,766
Contributions – employee	207,869	198,977	195,707	181,946	175,898	180,784	172,704
Net investment income	2,172,443	729,879	288,995	2,013,354	1,314,814	1,259,019	373,785
Benefit payments, including refund of employee contributions	(521,921)	(551,090)	(635,512)	(679,198)	(776,698)	(732,983)	(875,768)
Administrative expense	(11,608)	(9,905)	(10,272)	(11,780)	(11,781)	(12,705)	(13,122)
Other	114	(153)	(122)	(1,785)	(1,185)	(791)	(440)
Net change	2,146,790	654,575	121,481	1,606,971	823,945	723,070	(316,075)
Plan fiduciary net position, beginning	13,732,251	15,879,041	15,879,041	16,655,097	18,262,068	19,086,013	19,809,083
Plan fiduciary net position, ending (b)	$ 15,879,041	$ 16,533,616	$ 16,655,097	$ 18,262,068	$ 19,086,013	$ 19,809,083	$ 19,493,008
Net Pension Liability (Asset) (a)-(b)	$ 238,751	$ (565,567)	$ (75,372)	$ (1,364,979)	$ (1,676,364)	$ (1,426,179)	$ (544,138)
Plan fiduciary net position as a percentage of the total pension liability	98.5%	103.5%	100.5%	108.1%	109.6%	107.8%	102.9%
Covered payroll	$ 4,065,828	$ 4,045,032	$ 3,785,127	$ 3,696,027	$ 3,762,069	$ 3,912,549	$ 3,814,514
Net pension liability (asset) as a percentage of covered payroll	5.9%	(14.0%)	(2.0%)	(36.9%)	(44.6%)	(36.5%)	(13.7%)

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
** The amounts presented have a measurement date of the previous fiscal year end.*

Required Supplementary Information (Unaudited)

Schedule of Pension Contributions

Fiscal Year	Contractually Required Contribution	Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 299,893	$ 299,893	$ -	$ 4,065,828	7.4%
2015	286,867	286,867	-	4,045,032	7.1%
2016	282,685	282,685	-	3,785,127	7.5%
2017	104,434	104,434	-	3,696,027	2.8%
2018	269,104	269,104	-	3,762,069	7.2%
2019	281,704	281,704	-	3,912,549	7.2%
2020	274,645	274,645	-	3,814,514	7.2%
2021	236,129	236,129	-	3,968,710	5.9%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information for Pension
For the Year Ended June 30, 2021

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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%
Discount Rate	Decrease from 7.00% to 6.75%

All Others (Non 10 Largest) – 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 15%
Discount Rate	Decrease from 7.00% to 6.75%

Schedule of Changes in Net OPEB Liability (Asset), and Related Ratios

	2017	2018	2019	2020	2021
Total OPEB Liability					
Service cost	$ -	$ 50,139	$ 50,549	$ 55,696	$ 48,458
Interest	-	13,963	283,905	308,009	282,220
Difference between expected and actual experience	832,475	440,581	134,163	(616,368)	(220,432)
Benefit payments	(144,000)	(120,000)	(118,533)	(130,008)	(101,503)
Net change	688,475	384,683	350,084	(382,671)	8,743
Total OPEB liability, beginning	3,041,893	3,730,368	4,115,051	4,465,135	4,082,464
Total OPEB liability, ending (a)	$3,730,368	$4,115,051	$4,465,135	$4,082,464	$ 4,091,207
Plan Fiduciary Net Position					
Contributions – Employer	$ 429,000	$ 420,000	$ 418,533	$ 430,008	$ 201,503
Investment income	(190,307)	334,998	195,615	144,809	1,520,055
Benefit payments	(144,000)	(120,000)	(118,533)	(130,008)	(101,503)
Net change	94,693	634,998	495,615	444,809	1,620,055
Plan fiduciary net position, beginning	3,376,200	3,470,893	4,105,891	4,601,506	5,046,315
Plan fiduciary net position, ending (b)	3,470,893	4,105,891	4,601,506	5,046,315	6,666,370
Net OPEB Liability (Asset) (a)-(b)	$ 259,475	$ 9,160	$ (136,371)	$ (963,851)	$ (2,575,163)
Plan fiduciary net position as percentage of the total OPEB Liability	93.04%	99.78%	103.05%	123.61%	162.94%
Covered payroll	$4,522,294	$4,522,294	$4,868,716	$4,594,069	$ 3,711,895
Net OPEB Liability (Asset) as a percentage of covered payroll	5.74%	0.20%	-2.80%	-20.98%	-69.38%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of OPEB Contributions

Fiscal Year	Contractually Required Contribution	Employer Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$ 429,000	$ 429,008	-	$ 4,522,294	9.5%
2018	420,000	420,000	-	4,522,294	9.3%
2019	419,000	419,000	-	4,868,716	8.6%
2020	430,008	430,008	-	4,594,069	9.4%
2021	201,503	201,503	-	3,711,895	5.4%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of OPEB Investment Returns

	2018	2019	2020	2021
Annual money-weighted rate of return, net of investment expense	Over 10%	4.7%	3.1%	30.1%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

OPEB Plan Actuarial Assumptions
The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay
Asset valuation method	Market Value
Investment return	7.00%
Healthcare cost trend rate	8.0% for 2019, decreasing 0.5% per year to an ultimate rate of 5.0% for 2025 and later years
Projected salary increases	3.0%, average

Mortality rates were based on the RP-2014 Combined Mortality Table for Males or Females, as appropriate.

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30*

	2018	2019	2020	2021
Employer's Proportion of the Net GLI OPEB Liability	0.02061%	0.01974%	0.01982%	0.01949%
Employer's Proportionate Share of the Net GLI OPEB Liability	$310,000	$300,000	$322,524	$325,257
Employer's Covered Payroll	$3,802,100	$3,753,184	$3,585,896	$4,012,194
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.15%	7.36%	8.04%	8.11%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%	52.00%	52.64%

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Required Supplementary Information (Unaudited)

Schedule of Employer Contributions GLI Program OPEB
For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2012	$ 18,797	$ 18,797	-	$ 4,272,047	0.44%
2013	23,899	23,899	-	4,509,156	0.53%
2014	22,228	22,228	-	4,193,954	0.53%
2015	21,650	21,650	-	4,084,935	0.53%
2016	21,572	21,572	-	4,070,174	0.53%
2017	19,771	19,771	-	3,802,110	0.52%
2018	19,517	19,517	-	3,753,184	0.52%
2019	20,207	20,207	-	3,885,894	0.52%
2020	20,863	20,863	-	4,012,194	0.52%
2021	20,901	20,901	-	3,366,348	0.54%

Notes to Required Supplementary Information for OPEB Group Life Insurance
For the Year Ended June 30, 2021

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%
Discount Rate	Decrease rate from 7.00% to 6.75%

Required Supplementary Information (Unaudited)

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

Modified Approach for Reporting Infrastructure

As allowed by GAAP, the Authority has adopted an alternative approach in lieu of recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the Authority expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include the entire Expressway System network of roads and bridges that the Authority is responsible to maintain. In order to utilize the modified approach, the Authority is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets;
- Perform condition assessments of eligible assets and summarize the results using a measurement scale;
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the Authority, and
- Document that the assets are being preserved approximately at or above the established condition level.

