Comprehensive Annual Financial Report

For the year ended June 30, 2016

Serving Chesterfield, Henrico, and Richmond, Virginia

Richmond Metropolitan Transportation Authority
Chesterfield, Henrico, and Richmond, Virginia

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016

Prepared by the Department of Finance
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Christina Buisset, Accounting Supervisor
George Boyd, Accounting Technician
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Table of Contents

Introductory Section

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October 20, 2016

Board of Directors
Richmond Metropolitan Transportation Authority
Richmond, Virginia

Honorable Members of the Board:

The comprehensive annual financial report of the Richmond Metropolitan Transportation Authority ("RMTA" or the "Authority") for the fiscal year ended June 30, 2016 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 for the year ending June 30, 2016. 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, to construction 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 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 Board of Directors. Previously, the Authority's eleven member Board included six members appointed by the Mayor of the City of Richmond, Virginia (the "City"), with the approval of City Council, and two each by the Boards of Supervisors of the Counties of Chesterfield and Henrico (the "Counties"). The Commonwealth Transportation Commissioner appointed the eleventh member from the Commonwealth Transportation Board.

Effective July 1, 2014, the Authority's Board increased to sixteen members. The City and Counties 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 over 62 million in 2016.

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 VDOT 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.

In June 2003, the City of Richmond completed the renovation of Main Street Station and related parking lots. Upon completion of the renovation, the Authority was requested by the City to provide management services for both the station and parking facilities. The Authority is not responsible for any facility debt and the facility remains property of the City. The City agreed to pay all operating expenses in excess of revenues associated with the Authority's management of the facility – this contribution is budgeted so net revenue over expenses equals zero. The Authority submits monthly financial reports, annual budgets, and audited financial statements to the City. The Authority's operation of the facility is subject to periodic renewals of the operating agreement, with the current agreement expiring June 30, 2017.

Major Initiatives

This past year has been a critical milestone for the RMTA. Reaching the Authority's 50th anniversary was not a matter to let pass by without a bit of reflection and celebration of our accomplishments and contributions to the Richmond region while laying the groundwork for our future. It is critical for a living, breathing organization to consider future potential opportunities for its relevancy over the next 50 years.

A considerable amount of time was spent this past year to lay the groundwork for such potential projects the RMTA may wish to undertake. The Board created the Regional Projects and Outreach committee to lead this effort; outlining how best to approach our three communities and begin an important conversation. Outreach efforts also included opportunities to meet with the elected officials and executive teams from the City and Counties of Chesterfield and Henrico as well as engage our Richmond Regional Planning District partners (RRPD), Virginia Department of Transportation (VDOT), and various interest groups in order to better understand issues in the community, potential projects, and funding opportunities and constraints. And as a further gesture of RMTA's desire to be more open and inclusive, beginning January 2016, monthly Board meetings began rotating quarterly amongst the Counties of Chesterfield and Henrico, and the City of Richmond.

As we look back over this past year, several key events stand out and have an impact on the future of RMTA. Delegate Manoli Loupassi submitted legislation during the 2016 General Assembly which would allow RMTA to build, construct and own coliseums and arenas. This legislation was passed by both the House and Senate and signed by the Governor effective July 1, 2016. The RMTA board and the three jurisdictions will need to engage in dialogue regarding the fruition of this project and how it would be funded using RMTA as a vehicle. What this measure, as well as our efforts especially over this past year, does signal is a growing willingness to engage in conversations relating to transportation and economic development activities for the Richmond region, even 50 years following the establishment of the RMTA and the initial construction of the toll facilities. Additionally, RMTA followed legislative amendments to toll violation and collection practices for their impact to current business practices.

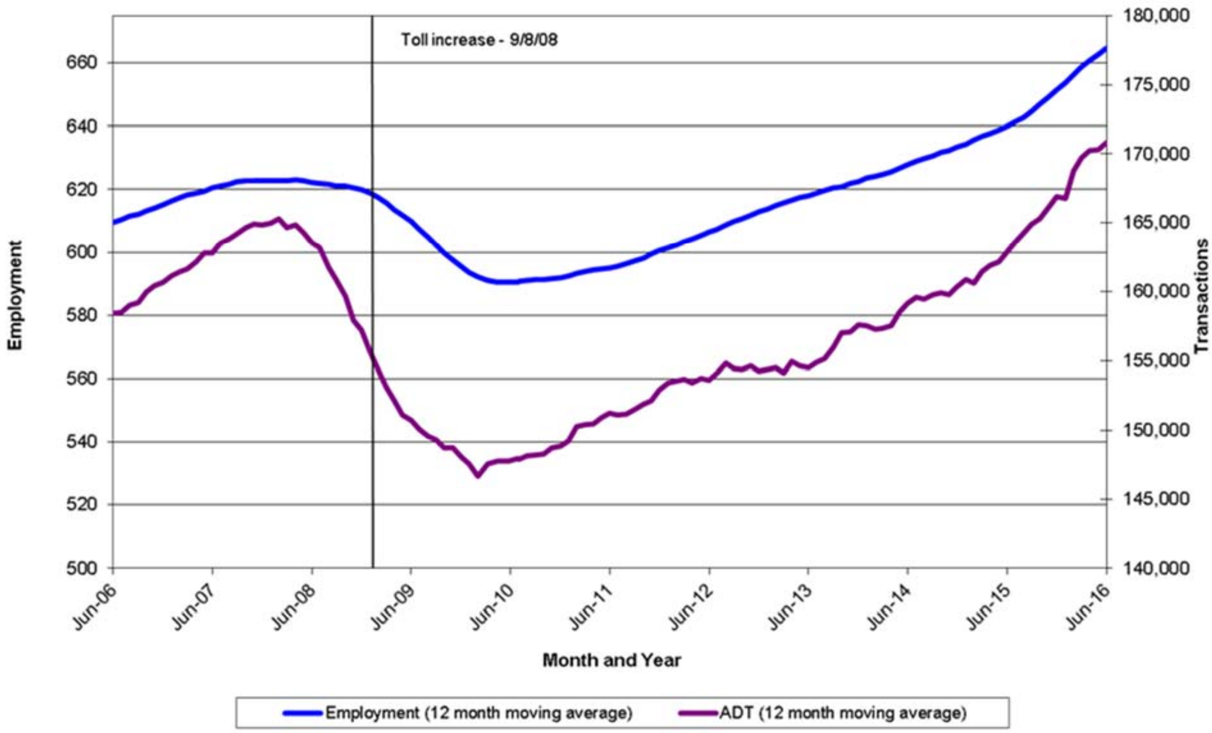
RMTA staff engaged in a number of internal activities this year that further demonstrated a commitment to excellence, transparency and collaborative efforts amongst our stakeholders and neighbors. Some of these efforts have included an enhanced accounting and Human Resources system which created a paperless system; improved methods for evaluating and selecting contractors while maintaining good records; enhanced communication to the public and media via social media; and significant improvements to the operational and capital budget resulting in greater transparency while tying goals and activities to the budget. RMTA's budgetary improvements have been recognized over the past two years by the Government Finance Officers Association of the United States and Canada (GFOA) Distinguished Budget Presentation Award. Most critical to roadway operations and collections was the evaluation options for a next generation toll system, including toll collection method alternatives, associated toll system and services requirements and limitations within the existing system and infrastructure. This project began with RMTA's first-ever industry forum which created an open dialogue between industry experts and RMTA staff to solicit interest in the upcoming project while garnering best practices and current technologies that may be applicable to our unique tolling needs. The resulting toll system replacement plan provides a framework for the RMTA to make both strategic and aligned decisions related to the future toll collection technology to be used across the RMTA system while taking into consideration opportunities to reduce operational costs both in the near and long term, alignment with future toll technology trends and industry best practices, and enhancing the resiliency of the toll collections system while maintaining toll system revenues in accordance with RMTA toll bond covenants.