The following tables, combined with condition assessment ratings, demonstrate the Authority has incurred the necessary expenses to meet its established condition levels.

Pavement condition assessment, measurement scale, and established condition level

The Authority assesses pavement condition on a calendar year basis. The Authority adopted the proposed asphalt specific Washington State Department of Transportation Pavement Condition Rating ("PCR") System as a guide. Since the surface pavement of the Authority's Expressway System is composed entirely of asphalt, the Authority's Consulting Engineer generates a condition rating for defined segments of the Expressway System. A PCR will fall into one of four distinct Treatment Groups with each having corresponding maintenance strategies and potential treatments:

Treatment Group	PCR Score	Pavement Surface Condition	Potential Recommended Maintenance Strategies and Treatments
Group 1	75-100	Excellent to very good	No action to preventative maintenance (crack sealing, isolated patches)
Group 2	50-74	Very good to good	Preventative maintenance to light rehabilitation (crack sealing, shallow patches, deep patches, scarify and thin overlay)
Group 3	25-49	Good to fair	Preventative maintenance to moderate rehabilitation (crack sealing, shallow patches, deep patches, thin overlay, thick overlay, scarify and overlay, mill and overlay)
Group 4	0-24	Poor	Heavy rehabilitation to reconstruction (mill and overlay, total reconstruction)

The Authority last modified the treatment group scoring model in August 2006.

The Authority's established condition level requires asphalt pavement be maintained at optimum levels and that no subsection PCR score is less than 40. Condition assessment ratings for the last five inspection cycles were:

Calendar Year	Percentage of Total Lane Miles by Group Group 1	Group 2	Group 3	Group 4
2013	30.3%	68.2%	1.5%	0.0%
2014	14.0%	84.1%	1.9%	0.0%
2015	15.1%	84.4%	0.5%	0.0%
2016	16.7%	82.2%	1.1%	0.0%
2017	42.6%	57.4%	0.0%	0.0%
2018	89.8%	10.1%	0.0%	0.0%
2019	89.8%	10.1%	0.0%	0.0%
2020	84.0%	16.0%	0.0%	0.0%

Bridge condition assessment, measurement scale, and established condition level

The Authority utilizes the following condition rating scale, established by the Federal Highway Administration ("FHWA") as part of the National Bridge Inspection Standards, to assess the condition of bridges within the Expressway System. The 10-point scale rates the bridge's major structural bridge elements as follows:

Rating	Description
9	Excellent
8	Very good: no problems noted
7	Good: some minor problems
6	Satisfactory: structural elements show some minor deterioration
5	Fair: all primary structural elements are sound but may have minor section loss, cracking, spalling, or scour
4	Poor: advanced section loss, deterioration, spalling, or scour
3	Serious: loss of section, deterioration, spalling, or scour have seriously affected primary structural components; local failures are possible; fatigue cracks in steel or shear cracks in concrete may be present
2	Critical: advanced deterioration of primary structural elements; fatigue cracks in steel or shear cracks in concrete may be present or scour may have removed substructure support; unless closely monitored it may be necessary to close the bridge until corrective action is taken
1	Imminent failure: major deterioration or section loss present in critical structural components or obvious vertical or horizontal movement affecting structure stability; bridge is closed to traffic, but corrective action may put it back in light service
0	Failure: out of service; beyond corrective action

The Authority's established condition level policy requires that no bridge be rated as "structurally deficient", which results when a condition of 4 or worse is assessed to at least one of the major structural elements (deck, superstructure, or substructure). For the 36 bridges in the Authority's inventory, the condition ratings of the major structural elements have been above a rating of 4 for each of the past five inspection cycles (calendar years).

In addition to the 10-point-scale for condition ratings as described above, FHWA may classify a bridge as structurally deficient if its load carrying capacity is significantly below current design standards. Boulevard Bridge, built in 1924, was designed using a lower live load capacity than current standards dictate. Considering its live load capacity, Boulevard Bridge is classified as structurally deficient by FHWA in spite of the fact that its condition ratings are greater than a 4. Boulevard Bridge is performing its intended function of connecting a residential neighborhood to areas north of the bridge and remains safe as currently operated by the Authority.

The following table presents the condition level ratings as determined by the Authority's independent certified inspection experts for the major structural elements of each of the Authority's bridges from the most recent inspection cycle (fiscal years 2020/2021):

Bridge Identifier/Name	Deck	Superstructure	Substructure	Culvert
BB, Boulevard Bridge	6	5	5	NA
BR04, Chippenham Parkway	7	6	7	NA
BR05, Norfolk Southern Railroad	7	5	7	NA
BR06, Forest Hill Avenue	7	6	6	NA
BR08NB, Powhite over James River	6	6	5	NA
BR08SB, Powhite over James River	6	6	6	NA
BR09N, CSX Railroad	NA	6	7	NA
BR09S, CSX Railroad	NA	6	6	NA
BR10N, CSX Railroad	NA	6	7	NA
BR10S, CSX Railroad	NA	6	6	NA
BR11, NB Powhite over Route 146	7	6	6	NA
BR12, Douglasdale	7	6	7	NA
BR13, Douglasdale	7	6	6	NA
BR17, Cary Street ramp	7	6	7	NA
BR36, Maplewood Avenue	7	7	6	NA
BR37, Grant Street	7	6	6	NA
BR46, Allen Avenue	7	7	7	NA
BR47, Randolph Street	7	7	7	NA
BR48, Harrison Street	7	6	6	NA
BR49, Cherry Street	7	7	7	NA
BR50, Laurel Street	7	6	7	NA
BR51, Belvidere Street	7	5	7	NA
BR54, 2nd Street	7	6	7	NA
BR55, 3rd Street	7	7	7	NA
BR56, 4th Street	7	7	7	NA
BR57, 5th Street	7	6	7	NA
BR58, 7th Street	7	5	7	NA
BR60, 10th Street	7	5	5	NA
BR61, 12th Street	7	6	7	NA
BR62, Canal Street exit ramp	7	5	6	NA
BR63, Double-decker at I-95 ramp	7	6	6	NA
BR64, I-95 south ramp	7	5	6	NA
BR65, I-95 north ramp	7	6	6	NA
BR66, Double-decker at I-95 ramp	7	6	6	NA
BR67, I-95 north ramp	7	6	6	NA
BR68, I-95 south ramp	7	6	6	NA

C-1827, Powhite Creek at Forest Hill Ave	NA	NA	NA	6
C-1831, Powhite Creek at Powhite Toll plaza	NA	NA	NA	7

NA – not applicable

Estimated and actual costs, last five fiscal years

The following table presents the Authority's estimate of spending necessary to preserve and maintain the roads and bridges at, or above, the established condition level and the actual amount spent during the past five fiscal years:

Fiscal Year	Estimated Spending (Capital Budget)	Actual Spending
2017	$ 19,164,852	$ 12,453,153
2018	29,691,701	10,031,464
2019	18,858,173	14,713,339
2020	10,572,067	11,064,694
2021	5,595,300	8,138,947
	$ 83,882,093	$ 56,401,599

The budget process and timing of projects results in spending in one fiscal year from budgets that were approved in the previous year(s). This timing difference does not allow a true comparison of amounts budgeted and spent within a given year. As a result, the Authority had approximately $5.5 million remaining in its capital budget at the end of fiscal year 2020, which will be carried forward to the next fiscal year.