Engineering highlights over the past year include the completion of the two-year Mill and Overlay project for the Powhite Parkway and SR-146 Connector Road on and off ramps. The next large capital project undertaking involves the Interstate 95 ramp deck rehabilitation project that commenced in spring 2016. This will be the largest deck rehabilitation contract to date for RMTA with a total contract amount of nearly $5.2 million; an important endeavor as RMTA continues to maintain high standards of quality in its toll road system so as to provide safe and efficient passage for its users.

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. *Figure 1* compares the 12 month moving average of area employment to the 12 month moving average of daily transactions on the Expressway System:

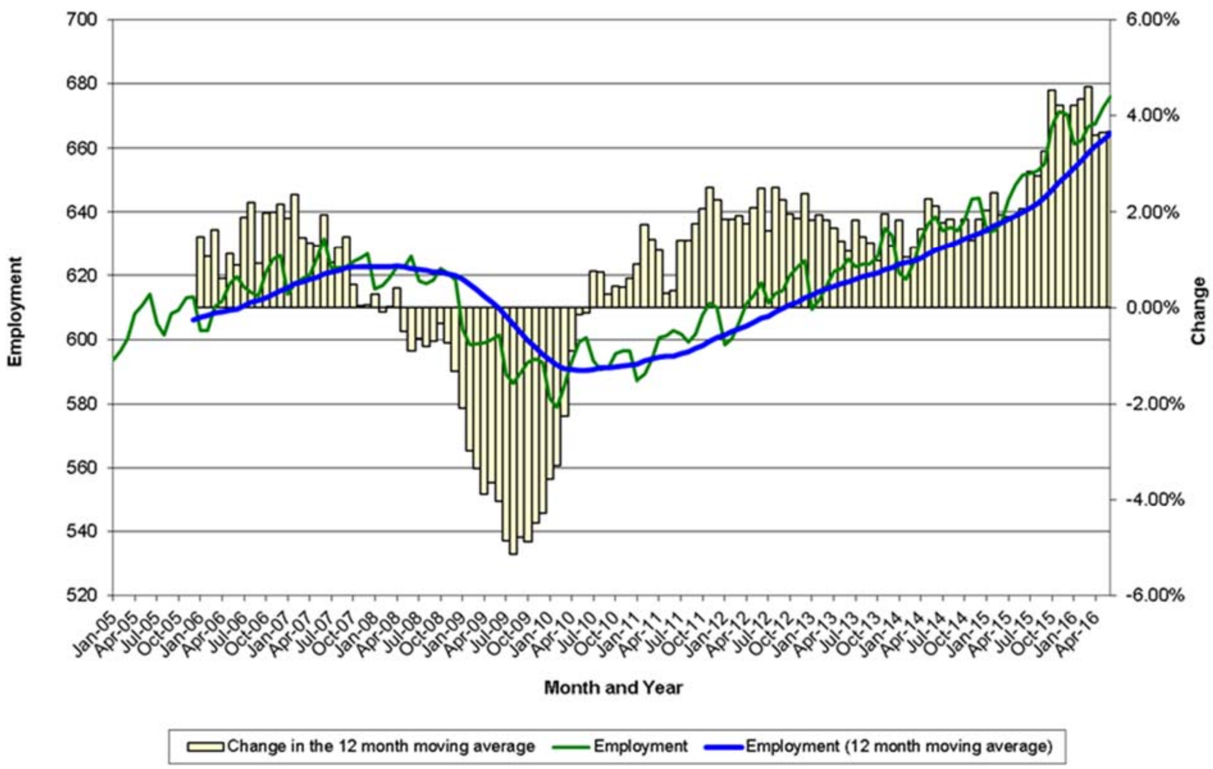
Figure 1: Richmond MSA Total Employment Levels, June 2006-June 2016



A portion of the drop in transactions in late 2008 is due to the timing of the September 2008 toll increase; traffic typically immediately drops after a toll increase before slowly rising. The 2008-2009 economic recession also impacted employment and traffic volumes during this time; while employment levels rebounded to pre-2008 levels by 2014, traffic volumes did not exceed pre-2008 levels until 2016.

Employment data for workers in the Richmond Metropolitan Service Area (MSA) from the Bureau of Labor Statistics is presented in *Figure 2*. The green line represents employment by month, fluctuating based on seasonal variations. The blue line is the 12 month moving average of the employment rate, essentially smoothing the curve to present a full picture of the employment data while removing the seasonal movement. The yellow bars represent the percentage change in the 12 month moving average (blue line).

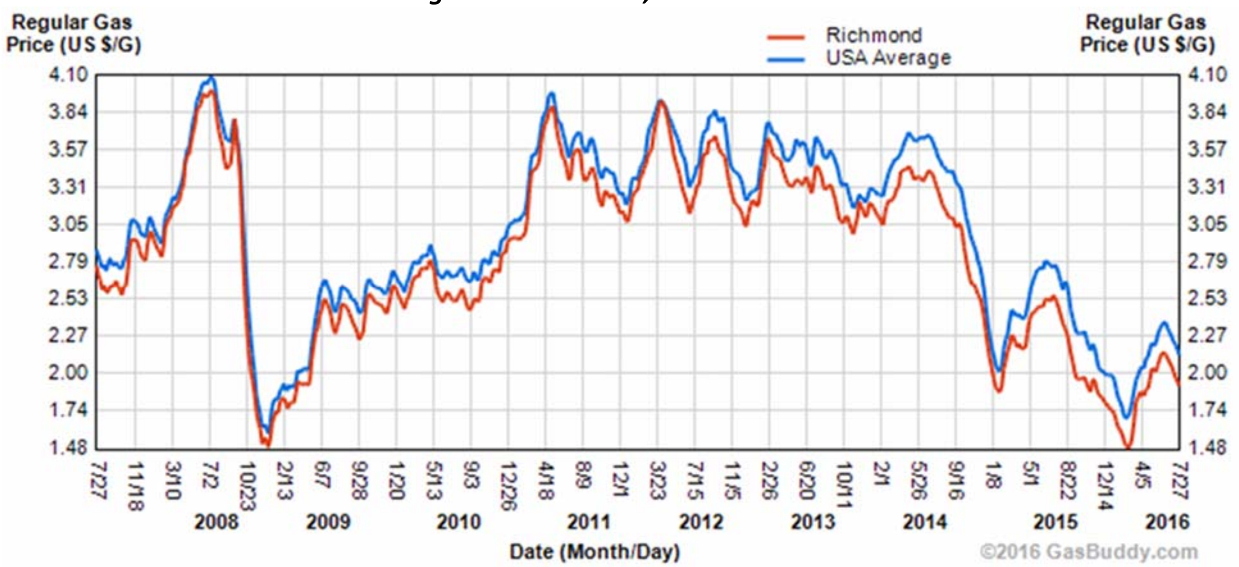
Figure 2: Richmond MSA Total Employment Levels, January 2005-June 2016



As a result of the 2008-2009 economic recession, employment levels (green line) for the Richmond MSA retreated to pre-2005 levels during 2009-2010. However since then employment levels have steadily increased, showing the Richmond area is set on a course of stable growth. Data from more recent months show employment levels continuing to increase and do not indicate a retreat into another recession in the short term for the Richmond area.

The price of gasoline has been very volatile since 2007 and this represents a new normal. *Figure 3* shows current and historical Richmond and national gasoline prices:

Figure 3: Gas Prices, Last Nine Years



It is estimated that gas prices would have to increase substantially higher than that of the summer of 2008 (over $4 per gallon) and be sustained over many months to have a negative impact on the traffic forecast.

Toll revenue for FY2017 is projected to increase to $41.0 million. This increase is driven by ridership growth, as toll rates were last increased in September 2008 and remain unchanged for the next fiscal year. Previous projections anticipated a toll rate adjustment in FY2018; based on recent traffic growth, this adjustment has been removed from the current long-term financial plan. 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, the forecast is stressed each year to determine how a decline in revenue would impact the Authority's financial position. Even in the event of a 10% loss in traffic and toll revenue, it is estimated that all debt service coverage requirements would be satisfied and no toll increase will be required during FY2017; in an extreme case of a 25-30% loss in traffic and toll revenue, FY2017 revenue would still be sufficient to pay for operations and required debt service.

In addition to employment levels, continued demand for the Expressway System is generated by new development and construction in the Richmond MSA. Recent developments include:

- Construction of the Gateway Plaza, a new $120 million 18-story office building in downtown Richmond, was completed in August 2015. The 307,000 square-foot tower is home to anchor tenants McGuireWoods LLP and McGuire Woods Consulting LLC.
- In January 2016, SunTrust Bank announced a plan to build a new 21-story office and apartment tower along the Haxall Canal at the southeast corner of South 10th and East Byrd streets. The tower is expected to be complete by the end of 2017 and will relocate the Richmond division main office and three suburban area offices for SunTrust. The $93 million project will include a total of 137,000 square feet of commercial space and 187 luxury apartments.

- In May 2016, Dominion Resources announced a plan to demolish the Richmond Plaza building, a six-story building at Sixth and Seventh streets between Cary and Canal, and construct a new 20-story, 908,000 square foot office tower in its place with a planned completion date of early 2019. The company is also considering building a separate, neighboring tower on the site of its current 21-story headquarters at 701 E. Cary Street.
- Virginia Commonwealth University, located in the heart of Richmond with an enrollment in excess of 31,000 students, continues to be a key factor in new development. The University and its health system plan to invest $3.5 billion in the region over the next 12 to 15 years. Recently completed projects include the $200 million Children's Hospital of Richmond Pavilion facility and an $83 million expansion on West Grace Street, which includes two student-housing buildings and a seven-story office and classroom tower.
- Construction on the First Freedom Center and connecting Marriott hotel, located in downtown Richmond at Cary and 14th Street, was completed in early 2015. The First Freedom Center celebrates the 1786 Virginia law that guaranteed religious freedom, while the Marriot hotel provides approximately 200 guest rooms.
- The historic rehabilitation of The Locks, a mixed-use residential and commercial development along the Haxall and Kanawha Canals, began in 2013 and includes 174 luxury apartments and 7,000 square feet of restaurant and office space. Gate 5, the newest addition to The Locks community, offers 52 additional upscale apartments and several office spaces, was completed in early 2015. The new 21-story SunTrust tower, slated to begin construction in 2016, will be a mixed-use development that will include 187 luxury apartments and 137,000 square feet of commercial space and will ultimately become part of The Locks development and be known as the Locks at 3Twenty-One.
- CarMax created a new digital and technology innovation center which will employ 125 staff in the former Toad's Place concert hall located in the Lady Byrd Hat Building. Renovations in the 26,000 square foot space are underway and the site is scheduled for occupation in the summer of 2016.
- North San Diego's Stone Brewing Company tapped Richmond as one of its first East Coast facilities. Opening in early 2016, the 200,000 square foot brewery and distribution facility located near Rocketts Landing is a 250 barrel brew house producing year-round, with future expansion plans to include a destination restaurant using locally grown produce and will employ more than 280 people. The craft brewing movement in Richmond also includes 2013 new-comer Isley Brewing Company in Scott's Addition, Garden Grove Brewing Company which opened in Carytown in 2014, and the 2016 expansion of Triple Crossing Brewing Company which plans to add a 30,000 square foot addition in the Fulton Hill community.
- Over the last few years, the downtown Richmond area has experienced a resurgence of millennials, young professionals, and empty-nesters moving back to the downtown core as a result of the continued renovation of historic warehouses, industrial buildings, and bank towers. Recent development in the Manchester area of South Richmond includes: PortRVA, a 102-unit apartment building with 3,000 square feet of commercial storefront space, completed in summer 2014; Terraces at Manchester, a 148-unit luxury apartment building, completed in June 2015; and the Hatcher Tobacco Flats, a 152-unit development, completed in summer 2015. Near the intersection of Broad and Boulevard, the FFV Interbake Building, where Girl Scout Cookies were once baked, reopened November 2014 as the Cookie Factory Lofts, an upscale 178-unit apartment complex. The Edison Apartments completed renovations in 2014 and feature 174 units in the elegant 14 story high-rise (known as the "Wedding Cake Building"). Constructed in the heart of downtown in 1919, it originally served as the headquarters to the Virginia Railway and Power Company (VEPCO). And in June 2016, lights were turned on once again in the Central National

Bank building as its first residents moved into one of Richmond's tallest skyscrapers. The 23-story tower and attached annex, built during the Great Depression is one of the finest examples of art deco in the Richmond area. The $39 million renovation has 200 apartments with a three-story bank lobby with vaulted ceiling available for commercial use. This renovation represents one of the largest historic tax credit projects in Richmond and the State of Virginia.

- In Chesterfield County, the Meadowville Technology Park continues to be a cornerstone of future economic growth in the County. Located at Interstate 295 and Meadowville Road, development activity in the park includes a one million square foot Amazon fulfillment center (October 2012), a 242,000 square foot data center for Capital One (March 2014), and a 404,000 square foot distribution center for Medline Industries (November 2015). In August 2016, Niagara Bottling announced plans to invest $95 million in a 557,000 square foot manufacturing and bottling operation on 48 acres in the park next to Amazon's fulfillment center.
- In June 2014, China's Shandong Tranlin Paper Company announced plans to build a $2 billion paper and fertilizer factory at James River Industrial Center in Chesterfield, near Interstate 95 and Route 288. Supported by a grant from the Governor's Opportunity Fund, the facility is expected to create over 2,000 jobs. Groundbreaking began in October 2015, with early production slated to begin in 2018 and plans to be fully operational in 2020.
- Construction began in 2013 at Libbie Mill, a new $434 million mixed-use community on 80 acres on Staples Mill Road in Henrico County. The development is projected to have 994 homes, 1,096 apartments, and approximately 200,000 square feet of commercial space. Completed portions of the development include a 50,000 square foot Henrico County library (October 2015) and a 43,000 square foot office building (spring 2016). Construction on a five-story mixed-use building that will include 327 apartments and 40,000 square feet of retail space began in June 2016.
- The Wegman's supermarket chain began its expansion into the Richmond market with the opening of its Stonehenge Village Shopping Center location in Chesterfield County in May 2016. A second area store in Henrico County near Short Pump opened in August 2016.
- Evonik Industries, a Germany-based chemicals maker with operations in the Richmond area, opened a new business and innovation center in Chesterfield County in July 2015. The company invested more than $15 million to renovate a building in the Chesterfield Airport Industrial Park to serve as a research and development facility, employing about 125 people. The company plans to invest more than $4 billion in research and development over the next 10 years globally.

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 during fiscal years 2014 and 2015, 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

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the twenty-second consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of

Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The Authority believes our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The Authority also received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2016 budget for the second consecutive year. 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. This award is valid for a period of one year only. The Authority believes its fiscal year 2017 budget continues to conform to program requirements and has submitted it to the GFOA to determine its eligibility for another award.

Preparation of this report on a timely basis was made possible by the dedicated service of the staff of the Finance Department and the Authority's Internal Auditor; 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,

Angela Gray
Chief Executive Officer

Curtis Doughtie
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Richmond Metropolitan Authority

Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Principal Officials

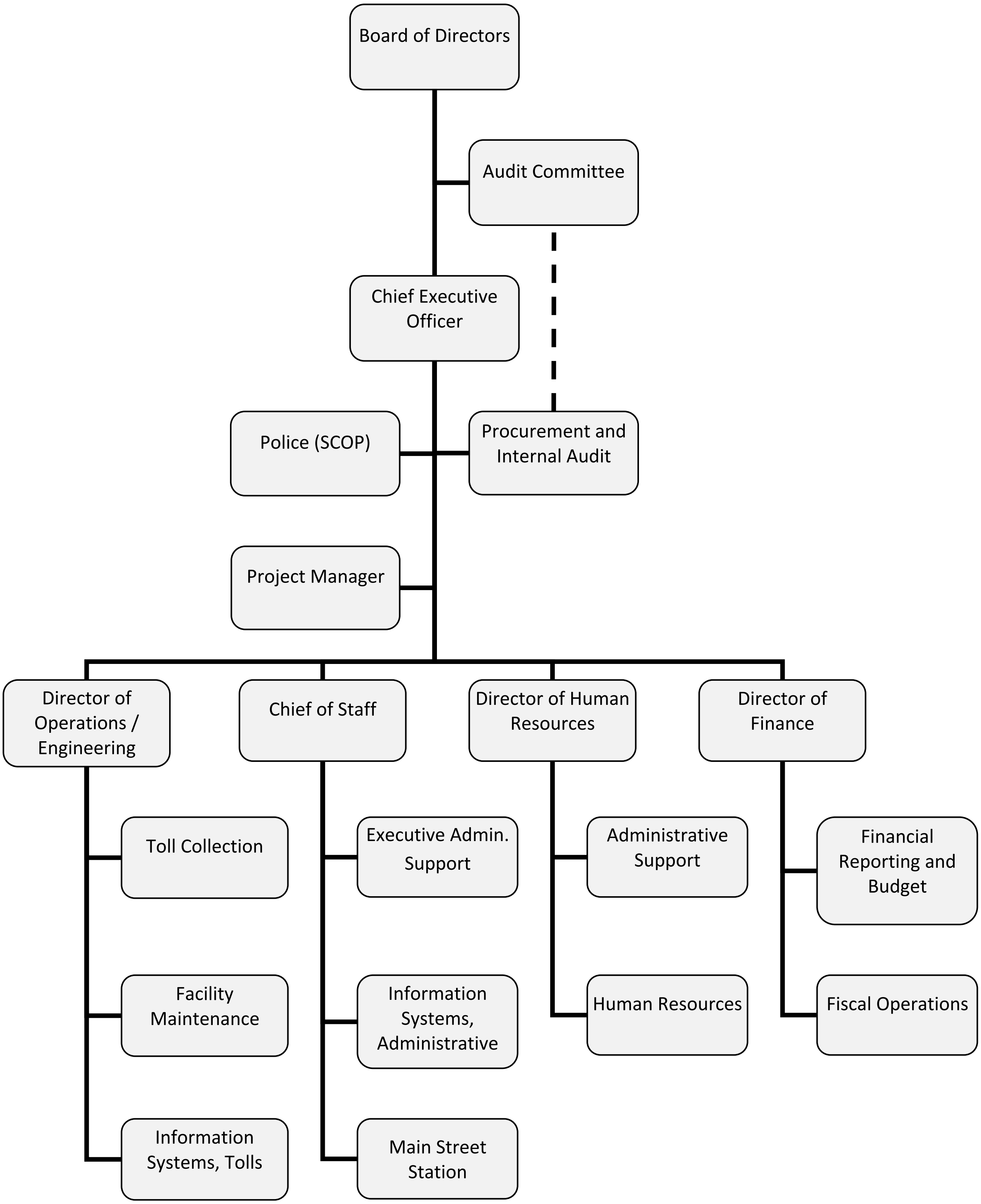
Board of Directors

Darius Johnson, Chairman	City of Richmond
Virgil Hazelett, Vice Chairman	Henrico County
Carlos Brown	Commonwealth Transportation Board
Harvey Hinson	Henrico County
Jim Holland	Chesterfield County
David Kaechele	Henrico County
Tyrone Nelson	Henrico County
Marvin Tart, Sr.	Henrico County
Marilyn West	City of Richmond
Gregory Whirley	Chesterfield County
Charles R. White	Chesterfield County
Bill Woodfin	Chesterfield County
Vacant	City of Richmond
Vacant	City of Richmond
Vacant	City of Richmond
Vacant	Chesterfield County

Management and Counsel

Angela Gray	Chief Executive Officer
Joi Dean	Chief of Staff
Curtis Doughtie	Director of Finance
Sheryl Johnson	Director of Human Resources
Theresa Simmons	Director of Operations
Eric Ballou	Secretary and General Counsel

Organizational Chart



RMTA
RICHMOND METROPOLITAN TRANSPORTATION AUTHORITY

Financial Section

Cherry Bekaert LLP
CPAs & Advisors

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 each major fund of the Richmond Metropolitan Transportation Authority (the "Authority"), as of and for the year ended June 30, 2016, 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 these 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 each major fund of the Richmond Metropolitan Transportation Authority, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 on pages 20-24, 53-55, and 55-59, respectively, 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 October 20, 2016, on our consideration of the Richmond Metropolitan Transportation 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 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 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 Richmond Metropolitan Transportation Authority's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
October 20, 2016

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") during the fiscal year ended June 30, 2016. 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 $126.4 million (net position), an increase of $9.1 million or 7.7%. This increase in net position is primarily due to increases in assets as a result of operations, offset by the accounting loss of $4.4 million on the planned transfer of the Diamond facility to the City of Richmond (the "City") during fiscal year 2015.

Operating revenues of $41.3 million increased by 5.3%, primarily due to an increase in toll revenues (5.8%) offset by $0.2 million less in rental revenues. Operating expenses of $23.9 million increased by 15.9% primarily due to planned Expressway System preservation and capital maintenance projects.

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) fund 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 deferred inflows plus liabilities – is one way to measure the Authority's financial health or position.

Overall Financial Position Analysis

The following table presents a summary of the Authority's financial position for fiscal years 2016 and 2015, followed by a description of significant changes:

	FY2016	FY2015	$ Change	% Change
Assets				
Current and other assets	$ 79,725,635	$ 70,940,502	$ 8,785,133	12.4%
Capital assets	216,106,923	218,300,356	(2,193,433)	-1.0%
Total assets	295,832,558	289,240,858	6,591,700	2.3%
Deferred outflows of resources	9,781,643	11,058,667	(1,277,024)	-11.5%
Total assets and deferred outflows of resources	305,614,201	300,299,525	5,314,676	1.8%
Liabilities				
Current liabilities	11,524,917	10,636,852	888,065	8.3%
Long-term liabilities	166,522,945	171,396,083	(4,873,138)	-2.8%
Total liabilities	178,047,862	182,032,935	(3,985,073)	-2.2%
Deferred inflows of resources	1,213,110	969,666	243,444	25.1%
Net position (deficit)				
Net investment in capital assets	98,530,597	97,560,342	970,255	1.0%
Restricted	44,904,103	37,907,088	6,997,015	18.5%
Unrestricted	(17,081,471)	(18,170,506)	1,089,035	-6.0%
Total net position	126,353,229	117,296,924	9,056,305	7.7%
Total liabilities, deferred inflows of resources, and net position	$ 305,614,201	$ 300,299,525	$ 5,314,676	1.8%

- Current and other assets of $79.7 million increased due to an increase cash and investments ($7.8 million) as a result of operations.
- Capital assets of $216.1 million decreased due to routine depreciation ($2.3 million).
- Deferred outflows of resources decreased due to amortization of refunding losses ($1.3 million).
- Current liabilities increased primarily due to an increase 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 ($4.2 million).
- Deferred inflows of resources increased as a result of pensions (see Note 8 and Note 10).
- Restricted net position represents resources restricted for the payment of debt service or capital projects (repairs and contingency). Resources generated as a result of fiscal year 2016 operations were classified as restricted based on the Authority's upcoming capital needs.
- Net position, unrestricted represents the residual net position that does not meet the definition of "net investment in capital assets" or "restricted". Unrestricted net position is reduced by the outstanding principal liability for Series 2011-D debt. See Note 8 for additional information.