This table, combined with condition assessment ratings, demonstrate the Authority has incurred the necessary expenses to meet its established condition levels.

Expressway System actual maintenance expense for the last five fiscal years by project group was:

Group	2017	2018	2019	2020	2021
Maintenance and Repair	$ 9,571,425	$ 6,760,426	$ 8,097,467	$ 3,655,066	$ 2,282,055
Protective Coatings	1,209,384	174,293	4,304,911	5,387,589	1,736,769
Inspections and Engineering	634,774	1,003,702	799,532	863,781	2,345,340
Vehicle Replacement	33,524	5,439	-	38,499	-
Toll System Upgrade	665,059	1,790,328	1,433,965	728,392	487,253
Other	338,987	297,276	77,464	391,367	1,287,532
	$ 12,453,153	$ 10,031,464	$ 14,713,339	$ 11,064,694	$ 8,138,949

Statistical Section

Table of Contents

The statistical section presents detailed information as a context for understanding what the information in the basic financial statements, note disclosures, and required supplementary information indicate about the Authority's financial health over an extended period of time.

Financial Trends
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being changed over time.

Revenue Capacity
These schedules contain information to help the reader assess the Authority's significant local operating revenues.

Debt Capacity
These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

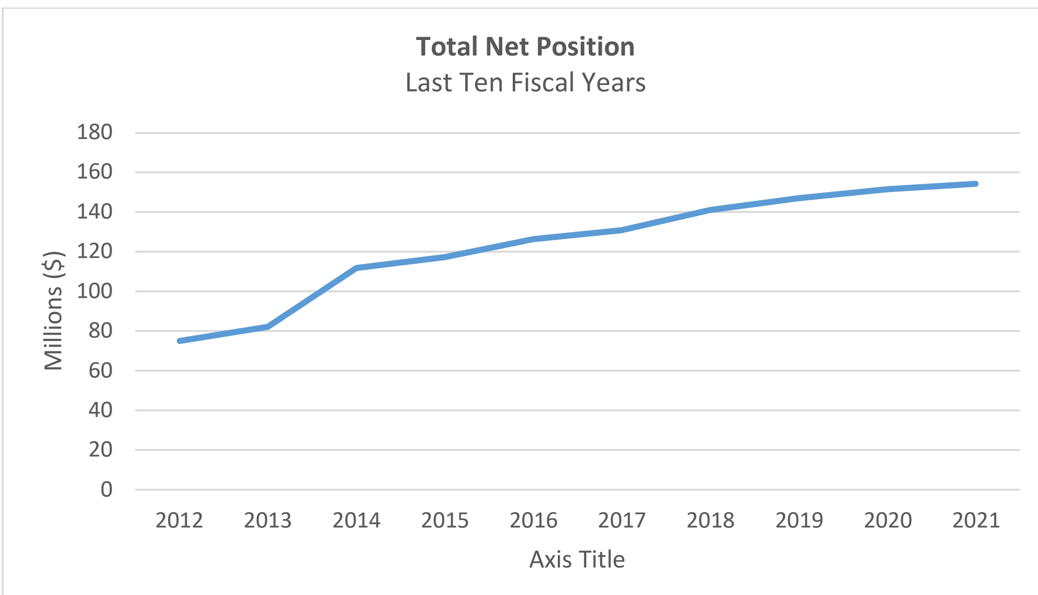
Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Table 1 – Net Position (Deficit) by Component, Last Ten Fiscal Years

Fiscal Year	Net Investment in Capital Assets	Restricted (1)	Unrestricted	Total
2012	$ 88,262,025	$ 28,481,179	$ (41,660,745)	$ 75,082,459
2013	85,344,801	38,700,689	(42,037,780)	82,007,710
2014	101,416,492	31,380,545	(21,106,185)	111,690,852
2015	97,560,342	37,907,088	(18,170,506)	117,296,924
2016	98,530,597	44,904,103	(17,081,471)	126,353,229
2017	99,747,709	47,978,503	(16,996,606)	130,729,606
2018	102,313,753	53,905,169	(15,234,170)	140,984,752
2019	107,301,010	52,681,124	(13,068,110)	146,914,024
2020	113,156,510	51,225,587	(12,929,719)	151,452,378
2021	123,588,695	43,344,595	(13,366,114)	153,567,176

(1) Restricted net position includes amounts restricted for debt service, cash and investments in the Repair and Contingency fund held for capital projects, and required reserves. Balances at year end may fluctuate based on the timing of projects.



The significant net position increase in fiscal year 2014 was due to the transfer of the Expressway Parking Deck; this facility had debt that exceeded the historical asset carrying value by approximately $25 million prior to the transfer (see Table 2). $4.5 million of the fiscal year 2015 decrease in the Net Investments in Capital Assets component was due to the transfer of the Stadium (see Table 2).

Table 2 – Net Position (Deficit) by Component by Fund, Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expressway System										
Net inv. in cap. assets	$ 93,759,354	$ 92,553,786	$ 97,465,173	$ 97,560,342	$ 98,530,597	$ 99,747,709	$102,313,753	$107,301,010	$113,156,510	$123,588,695
Restricted	27,821,271	37,880,382	31,252,379	37,907,088	44,904,103	47,978,503	53,905,169	52,681,124	51,225,587	43,344,595
Unrestricted	(27,320,318)	(27,178,061)	(20,384,442)	(18,170,506)	(17,081,471)	(16,339,360)	(15,234,170)	(13,068,110)	(12,929,719)	(13,366,114)
	$ 94,260,307	$103,256,107	$108,333,110	$117,296,924	$126,353,229	$131,386,852	$140,984,752	$146,914,024	$151,452,378	$153,567,176
Stadium (1)										
Net inv. in cap. assets	$ 4,670,923	$ 4,311,121	$ 3,951,319	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted	144,100	242,386	128,166	-	-	-	-	-	-	-
Unrestricted	172,989	208,722	376,764	-	-	-	-	-	-	-
	$ 4,988,012	$ 4,762,229	$ 4,456,249	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expressway Parking Deck (2)										
Net inv. in cap. assets	$ (11,057,529)	$ (11,452,481)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted	(368,000)	333,000	-	-	-	-	-	-	-	-
Unrestricted	(13,596,543)	(14,127,260)	-	-	-	-	-	-	-	-
	$ (25,022,072)	$ (25,246,741)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Non0Major Funds (2)										
Net inv. in cap. assets	$ 889,277	$ (67,625)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted	147,808	244,921	-	-	-	-	-	-	-	-
Unrestricted	(916,873)	(941,181)	-	-	-	-	-	-	-	-
	$ 120,212	$ (763,885)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(1) Stadium facility was transferred to the City in fiscal year 2015.
(2) Parking facilities were transferred to the City in fiscal years 2013 (Carytown Parking Facilities) and 2014 (Expressway Parking Deck and Second Street Parking Facility).

Table 3 – Change in Net Position, Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating revenues										
Tolls	$ 36,111,774	$ 36,585,702	$ 37,714,962	$ 38,799,387	$ 41,040,930	$ 42,440,008	$ 42,782,772	$ 42,876,941	$ 37,004,506	$ 29,571,562
Parking	2,313,737	1,566,154	891,834	-	-	-	-	-	-	-
Rentals	183,449	514,207	551,123	453,521	236,622	239,218	613,744	816,515	53,722	52,493
Other	19,577	18,188	31,253	23,117	61,267	19,019	21,727	23,669	1,132	296
	38,628,537	38,684,251	39,189,172	39,276,025	41,338,819	42,698,245	43,418,243	43,717,125	37,059,360	29,624,351
Operating expenses										
Salaries and benefits	7,234,307	7,504,865	7,138,845	6,676,149	6,360,143	6,204,591	5,527,699	5,941,725	6,133,649	4,900,182
Operations	7,006,658	6,108,233	6,931,250	7,587,476	7,796,755	8,336,967	8,540,120	10,021,195	8,659,576	6,953,490
Preservation and capital maintenance	4,362,817	5,703,506	10,450,097	3,922,463	7,490,020	12,453,153	10,031,464	14,713,339	11,064,694	8,138,949
Depreciation	964,974	981,402	1,370,558	2,464,345	2,288,578	2,262,193	928,660	941,091	160,761	146,054
Total operating expenses	19,568,756	20,298,006	25,890,750	20,650,433	23,935,496	29,256,904	25,027,943	31,617,351	26,018,680	20,138,675
Operating income	19,059,781	18,386,245	13,298,422	18,625,592	17,403,323	13,441,341	18,390,300	12,099,774	11,040,680	9,485,676
Nonoperating revenues (expenses)										
Investment earnings	233,663	(423,520)	800,816	602,642	493,966	202,040	430,534	1,925,242	1,414,002	64,420
Support from localities	469,793	1,029,990	792,568	694,114	610,242	638,398	567,324	469,892	-	-
Gain (loss)	-	-	40,598	-	-	46,025	-	-	-	-
Interest expense	(11,587,208)	(11,045,529)	(10,698,738)	(9,326,625)	(9,451,226)	(9,294,181)	(9,133,012)	(8,565,636)	(7,916,328)	(7,482,208)
Nonoperating expenses, net	(10,883,752)	(10,439,059)	(9,064,756)	(8,029,869)	(8,347,018)	(8,407,718)	(8,135,154)	(6,170,502)	(6,502,326)	(7,417,788)
Capital contributions	25,000	-	-	-	-	-	-	-	-	-
Transfer of facilities	-	(1,021,935)	26,547,983	(4,388,092)	-	-	-	-	-	-
Capital asset write-down	-	-	-	(601,559)	-	-	-	-	-	-
Change in net position	8,201,029	6,925,251	30,781,649	5,606,072	9,056,305	5,033,623	10,255,146	5,929,272	4,538,354	2,067,888
Net position, beginning	69,557,636	75,082,459	82,007,710	111,690,852	117,296,924	126,353,229	130,729,606	140,984,752	146,914,024	151,499,288
Restatement	(2,676,206)	-	(1,098,507)	-	-	(657,246)	-	-	-	-
Net position, ending	$ 75,082,459	$ 82,007,710	$ 111,690,852	$ 117,296,924	$ 126,353,229	$ 130,729,606	$ 140,984,752	$ 146,914,024	$ 151,499,288	$ 153,567,176

Table 4 – Expressway System, Change in Net Position, Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Nonoperating Revenues (Expenses), Net	Change in Net Position
2012	$ 36,161,884	$ 16,580,138	$ 19,581,746	$ (9,812,861)	$ 9,768,885
2013	36,631,858	17,484,942	19,146,916	(10,151,116)	8,995,800
2014	37,771,511	23,455,821	14,315,690	(9,238,687)	5,077,003
2015	38,855,549	19,467,390	19,388,159	(9,325,838)	10,062,321
2016	41,131,444	23,117,830	18,013,614	(8,957,309)	9,056,305
2017	42,491,774	28,412,035	14,079,739	(9,046,116)	5,033,623
2018	42,834,933	23,877,309	18,957,624	(8,702,478)	10,255,146
2019	42,927,955	30,358,289	12,569,666	(6,640,394)	5,929,272
2020	37,059,360	26,018,680	11,040,680	(6,502,326)	4,538,354
2021	29,624,351	20,138,675	9,485,676	(7,417,788)	2,067,888

Table 5 – Expressway Parking Deck, Change in Net Position, Last Ten Fiscal Years

(1) The Expressway Parking Deck was transferred to the City of Richmond in fiscal year 2014.

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Nonoperating Revenues (Expenses), Net	Facility Transfer Gain, Net (1)	Change in Net Position
2012	$ 1,320,113	$ 988,798	$ 331,315	$ 1,504,091	$ -	$ 9,768,885
2013	1,283,788	964,879	318,909	1,279,578	-	8,995,800
2014	794,573	694,583	99,990	615,429	25,762,180	25,246,741
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-

Table 6 – Stadium, Change in Net Position, Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Loss	Nonoperating Revenues	Facility Transfer Loss (1)	Change in Net Position
2012	$ 286,801	$ 775,812	$ (489,011)	$ 121,263	$ -	$ (367,748)
2013	284,760	631,792	(347,032)	121,249	-	(225,783)
2014	313,129	735,364	(422,235)	116,255	-	(305,980)
2015	140,159	320,512	(180,353)	196	(4,388,092)	(4,456,249)
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-

(1) The Stadium was transferred to the City of Richmond in fiscal year 2015.

Table 7 – Main Street Station, Change in Net Position, Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Loss	Nonoperating Revenues (Expenses), Net	Reimbursement from City of Richmond	Change in Net Position
2012	$ 653,580	$ 1,002,498	$ 348,918	$ 125	$ 348,793	$ -
2013	283,120	972,205	689,085	95	688,990	-
2014	286,462	963,139	676,677	109	676,568	-
2015	280,317	862,531	582,214	100	582,114	-
2016	207,375	817,666	610,291	49	610,242	-
2017	206,471	844,869	638,398	-	638,398	-
2018	583,310	1,150,634	567,324	-	567,324	-
2019	789,170	1,259,062	469,892	-	469,892	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-

Note: Main Street Station operations transferred to the City of Richmond in fiscal year 2020.

Table 8 – Second Street Parking Facility, Change in Net Position, Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expense	Operating (Loss)	Nonoperating Revenue	Facility Transfer Gain, Net (1)	Change in Net Position
2012	$ 142,684	$ 129,596	$ 13,088	$ 44,299	$ -	$ 1,072
2013	137,300	137,202	98	(12,016)		181,353
2014	23,497	36,543	(13,046)	(3,577)	785,803	769,180
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-

(1) Second Street Parking Facility was transferred to the City of Richmond in fiscal year 2014.

Table 9 – Carytown Parking Facilities, Change in Net Position, Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expense	Operating (Loss)	Nonoperating Revenue	Facility Transfer Loss (2)	Change in Net Position
2012	$ 63,475	$ 91,914	$ (28,439)	$ 35	$ -	$ (28,404)
2013	63,425	106,986	(43,561)	46	(1,021,935)	(1,065,450)
2014	-	5,300	(5,300)	5	-	(5,295)
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-

(2) Carytown Parking Facilities were transferred to the City of Richmond in fiscal year 2013.