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 2016 and 2015, followed by a description of significant changes:

	FY2016	FY2015	$ Change	% Change
Tolls	$ 41,040,930	$ 38,799,387	$ 2,241,543	5.8%
Rental	236,622	453,521	(216,899)	-47.8%
Other	61,267	23,117	38,150	165.0%
Total operating revenues	41,338,819	39,276,025	2,062,794	5.3%
Operating expenses	23,935,496	20,650,433	3,285,063	15.9%
Operating income	17,403,323	18,625,592	(1,222,269)	-6.6%
Nonoperating expenses	(8,347,018)	(8,029,869)	(317,149)	3.9%
Change in net position before special items	9,056,305	10,595,723	(1,539,418)	-14.5%
Capital asset write-down	-	(601,559)	601,559	-100.0%
Transfer of facilities	-	(4,388,092)	4,388,092	-100.0%
Total change in net position	9,056,305	5,606,072	3,450,233	61.5%
Beginning net position	117,296,924	111,690,852	5,606,072	5.0%
Ending net position	$ 126,353,229	$ 117,296,924	$ 9,056,305	7.7%

- Operating revenues of $41.3 million increased primarily due to an increase in toll revenues from ridership growth, as toll rates were last changed in 2008, reduced by decreasing rentals from Main Street Station as a result of the ongoing train shed renovation project.
- Operating expenses of $23.9 million increased primarily due to an increase in fiscal year 2016 planned Expressway System preservation and capital maintenance projects ($3.6 million). Preservation and capital maintenance routinely varies between years based on capital plan requirements.
- In fiscal year 2015, the Authority wrote off $601,559 of construction in progress costs due to stoppage of the Powhite ORT Replacement Project. This write-off included approximately $9,660 of capitalized interest.
- The Authority completed the planned transfer of the Diamond to the City of Richmond, Virginia in fiscal year 2015, resulting in a net accounting loss of $4.4 million for the facility transfer.

The following table summarizes the change in net position by fund:

	FY2016	FY2015	$ Change	% Change
Expressway System	$ 126,353,229	$ 117,296,924	$ 9,056,305	7.7%
Main Street Station	-	-	-	0.0%
Total	$ 126,353,229	$ 117,296,924	$ 9,056,305	7.7%

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, 2016, capital assets net of accumulated depreciation decreased from $218.3 million to $216.1 million, primarily due to routine depreciation. The change in capital assets is summarized by asset type below:

	FY2016	FY2015	$ Change	% Change
Expressway System	$ 209,969,531	$ 209,969,531	$ -	0.0%
Buildings	2,342,368	2,415,509	(73,141)	-3.0%
Vehicles and equipment	123,482	116,612	6,870	5.9%
Systems	3,671,542	5,798,704	(2,127,162)	-36.7%
Total	$ 216,106,923	$ 218,300,356	$ (2,193,433)	-1.0%

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 2016, the Authority spent approximately $7.5 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
The Authority did not issue debt during fiscal year 2016. At June 30, 2016, outstanding bonds payable of $170.9 million decreased by $4.4 million or 2.5% from the prior year, primarily due to scheduled debt service payments. The total outstanding bonds payable is comprised of $167.6 million in Expressway System parity debt and related issuance premiums of $3.3 million. Principal in the amount of $4.4 million is payable on July 15, 2016. See Note 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.

The region remains a growing community with a diverse economy. Regional unemployment of 4.0% in June 2016 is an improvement compared to 4.8% in the prior year. While the regional unemployment rate is slightly behind the state-wide rate of 3.7%, it compares favorably to the national rate of 4.9%. Regional population has increased over the past decade, as illustrated in Table 17 in the statistical section.

Traffic levels are illustrated at Table 18 in the statistical section for the past decade. FY2016 traffic volumes of 62.3 million exceeded the previous system-high traffic levels last seen in 2008; accordingly, traffic forecasts remain conservative and temper recent growth. FY2017 toll revenues are projected to total $40.1 million with 62.4 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 illustrates 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, 919 East Main St., Suite 600, Richmond, Virginia 23219. Interested parties may also call (804) 523-3300.

Statement of Net Position
As of June 30, 2016

	Expressway System	Main Street Station	Total
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2)	$ 3,476,517	$ 182,028	$ 3,658,545
Restricted cash (Note 2)	9,456,661	-	9,456,661
Restricted short-term investments (Note 3)	27,793,437	-	27,793,437
Other short-term investments (Note 3)	3,389,503	-	3,389,503
Accrued interest receivable	121,407	-	121,407
Receivables (Note 4)	198,847	48,632	247,479
Prepaid expenses	73,540	-	73,540
Total current assets	44,509,912	230,660	44,740,572
Noncurrent assets:			
Restricted long-term investments (Note 3)	12,768,671	-	12,768,671
Other long-term investments (Note 3)	21,619,046	-	21,619,046
Escrow asset (Note 8)	31,779	-	31,779
Net pension asset (Note 10)	565,567	-	565,567
Capital assets (Note 5):			
Land and other non-depreciable assets	209,969,531	-	209,969,531
Buildings, systems, and equipment	12,245,127	-	12,245,127
Less: Accumulated depreciation	(6,107,735)	-	(6,107,735)
Capital assets, net	216,106,923	-	216,106,923
Total noncurrent assets	251,091,986	-	251,091,986
Total assets	295,601,898	230,660	295,832,558
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding (Note 8)	9,484,526	-	9,484,526
Deferred outflows related to pensions (Note 10)	297,117	-	297,117
Total deferred outflows of resources	9,781,643	-	9,781,643
Total assets and deferred outflows of resources	$ 305,383,541	$ 230,660	$ 305,614,201

The accompanying notes are an integral part of these statements.

Statement of Net Position (continued)
As of June 30, 2016

	Expressway System	Main Street Station	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	$ 1,444,150	$ 65,291	$ 1,509,441
Accounts payable from restricted cash (Note 6)	1,337,238	-	1,337,238
Accrued interest payable	3,855,044	-	3,855,044
Advance	-	125,200	125,200
Unearned revenues	-	40,169	40,169
Bonds payable, current (Note 7, 8)	4,657,825	-	4,657,825
Total current liabilities	11,294,257	230,660	11,524,917
Noncurrent liabilities:			
Accrued liabilities (Note 6, 7)	244,918	-	244,918
Bonds payable (Note 7, 8)	166,278,027	-	166,278,027
Total noncurrent liabilities	166,522,945	-	166,522,945
Total liabilities	177,817,202	230,660	178,047,862
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions (Note 10)	1,213,110	-	1,213,110
NET POSITION (DEFICIT)			
Net investment in capital assets	98,530,597	-	98,530,597
Restricted for repairs and contingency	26,129,956	-	26,129,956
Restricted for debt service	18,774,147	-	18,774,147
Unrestricted	(17,081,471)	-	(17,081,471)
Total net position	126,353,229	-	126,353,229
Total liabilities, deferred inflows of resources, and net position	$ 305,383,541	$ 230,660	$ 305,614,201

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, 2016

	Expressway System	Main Street Station	Total
Operating revenues:			
Tolls	$ 41,040,930	$ -	$ 41,040,930
Rentals	46,914	189,708	236,622
Other	43,600	17,667	61,267
Total operating revenues	41,131,444	207,375	41,338,819
Operating expenses:			
Salaries and benefits	6,145,422	214,721	6,360,143
Operations	7,193,810	602,945	7,796,755
Preservation and capital maintenance	7,490,020	-	7,490,020
Depreciation	2,288,578	-	2,288,578
Total operating expenses	23,117,830	817,666	23,935,496
Operating income (loss)	18,013,614	(610,291)	17,403,323
Nonoperating revenues (expenses):			
Investment earnings	493,917	49	493,966
Support from localities	-	610,242	610,242
Interest expense on bonds	(9,451,226)	-	(9,451,226)
Total nonoperating revenues (expenses), net	(8,957,309)	610,291	(8,347,018)
Change in net position	9,056,305	-	9,056,305
Net position - beginning	117,296,924	-	117,296,924
Net position - ending	$ 126,353,229	$ -	$ 126,353,229

The accompanying notes are an integral part of these statements.