Table 10 – Operating Revenues by Fund, Last Ten Fiscal Years

Fiscal Year	Expressway System	Expressway Parking Deck	Stadium Facility	Main Street Station	Second Street Facility	Carytown Parking Facility	Total
2012	$36,161,884	$1,320,113	$286,801	$653,580	$142,684	$ 63,475	$38,628,537
2013	36,631,858	1,283,788	284,760	283,120	137,300	63,425	38,684,251
2014	37,771,511	794,573	313,129	286,462	23,497	-	39,189,172
2015	38,855,549	-	140,159	280,317	-	-	39,276,025
2016	41,131,444	-	-	207,375	-	-	41,338,819
2017	42,491,774	-	-	206,471	-	-	42,698,245
2018	42,834,933	-	-	583,310	-	-	43,418,243
2019	42,927,955	-	-	789,170	-	-	43,717,125
2020	37,059,360	-	-	-	-	-	37,059,360
2021	29,624,351	-	-	-	-	-	29,624,351

Table 11 – Operating Expenses by Fund, Last Ten Fiscal Years

Fiscal Year	Expressway System	Expressway Parking Deck	Stadium Facility	Main Street Station	Second Street Facility	Carytown Parking Facility	Total
2012	$16,580,138	$ 988,798	$775,812	$1,002,498	$129,596	$ 91,914	$19,568,756
2013	17,484,942	964,879	631,792	972,205	137,202	106,986	20,298,006
2014	23,455,821	694,583	735,364	963,139	36,543	5,300	25,890,750
2015	19,467,390	-	320,512	862,531	-	-	20,650,433
2016	23,117,830	-	-	817,666	-	-	23,935,496
2017	28,412,035	-	-	844,869	-	-	29,256,904
2018	23,877,309	-	-	1,150,634	-	-	25,027,943
2019	30,358,289	-	-	1,259,062	-	-	31,617,351
2020	26,018,680	-	-	-	-	-	26,018,680
2021	20,138,675	-	-	-	-	-	20,138,675

Table 12 – Operating Revenues by Source, Last Ten Fiscal Years

Fiscal Year	Tolls	Parking (1)	Rentals (2)	Other	Total
2012	$ 36,111,774	$ 2,313,737	$ 183,449	$ 19,577	$ 38,628,537
2013	36,585,702	1,566,154	514,207	18,188	38,684,251
2014	37,714,962	891,834	551,123	31,253	39,189,172
2015	38,799,387	-	453,521	23,117	39,276,025
2016	41,040,930	-	236,622	61,267	41,338,819
2017	42,440,008	-	239,218	19,019	42,698,245
2018	42,782,772	-	613,744	21,727	43,418,243
2019	42,876,941	-	816,515	23,669	42,717,125
2020	37,004,506	-	53,722	1,132	37,059,360
2021	29,571,562	-	52,493	296	29,624,351

(1) Main Street Station parking revenue collection was transferred to the City of Richmond in fiscal year 2012. The Second Street Parking and Expressway Parking Deck facilities were transferred to the City of Richmond in fiscal year 2014.
(2) The Stadium facility was transferred to the City of Richmond in fiscal year 2015. Main Street Station operations transferred to the City of Richmond in fiscal year 2020.

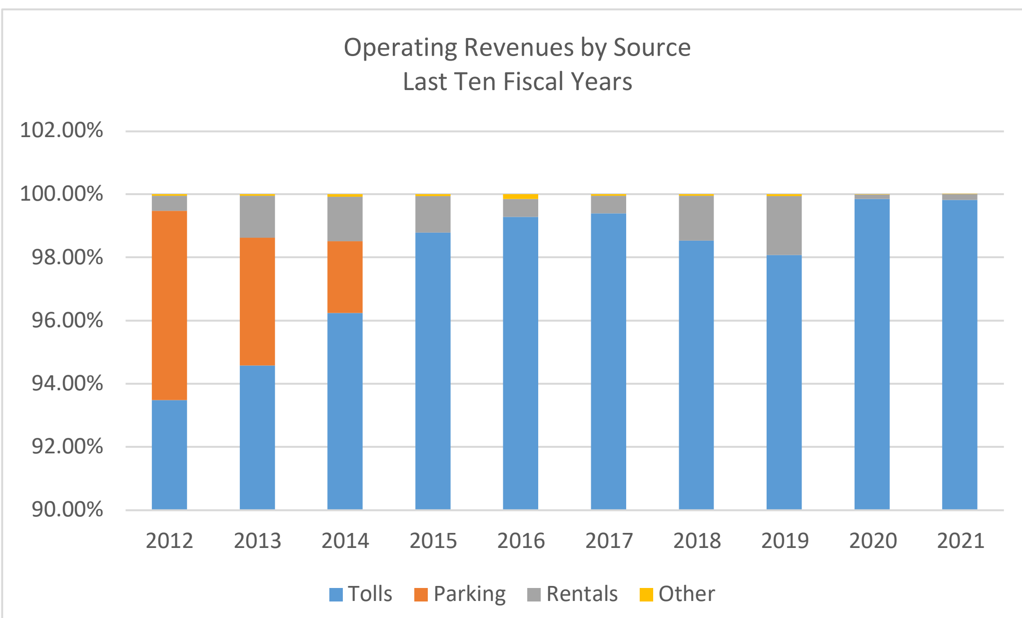


Table 13 – Expressway System Toll Rates, Current and Historical

Two-Axle Vehicles	Effective Date Opening (1)	July 1978	Nov. 1986	April 1988	January 1998	Sept. 2008
Powhite Parkway Mainline	$ 0.20	$ 0.25	$ 0.30	$ 0.35	$ 0.50	$ 0.70
Forest Hill Ramps	0.20	0.25	0.30	0.35	0.50	0.70
Douglasdale Ramps	0.10	0.10	0.10	0.10	0.15	0.20
Downtown Expressway Mainline	0.15	0.25	0.30	0.35	0.50	0.70
Second Street Ramps	0.10	0.10	0.10	0.20	0.25	0.35
Eleventh Street Ramps	0.10	0.10	0.10	0.15	0.20	0.30
Boulevard Bridge	0.10	0.10	0.10	0.20	0.25	0.35

Three-Axle Vehicles	Effective Date Opening (1)	July 1978	Nov. 1986	April 1988	January 1998	Sept. 2008
Powhite Parkway Mainline	$ 0.30	$ 0.35	$ 0.40	$ 0.45	$ 0.60	$ 0.80
Forest Hill Ramps	0.30	0.35	0.40	0.45	0.60	0.80
Douglasdale Ramps	0.20	0.10	0.10	0.20	0.25	0.40
Downtown Expressway Mainline	0.25	0.35	0.40	0.45	0.60	0.80
Second Street Ramps	0.15	0.20	0.20	0.40	0.50	0.70
Eleventh Street Ramps	0.15	0.20	0.20	0.30	0.40	0.60
Boulevard Bridge	0.20	0.20	0.20	0.40	0.50	0.70

Four-Axle Vehicles	Effective Date Opening (1)	July 1978	Nov. 1986	April 1988	January 1998	Sept. 2008
Powhite Parkway Mainline	$ 0.40	$ 0.45	$ 0.50	$ 0.55	$ 0.70	$ 0.90
Forest Hill Ramps	0.40	0.45	0.50	0.55	0.70	0.90
Douglasdale Ramps	0.20	0.10	0.10	0.20	0.25	0.40
Downtown Expressway Mainline	0.30	0.45	0.50	0.55	0.70	0.90
Second Street Ramps	0.20	0.20	0.20	0.40	0.50	0.70
Eleventh Street Ramps	0.20	0.20	0.20	0.30	0.40	0.60
Boulevard Bridge	0.20	0.20	0.20	0.40	N/A (2)	N/A (2)

Five or More-Axle Vehicles	Effective Date Opening (1)	July 1978	Nov. 1986	April 1988	January 1998	Sept. 2008
Powhite Parkway Mainline	$ 0.50	$ 0.55	$ 0.60	$ 0.65	$ 0.80	$ 1.00
Forest Hill Ramps	0.50	0.55	0.60	0.65	0.80	1.00
Douglasdale Ramps	0.20	0.10	0.10	0.20	0.25	0.40
Downtown Expressway Mainline	0.35	0.55	0.60	0.65	0.80	1.00
Second Street Ramps	0.25	0.20	0.20	0.40	0.50	0.70
Eleventh Street Ramps	0.25	0.20	0.20	0.30	0.40	0.60
Boulevard Bridge	0.20	0.20	0.20	0.40	N/A (2)	N/A (2)

(1) Opening dates for Authority’s Expressway System facilities: Boulevard Bridge in 1969, Powhite Parkway in 1973, and Downtown Expressway in 1976.
(2) Vehicles over three axles are no longer permitted on the Boulevard Bridge.

Table 14 – Expressway System, Revenue Bond Coverage, Last Ten Fiscal Years

Fiscal Year	Revenues	Direct Operating Expenses (1)	Net Revenue Available for Debt Service	Principal (2)	Interest	Total Required Debt Service	DSCR (3)
2012	$ 36,819,240	$ 12,077,889	$ 24,741,351	$ 3,510,000	$ 8,392,478	$ 11,902,478	2.08
2013	37,203,037	11,752,204	25,450,833	3,725,000	9,130,096	12,855,096	1.98
2014	38,176,186	12,293,218	25,882,968	3,960,000	8,895,357	12,855,357	2.01
2015	39,270,422	13,247,175	26,023,247	4,170,000	8,696,482	12,866,482	2.02
2016	41,530,698	13,339,232	28,191,466	4,390,000	8,444,913	12,834,913	2.20
2017	43,024,426	13,696,689	29,327,737	4,615,000	8,280,606	12,895,606	2.27
2018	43,588,346	12,917,185	30,671,161	6,905,000	7,833,846	14,738,846	2.08
2019	43,919,109	14,703,859	29,215,250	7,265,000	7,472,389	14,737,389	1.98
2020	37,918,746	14,793,225	23,125,521	7,650,000	6,877,702	14,527,702	1.59
2021	29,624,351	11,853,672	17,770,679	8,050,000	6,725,745	14,775,745	1.21

(1) Direct operating expenses exclude depreciation, unrealized gains/losses on investments, and preservation and capital maintenance expenses from the Repair & Contingency Fund. Expenses from the Repair & Contingency fund are funded after debt service requirements have been met.
(2) The Authority has used available funds in the escrow asset bond retirement account to retire bonds ahead of schedule; see the Bonds Payable note disclosure for additional information.
(3) Debt Service Coverage Ratio (DSCR) is calculated by dividing Net Revenue Available for Debt Service by the Total Required Debt Service.

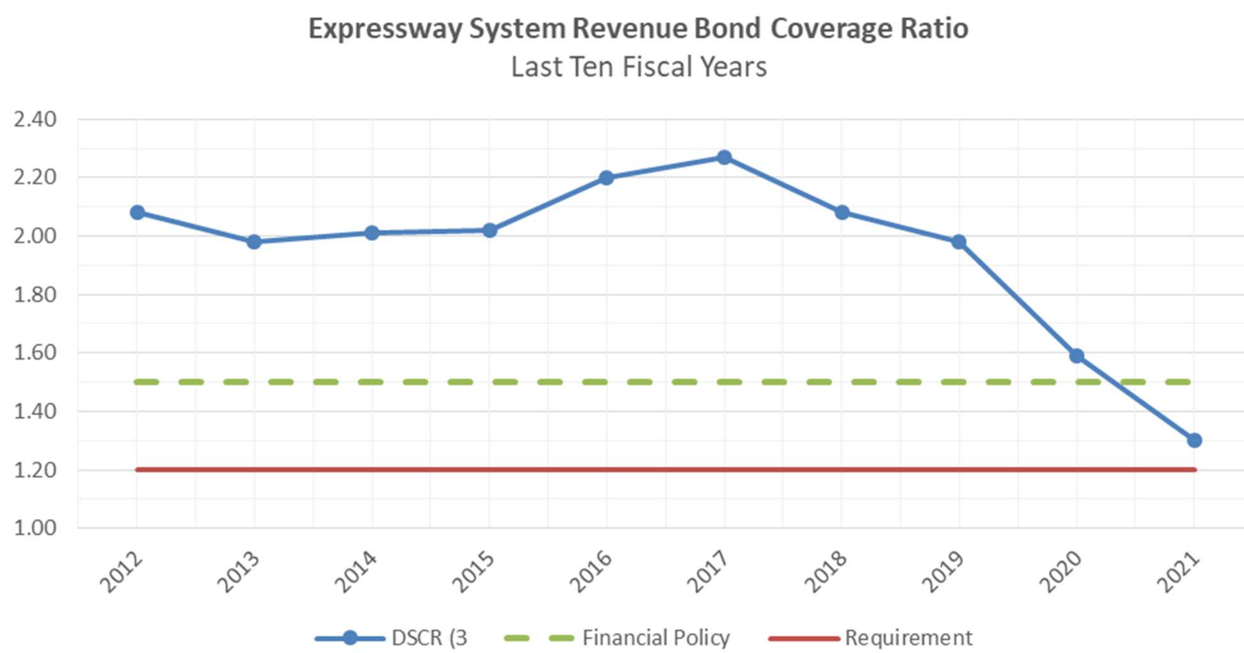


Table 15 – Expressway System, Debt per Toll Revenues and Toll Transactions, Last Ten Fiscal Years

Fiscal Year	Outstanding Bonds	Outstanding Subordinate Notes and Accrued Interest	Less: Debt Service Reserves	Total Debt, Net of Resources	Debt per Annual Toll Revenues (1)	Debt per Annual Toll Transactions (2)
2012	$ 187,875,953	$ -	$ (14,680,321)	$ 173,195,632	$ 4.80	3.08
2013	183,648,902	-	(14,570,022)	169,078,880	4.62	2.99
2014	179,636,975	-	(14,364,494)	165,272,481	4.38	2.85
2015	175,380,940	-	(13,827,237)	161,553,703	4.16	2.72
2016	170,935,852	-	(13,977,119)	156,958,733	3.82	2.52
2017	166,278,027	-	(13,821,483)	152,456,544	3.59	2.40
2018	162,776,986	-	(13,740,086)	149,036,900	3.48	2.32
2019	155,626,507	-	(13,889,343)	141,737,164	3.31	2.18
2020	148,314,552	-	(13,659,911)	134,654,641	3.64	2.38
2021	140,282,683	-	(12,780,969)	127,501,714	4.31	2.69

(1) Total debt, net of resources divided by annual toll revenue (see Table 12).
(2) Total debt, net of resources divided by annual toll transactions (see Table 18).