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

	Expressway System	Main Street Station	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 40,997,405	$ 258,399	$ 41,255,804
Payments to suppliers and service providers	(13,762,252)	(605,055)	(14,367,307)
Payments to employees for salaries and benefits	(6,830,819)	(199,224)	(7,030,043)
Net cash provided by (used for) operating activities	20,404,334	(545,880)	19,858,454
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from localities	-	559,607	559,607
Net cash provided by non-capital financing activities	-	559,607	559,607
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on revenue bonds and notes	(8,566,672)	-	(8,566,672)
Principal paid on revenue bonds and notes	(4,170,000)	-	(4,170,000)
Capital expenses	(95,145)	-	(95,145)
Net cash used for capital and related financing activities	(12,831,817)	-	(12,831,817)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(40,686,239)	-	(40,686,239)
Proceeds from sale and maturities of investments	28,579,710	-	28,579,710
Interest on investments	338,792	49	338,841
Net cash provided by (used for) investing activities	(11,767,737)	49	(11,767,688)
Net increase (decrease) in cash and cash equivalents	(4,195,220)	13,776	(4,181,444)
Cash and cash equivalents - July 1	17,128,398	168,252	17,296,650
Cash and cash equivalents - June 30	$ 12,933,178	$ 182,028	$ 13,115,206
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	$ 18,013,614	$ (610,291)	$ 17,403,323
Depreciation expense	2,288,578	-	2,288,578
Pension expense	(274,007)	-	(274,007)
Current year pension contributions made subsequent to the measurement date	(291,243)	-	(291,243)
Decrease (increase) in accounts receivable	(134,039)	54,067	(79,972)
Increase in prepaid expenses	(11,329)	-	(11,329)
Increase in accounts payable and accrued liabilities	812,760	13,387	826,147
Decrease in unearned revenues	-	(3,043)	(3,043)
Net cash provided by (used for) operating activities	$ 20,404,334	$ (545,880)	$ 19,858,454
Non-cash Investing Activities:			
Net change in fair value of investments	94,663	-	94,663

The accompanying notes are an integral part of these statements.

Note 1 – Summary of significant accounting policies

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 eleven 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 eleventh member from the Commonwealth Transportation Board.

Effective July 1, 2014, the Authority's Board size increased to sixteen 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 sixteenth member from the Commonwealth Transportation Board. Reappointment remains the sole responsibility of the aforementioned entities.

Basis of presentation

The Authority administers two enterprise funds: Expressway System and Main Street Station, and both are considered major funds. Each enterprise fund is used to separate the Authority's resources and liabilities by facility. 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 are considered cash equivalents. Other highly liquid instruments are classified as other short-term investments.

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.

Capital assets – Capital assets are stated at cost including, as appropriate, interest and related costs 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, including capitalized interest.

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 two items that qualify for reporting in this category: accounting loss on debt refunding and deferred outflows of resources related to pensions. 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 resulting from contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the next fiscal year (see Note 10).

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 net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. The Authority has one item that qualifies for reporting in this category: deferred inflows related to pensions, which represents the net difference between projected and actual earnings on pension plan investments amortized over a closed five year period (see Note 10).

Pensions – The Virginia Retirement System (VRS) 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.

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 operation. 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.

Note 2 – Cash and cash equivalents

At June 30, 2016, the carrying amount of deposits with banks was $13,115,206, with $9,456,661 being restricted for repairs and contingency. The bank balance of these deposits at June 30, 2016 was $13,707,638. 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 $115,525.

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. 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.

Note 3 – Investments

As of June 30, 2016, 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	$20,788,966	0.32	NA, NA	31.7%
US Federally Insured Money Market	15,848,130	0.01	Aaa-mf, AAAm	24.2%
Federal National Mortgage Association	10,714,219	0.36	AAA, AA+	16.3%
Federal Home Loan Bank	6,976,500	0.17	AAA, AA+	10.6%
Federal Farm Credit Bureau	6,134,124	0.20	AAA, AA+	9.4%
Federal Home Loan Mortgage Corporation	5,108,718	0.20	AAA, AA+	7.8%
	$65,570,657	1.26		

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

Investment Type	Total Fair Value at 6/30/16	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	$ 20,788,966	$ -	$ 20,788,966	$ -
Federal National Mortgage Association	10,714,219	-	10,714,219	-
Federal Home Loan Bank	6,976,500	-	6,976,500	-
Federal Farm Credit Bureau	6,134,124	-	6,134,124	-
Federal Home Loan Mortgage Corporation	5,108,718	-	5,108,718	-
Total Debt Securities	$ 49,722,527	$ -	$ 49,722,527	$ -
Investments measured at amortized cost:				
US Federally Insured Money Market	$ 15,848,130			
Total investments measured at fair value	$ 65,570,657			

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	$ 8,622,187	$ -	$ 8,622,187
Debt service reserves	13,977,119	-	13,977,119
Restricted for Repair and Contingency	17,962,802	-	17,962,802
Reserve funds	-	25,008,549	25,008,549
	$ 40,562,108	$ 25,008,549	$ 65,570,657

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.

Note 4 – Receivables

Receivables at June 30, 2016 for the Authority consisted of:

Type	Expressway System	Main Street Station	Total
Due from other governments	$ 121,012	$ 48,055	$ 169,067
Other accounts receivable	77,835	577	78,412
	$ 198,847	$ 48,632	$ 247,479

Note 5 – Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

Type	June 30, 2015	Additions	Disposals	June 30, 2016
Non-depreciable:				
Expressway System	$ 209,969,531	$ -	$ -	$ 209,969,531
Depreciable:				
Buildings	2,925,621	-	-	2,925,621
Vehicles and equipment	715,709	95,145	-	810,854
Systems	8,508,652	-	-	8,508,652
Total depreciable	12,149,982	95,145	-	12,245,127
Total assets	$ 222,119,513	$ 95,145	$ -	$ 222,214,658
Less accumulated depreciation:				
Buildings	$ (510,112)	$ (73,141)	$ -	$ (583,253)
Vehicles and equipment	(599,097)	(88,275)	-	(687,372)
Systems	(2,709,948)	(2,127,162)	-	(4,837,110)
Total accumulated depreciation	(3,819,157)	(2,288,578)	-	(6,107,735)
Total depreciable, net	$ 8,330,825	$ (2,193,433)	$ -	$ 6,137,392
Total capital assets, net	$ 218,300,356	$ (2,193,433)	$ -	$ 216,106,923

Depreciation expense for the year ended June 30, 2016 was $2,288,578. 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, 2016 for the Authority consisted of:

Type	Expressway System	Main Street Station	Total
Current:			
Due to other governments	$ 428,550	$ 630	$ 429,180
Salaries and benefits	286,401	5,400	291,801
Compensated absences	336,232	18,117	354,349
Other accounts payable	1,730,205	41,144	1,771,349
Total current	$ 2,781,388	$ 65,291	$ 2,846,679
Noncurrent:			
Compensated absences	$ 244,918	$ -	$ 244,918

Note 7 – Long-term liabilities

Long-term liabilities at June 30, 2016 for the Authority consisted of:

Type	June 30, 2015	Additions	Reductions	June 30, 2016	Due within One Year
Bonds payable					
Series 1998	$ 27,145,000	$ -	$ (1,745,000)	$ 25,400,000	$ 1,835,000
Series 2002	23,305,000	-	(2,425,000)	20,880,000	2,555,000
Series 2011 A, B, C	77,490,000	-	-	77,490,000	-
Series 2011-D	43,875,000	-	-	43,875,000	-
Issuance premiums	3,565,940	-	(275,088)	3,290,852	267,825
Total bonds payable	175,380,940	-	(4,445,088)	170,935,852	4,657,825
Compensated absences	688,389	316,940	(406,062)	599,267	354,349
Total long-term liabilities	$ 176,069,329	$ 316,940	$ (4,851,150)	$ 171,535,119	$ 5,012,174

Note 8 – Bonds payable

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

Series	Sale Date	Original Borrowing	Interest Rate to Maturity	Final Maturity	As of June 30, 2016 Outstanding Balance	Unamortized Premium	Deferred Loss on Refunding
1998	March 1998	$ 80,705,000	3.65-5.25%	July 2022	$ 25,400,000	$ 251,284	$ 5,042,672
2002	April 2002	28,430,000	3.50-5.25%	July 2022	20,880,000	329,684	1,016,710
2011-A, B, C	Nov. 2011	77,490,000	4.62-4.75%	July 2041	77,490,000	2,709,884	2,348,772
2011-D	Nov. 2011	43,875,000	4.29%	July 2041	43,875,000	-	-
Previously defeased debt		-	-	-	-	-	1,076,372
					$ 167,645,000	$ 3,290,852	$ 9,484,526

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.

Defeased bonds

At June 30, 2016, outstanding bonds in the amount of $27,141,000 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 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 IRS regulations regarding arbitrage rebates. As of June 30, 2016 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
2017	$ 4,390,000	$ 8,342,496	$ 12,732,496
2018	4,615,000	8,106,114	12,721,114
2019	6,860,000	7,804,896	14,664,896
2020	7,220,000	7,435,296	14,655,296
2021	7,600,000	7,046,271	14,646,271
2022-2026	28,230,000	30,049,279	58,279,279
2027-2031	25,455,000	24,115,418	49,570,418
2032-2036	32,365,000	17,038,560	49,403,560
2037-2041	41,350,000	7,818,094	49,168,094
2042	9,560,000	240,720	9,800,720
	$ 167,645,000	$ 117,997,144	$ 285,642,144

Note 9 – Transactions with the City and localities
Main Street Station – In June 2003, the City completed the renovation of Main Street Station. Upon completion of the renovation, the Authority was requested by the City to provide management services for the facility. The operating agreement is subject to periodic renewals, with the current agreement expiring June 30, 2017. Through the operating agreement, the City agreed to pay all operating expenses in excess of revenues. The Authority is not responsible for any facility debt and the facility remains property of the City. Upon cessation of the operating agreement, all Main Street Station fund assets on hand from operations would be remitted to the City. The City's Department of Economic & Community Development leases office space at the facility. See Note 13 for additional information.

Note 10 – Defined benefit pension plan
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 are 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:

VRS Plan 1

Overview – Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Eligibility – Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

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. 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.

Retirement Contributions – Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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.

Creditable Service – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

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 creditable service. 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.

Calculating the Benefit – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier – 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 1.7%.

Normal Retirement Age – Age 65.

Earliest Unreduced Retirement Eligibility – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Earliest Reduced Retirement Eligibility – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – The Cost-of-Living Adjustment (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%. For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, 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 creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. 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 under the Virginia Sickness and Disability Program (VSDP).
- 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.

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. VSDP members 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 creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase

<u>VRS Plan 2</u>

Overview – Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for 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.

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. 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.

Retirement Contributions – Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.

Creditable Service – Same as Plan 1.

Vesting – Same as Plan 1.

Calculating the Benefit – See definition under Plan 1.

Average Final Compensation – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier – Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age – Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility – Age 60 with at least five years (60 months) of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – The Cost-of-Living Adjustment (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 and exceptions to COLA effective dates are the same as VRS Plan 1.

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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service – Same as Plan 1.

<u>VRS Hybrid Retirement Plan</u>

Overview – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window (see "Eligible Members"). The defined benefit is based on a member's age, creditable service 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 the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees and 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. 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 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 – 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.

Creditable Service, Defined Benefit Component – Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Creditable Service, Defined Contributions Component – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting, Defined Benefit Component – 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 creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Vesting, Defined Contributions Component – 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.

Distribution is not required by law until age 70½.

Calculating the Benefit, Defined Benefit Component – See definition under Plan 1.

Calculating the Benefit, 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 – Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier – 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, Defined Benefit Component – Same as Plan 2.

Normal Retirement Age, Defined Contribution Component – Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility, Defined Benefit Component – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Earliest Unreduced Retirement Eligibility, Defined Contribution Component – Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility, Defined Benefit Component – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Earliest Reduced Retirement Eligibility, Defined Contribution Component – Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement, Defined Benefit Component – Same as Plan 2. Eligibility and exceptions to COLA effective dates are the same as Plan 1 and Plan 2.

Cost-of-Living Adjustment (COLA) in Retirement, Defined Contribution Component – Not applicable.

Disability Coverage – Employees of political subdivisions (including Plan 1 and Plan2 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, Defined Benefit Component – Same as Plan 1, with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service, the cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation, and plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost./ After that on-year period, the rate for most categories of service will change to actuarial cost.

Purchase of Prior Service, Defined Contribution Component – Not applicable.

Employees covered by benefit terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	45
Inactive members:	
Vested inactive members	10
Non-vested inactive members	48
Inactive members elsewhere in VRS	11
Total inactive members	69
Active members	100
Total covered employees	214

Contributions

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

The Authority’s contractually required contribution rate for the year ended June 30, 2016 was 7.20% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 3013. 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. Contributions to the pension plan from the Authority were $297,117 and $286,867 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net pension liability

The Authority’s net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial methods and assumptions

The total pension liability for the Authority was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5-5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including Inflation*

*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 Government Accounting Standards Board ("GASB") purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

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

Largest 10 – Non-LEOS:

- Pre-Retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years
- Post-Retirement: RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year
- Post-Disablement: RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

- Pre-Retirement: RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years
- Post-Retirement: RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year
- Post-Disablement: RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Largest 10 – Non-LEOS: Update mortality table, decrease in rates of service retirement, decrease in rates of disability retirement, reduce rates of salary increase by 0.25% per year
- All Others (Non 10 Largest) – Non-LEOS: Update mortality table, decrease in rates of service retirement, decrease in rates of disability retirement, reduce rates of salary increase by 0.25% per year

Long-term expected rate of return

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

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
US Equity	19.50%	6.46%	1.26%
Developed Non-US Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non-Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
Inflation			2.50%
Expected arithmetic nominal return*			8.33%

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of 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 liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Position Liability (asset) (a)-(b)**
Balance at June 30, 2014	$ 16,117,792	$ 15,879,041	$ 238,751
Changes for the year:			
Service cost	384,956	-	384,956
Interest	1,108,957	-	1,108,957
Difference between expected and actual experience	(1,092,566)	-	(1,092,566)
Contributions – employer	-	286,867	(286,867)
Contributions – employee	-	198,977	(198,977)
Net investment income	-	729,879	(729,879)
Benefit payments, including refunds of employee contributions	(551,090)	(551,090)	-
Administrative expenses	-	(9,905)	9,905
Other changes	-	(153)	153
Net changes	(149,743)	654,575	(804,318)
Balance at June 30, 2015	$ 15,968,049	$ 16,533,616	$ (565,567)

Sensitivity of the net pension liability to changes in the discount rate
The following presents the Authority's net pension liability using the discount rate of 7.00%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6%)	**Current Rate (7%)**	**1% Increase (8%)**
Net pension liability (asset)	$ 1,566,218	$ (565,567)	$ (2,339,174)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions
For the year ended June 30, 2016, the Authority recognized pension expense of ($274,007). At June 30, 2016, 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	$ 297,117	$ -
Differences between expected and actual experience	-	789,075
Net difference between projected and actual earnings on pension plan investments	-	424,035
	$ 297,117	$ 1,213,110

Deferred outflows of resources related to pensions of $297,117 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	$ (470,104)
2018	(470,104)
2019	(348,704)
2020	75,802
Thereafter	-
	$ 1,213,110

Note 11 – 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 plan 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. Plan 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 plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for the payment of benefits in accordance with terms of the plan. The Trust Fund issues a separate Comprehensive Annual Financial Report, which can be obtained by requesting a copy from the Plan Administrator, Virginia Municipal League, at P.O. Box 12164, Richmond, Virginia 23241.

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 to July 1, 1998. The Authority will pay 100 percent of the employee's and fifty percent 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 percent 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.

At June 30, 2016, the number of retiree participants and active employees eligible for immediate retirement benefits for each tier were:

	Tier 1	Tier 2	Tier 3	Total
Retirees	-	1	23	24
Active Employees	-	4	7	11
Total	-	5	30	35

For fiscal year 2016, the Authority's combined premium expense for all three tiers was approximately $126,000.

Funding policy
The Authority contributes to the Trust Fund sufficient to fully fund the Annual Required Contribution ("ARC"), an actuarially determined amount in accordance with GAAP.