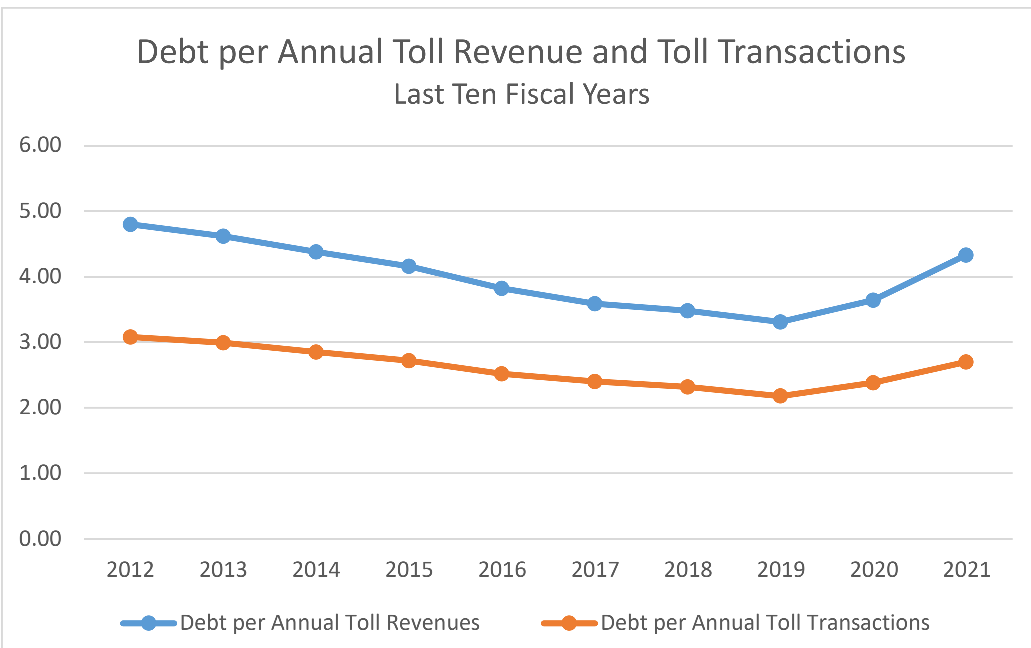


Table 16 – Principal Employers and Area Employment, Last Ten Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Employer Ranking (1, 2)										
Virginia Commonwealth University	1	2	2	2	1	1	1	1	1	1
Henrico County School Board	3	4	4	3	3	3	7	7	2	2
Chesterfield County School Board	4	3	3	4	4	5	6	6	3	3
Capital One Bank	2	1	1	1	2	2	3	2	4	4
VCA Medical Center	5	6	6	5	5	4	2	3	5	5
Bon Secours Health System	6	9	8	7	6	7	4	4	7	6
US Department of Defense	7	8	9	8	8	9	8	9	6	7
CarMax	-	-	-	-	-	-	-	-	-	8
Wal-Mart	8	7	7	9	9	8	9	8	8	9
Richmond City Public Schools	9	10	-	-	-	-	-	-	9	10
HCA Virginia Health System	-	5	5	6	7	6	5	5	-	-
Amazon	-	-	-	-	10	10	10	10	-	-
Integrity Staffing Solutions	-	-	10	10	-	-	-	-	-	-
County of Henrico	10	-	-	-	-	-	-	-	-	-
City of Richmond	-	-	-	-	-	-	-	-	10	-
Richmond Area Employment (3)	590,551	600,337	608,250	621,411	631,095	636,068	689,437	685,100	686,632	647,057

(1) Final quarter data for the top ten employers shown based on the most recent calendar year (2012-2021).
(2) The Virginia Employment Commission does not disclose the actual number of employees, due to the Confidential Information Protection and Statistical Efficiency Act – Title V of Public Law 107-347. All employers have over 1,000 individuals employed.
(3) Annual amounts based on the most recent calendar year (2007-2019). Total employment data obtained from the Bureau of Labor Statistics. Employment numbers are not seasonally adjusted. Historical employment data was updated in fiscal year 2020 based on revised employment estimates.

Source: Virginia Employment Commission, Bureau of Labor Statistics

Table 17 – Estimated Population, Richmond Metropolitan Area, Last Ten Years (1)

Year	City of Richmond	Chesterfield County	Henrico County	Total RMTA Member Jurisdictions	Other Service Area	Total
2012	208,834	322,388	314,881	849,103	385,127	1,231,230
2013	211,172	236,950	316,973	855,095	386,570	1,241,665
2014	213,504	330,043	318,019	861,566	389,477	1,251,043
2015	217,938	333,450	320,717	872,105	391,512	1,263,617
2016	221,679	333,963	321,233	876,875	392,254	1,269,129
2017	222,853	340,020	324,395	887,268	395,693	1,282,961
2018	226,919	346,357	326,993	900,269	399,001	1,299,270
2019	226,841	350,760	328,999	906,600	400,661	1,307,261
2020	229,074	355,079	331,219	915,372	404,086	1,319,458
2021	226,632	369,943	336,226	932,792	415,191	1,347,983

(1) Population estimates as of July 1 of the previous year (2011-2020).
Source: Weldon Cooper Center for Public Service, University of Virginia

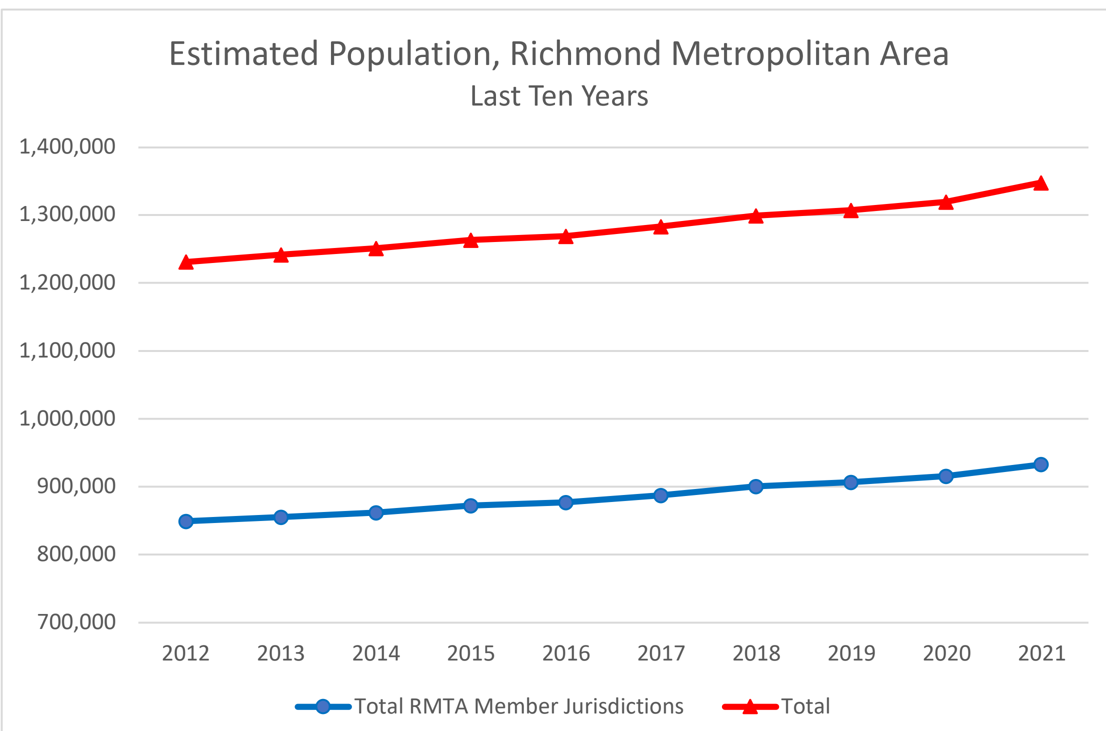


Table 18 – Expressway System, Operating Indicators, Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues (1):										
Powhite Parkway	$22,197,895	$22,399,507	$22,868,671	$23,606,375	$24,796,353	$25,470,997	$25,721,280	$25,892,404	$22,700,737	$19,661,256
Downtown Expressway	11,900,320	12,210,502	12,823,395	13,061,678	13,674,656	13,979,051	14,216,747	14,359,468	11,738,154	8,487,473
Boulevard Bridge	1,583,026	1,555,089	1,515,723	1,492,920	1,523,353	1,510,119	1,448,157	1,419,349	1,285,439	958,446
Total	$35,681,241	$36,165,098	$37,207,789	$38,160,973	$39,994,362	$40,960,167	$41,386,184	$41,671,221	$35,769,331	$29,107,175
Vehicle Traffic Volume:										
Powhite Parkway	32,666,065	32,842,238	33,554,196	34,579,728	36,350,428	37,354,162	37,689,222	38,172,792	34,058,075	30,315,116
Downtown Expressway	19,002,222	19,344,609	20,225,578	20,623,336	21,561,269	21,863,219	22,460,081	22,701,568	18,820,763	14,236,125
Boulevard Bridge	4,562,253	4,426,225	4,312,318	4,262,366	4,343,172	4,332,640	4,206,077	4,046,748	3,660,223	2,892,141
Total	56,230,540	56,613,072	58,092,092	59,465,430	62,254,869	63,550,021	64,355,380	64,921,108	56,539,061	47,443,382
Avg. Toll (2)	$ 0.63	$ 0.64	$ 0.64	$ 0.64	$ 0.64	$ 0.64	$ 0.64	$ 0.64	$ 0.63	$ 0.61
E-ZPass % (3)	60.60%	62.00%	63.00%	64.90%	66.50%	68.60%	70.60%	72.00%	73.50%	74.60%
Lane Miles	49.90	50.15	50.15	50.15	50.15	50.15	50.15	50.15	50.15	50.15

(1) Toll revenues excludes violation enforcement revenue. Toll rates were last increased in September 2008 (fiscal year 2009).
(2) Average toll is determined by dividing toll revenues by traffic volumes.
(3) Transactions paid via E-ZPass as a percentage of total traffic.

Table 19 – Employees by Identifiable Activity, Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expressway System										
Full time	89	87	87	90	84	84	82	89	84	53
Part time	29	28	32	34	37	36	31	27	30	8
	118	115	119	124	121	120	113	116	114	61
Central Administration										
Full time	17	17	12	12	13	12	10	17	16	12
Part time	1	1	1	1	1	1	1	1	2	1
	18	18	13	13	14	13	11	18	18	13
Parking Operations										
Full time	2	2	-	-	-	-	-	-	-	-
Part time	6	5	-	-	-	-	-	-	-	-
	8	7	-	-	-	-	-	-	-	-
Main Street Station										
Full time	2	2	2	2	2	2	1	2	-	-
Part time	-	-	-	-	-	-	11	-	-	-
	2	2	2	2	2	2	12	2	-	-
Total										
Full time	110	108	101	104	99	98	93	108	100	65
Part time	36	34	33	35	38	37	43	28	32	9
	146	142	134	139	137	135	136	136	132	74

Compliance Section

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Richmond Metropolitan Transportation Authority
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Expressway System major fund and the aggregate remaining fund information of the Richmond Metropolitan Transportation Authority (the "Authority"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 13, 2023.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Finding and Response as item 2021-001, that we consider to be a material weakness.

Compliance and Other Matters

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

Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Response. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Cherry Bekaert LLP

Richmond, Virginia
March 13, 2023

Schedule of Finding and Response

A. Finding Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

2021-001: Material Weakness – Internal Control over Financial Reporting – Proper Review and Authorization of Journal Entries Prior to Posting to the General Ledger

Criteria: To prepare financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"), accurate and complete subsidiary ledgers must be maintained to support the fair and timely presentation of the Authority's financial statements and to ensure accountability to the users (e.g., the capital markets) of the financial statements.

Condition: Throughout the fiscal year, Authority Finance personnel oversee the preparation, processing, and recordation of thousands of financial transactions that are compiled and provided to Authority management by way of reports used to run the Authority and ultimately used in the year end publication of the Annual Comprehensive Financial Report (ACFR). To ensure transactions are fairly represented, procedures must be in place and functioning effectively to produce complete and accurate financial information. During the financial close process, journal entries are commonly created to adjust accounts based on supporting schedules and recorded in the general ledger. Our inspection of journal entry support noted entries that were 1) not in accordance with GAAP and/or 2) were not sufficiently reviewed and approved by accounting personnel with the requisite knowledge and authority to ensure their accuracy, completeness and propriety. Examples of our observations are as follows:

- A journal entry to accrue invoices received after June 30, 2021, was posted to the general ledger as of June 30, 2021. The goods and services spanned across both fiscal years 2021 and 2022. The goods and services relating to fiscal year 2022 should not have been posted to the general ledger as of June 30, 2021; instead, they should have been recorded in fiscal year 2022. Additionally, the original entry showed no indication of appropriate approval and the correcting entry was not made within the expected close period (up to 2 months subsequent to year end when entries are made and accruals are tracked).

- Journal entries were made to the general ledger without an indication of appropriate review and approval. Through inspection of the entry details, such entries were made more than a year after the expected close period (up to 2 months subsequent to year end when entries are made and accruals are tracked).

Cause: The controls designed to identify such misstatements did not function effectively and were not performed timely, resulting in significant delays in the financial reporting process.

Effect: The controls in place to close the year-end books, reconcile the balances, analyze the period transactions, and accumulate and assimilate such data into a timely, GAAP compliant financial report did not function.

Recommendation: We recommend:

- The Authority implement an appropriate training program that highlights the Authority's policies and procedures, expected level of journal entry review, and the requisite level of oversight of that process.

- The Authority implement a structured cross-training program within financial operational functions (e.g., general accounting, accounts payable), aimed at expanding the skill sets of available team members to be utilized in periods of staff turnover or increased demands in a particular area, as it would provide the Authority tools to help weather disruptions in the monthly and year end close processes.

Views of Responsible Officials and Planned Corrective Actions:

Management agrees with the findings listed. Like most industries, during the worldwide pandemic, the Authority experienced some major challenges, which lead to staffing challenges in most areas of the Authority. The issues cited in this finding are mainly a result of this staffing challenge. Within the past year, Management has implemented the following actions to mitigate these issues:

- Hired a controller with the prerequisite knowledge and background.

- Hired a Director of Finance with the prerequisite experience.

This will enable the Finance department to reinstate the existing control structure that will mitigate the cause of these findings.