Annual OPEB cost and net OPEB obligation

The most recent triennial actuarial study was prepared as of January 1, 2014. The actuarial evaluation estimated the Unfunded Actuarial Accrued Liability ("UAAL") at $1,682,612 and an ARC of $399,311. The postemployment healthcare cost was determined under the projected unit credit actuarial funding method. The calculation was based on a 7.0 percent discount rate and the amortization of the UAAL over 7 years. This represents a level of funding that if paid on an ongoing basis is projected to cover normal cost each year and the amortization of the UAAL over 7 years. The current ARC of $414,000 is 10.2% of the current annual covered payroll. The following table presents the OPEB cost for the year, the amount contributed, and changes in the OPEB Plan for the year ended June 30, 2016.

Annual required contribution ("ARC")	$ 414,000
Employer contributions	(281,000)
Employee contributions (premiums)	(133,000)
Change in net OPEB obligation	$ -
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	$ -

Three year trend information for the Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ending June 30,	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Liability (Asset)
2014	$ 477,400	100%	-
2015	399,311	100%	-
2016	414,000	100%	-

Funded status and funding progress

As of January 1, 2014, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	$ 3,658,909
Actuarial value of plan assets	1,976,297
Unfunded actuarial liability (UAAL)	$ 1,682,612
Funded ratio (actuarial value of plan assets /AAL)	54.0%
Covered payroll (annual payroll of active employees covered by the plan)	$ 4,522,294
UAAL as a percentage of covered payroll	37.2%

Actuarial valuations of an ongoing plan 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 past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits. An actuarial valuation is required at least triennially for plans with fewer than 200 participants.

Actuarial methods and assumptions
The projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

The ARC for the plan was determined as part of the January 1, 2014 actuarial valuation using the following methods and assumptions:

Actuarial cost method	projected unit credit
Amortization method	level percent of payroll, closed
Remaining amortization period	7 years
Asset valuation method	market value
Investment return	7.00%
Healthcare cost trend rate	6.40-4.70%
Projected salary increases	2.50%

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 Virginia Municipal League (VML) through the VML 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, 2016.

Note 13 – Leases
Main Street Station – Approximately 12,203 square feet of office space in the Main Street Station is available for occupancy by a tenant. Starting May 2010, the City's Department of Economic and Community Development began leasing available office space. Monthly rent of $8,750 and $3,333 for 24-hour security services are paid directly to the Authority and are reflected in the enclosed financial statements.

Office Space Rental – The Authority leases its administrative offices under an operating lease agreement expiring in June 2017. Future minimum lease payments are approximately $162,800 for fiscal year 2017.

Office Equipment Rental – The Authority leases certain office equipment under an operating lease agreement expiring in October 2016. Future minimum lease payments are approximately $1,800 for fiscal year 2017.

Rent expense on all leases was approximately $163,000 in fiscal year 2016.

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, 2016, the Authority's open construction contracts were:

Project	Fund	Total Contract	Spent to Date	Remaining Commitment
Deck Rehabilitation	Expressway	$ 5,189,843	$ 2,184,446	$ 3,005,397

As of June 30, 2016, the Authority had open purchase orders totaling $1,683, all within the Expressway System.

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.

Schedule of Changes in Net Pension Liability and Related Ratios

	2015	2016
Total Pension Liability		
Service cost	$ 468,184	$ 384,956
Interest	1,040,878	1,108,957
Difference between expected and actual experience	-	(1,092,566)
Benefit payments, including refunds of employee contributions	(521,921)	(551,090)
Net change	987,141	(149,743)
Total pension liability, beginning	15,130,651	16,117,792
Total pension liability, ending (a)	$ 16,117,792	$ 15,968,049
Plan Fiduciary Net Position		
Contributions – employer	$299,893	$286,867
Contributions – employee	207,869	198,977
Net investment income	2,172,443	729,879
Benefit payments, including refunds of employee contributions	(521,921)	(551,090)
Administrative expense	(11,608)	(9,905)
Other	114	(153)
Net change	2,146,790	654,575
Plan fiduciary net position, beginning	13,732,251	15,879,041
Plan fiduciary net position, ending (b)	$ 15,879,041	$ 16,533,616
Net Pension Liability (Asset) (a)-(b)	$ 238,751	($565,567)
Plan fiduciary net position as a percentage of the total pension liability	98.5%	103.5%
Covered-employee payroll	$ 4,065,828	$ 4,045,032
Net pension liability (asset) as a percentage of covered payroll	5.9%	(14.0%)

Information is presented only for those years for which it is available.

Required Supplementary Information (Unaudited)

Schedule of Pension Contributions

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	$ 286,867	$ 286,867	$ -	$ 4,065,828	7.1%
2016	297,117	297,117	-	4,045,032	7.3%

Information is presented only for those years for which it is available.

Notes to Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Pension Contributions

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS: Update mortality table, decrease in rates of service retirement, decrease in rates of disability retirement, reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS: Update mortality table, decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS: Update mortality table, decrease in rates of service retirement, decrease in rates of disability retirement, reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS: Update mortality table, adjustments to rates of service retirement for females, increase in rates of withdrawal, decrease in male and female rates of disability

Required Supplementary Information (Unaudited)

Other Postemployment Benefits (OPEB) Schedule of Funding Progress

The following schedule of funding progress includes data through the plan's most recent actuarial valuation (January 1, 2014):

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2008	$ -	$ 2,479,824	$ 2,479,824	-%	$ 4,333,333	57.2%
January 1, 2011	661,700	3,143,200	2,481,500	21.1%	4,241,081	58.5%
January 1, 2014	1,976,297	3,658,909	1,682,612	54.0%	4,522,294	37.2%

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.

Required Supplementary Information (Unaudited)

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:

	Percentage of Total Lane Miles by Group			
Calendar Year	Group 1	Group 2	Group 3	Group 4
2011	86.6%	12.4%	1.0%	0.0%
2012	57.9%	35.2%	6.9%	0.0%
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%

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.

Required Supplementary Information (Unaudited)

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 (calendar years 2014/2015):

Bridge Identifier/Name	Deck	Superstructure	Substructure	Culvert
BB, Boulevard Bridge	7	5	5	8
BR04, Chippenham Parkway	7	6	6	NA
BR05, Norfolk Southern Railroad	7	5	7	8
BR06, Forest Hill Avenue	6	5	6	8
BR08NB, Powhite over James River	6	6	6	7
BR08SB, Powhite over James River	6	5	5	7
BR09N, CSX Railroad	NA	6	7	NA
BR09S, CSX Railroad	NA	5	6	NA
BR10N, CSX Railroad	NA	6	7	NA
BR10S, CSX Railroad	NA	6	7	NA
BR11, NB Powhite over Route 146	6	6	6	NA
BR12, Douglasdale	6	5	7	NA
BR13, Douglasdale	5	6	5	NA
BR17, Cary Street ramp	6	5	6	NA
BR36, Maplewood Avenue	7	6	6	NA
BR37, Grant Street	7	6	6	NA
BR46, Allen Avenue	6	7	6	NA
BR47, Randolph Street	6	7	6	NA
BR48, Harrison Street	6	7	6	NA
BR49, Cherry Street	6	7	7	NA
BR50, Laurel Street	6	6	6	NA
BR51, Belvidere Street	6	5	6	NA
BR54, 2nd Street	6	6	6	NA
BR55, 3rd Street	6	6	6	NA
BR56, 4th Street	6	7	7	NA
BR57, 5th Street	6	7	6	NA
BR58, 7th Street	6	6	5	NA
BR60, 10th Street	6	5	5	NA
BR61, 12th Street	6	7	5	NA
BR62, Canal Street exit ramp	7	6	6	NA
BR63, Double-decker at I-95 ramp	5	5	5	NA
BR64, I-95 south ramp	5	5	5	NA
BR65, I-95 north ramp	6	5	6	8
BR66, Double-decker at I-95 ramp	5	6	6	NA
BR67, I-95 north ramp	5	5	6	NA
BR68, I-95 south ramp	5	6	6	NA

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
2012	$ 9,200,275	$ 4,362,817
2013	4,955,708	5,576,876
2014	7,699,560	10,404,690
2015	6,739,145	3,922,463
2016	10,302,123	7,490,020
	$ 38,896,811	$ 31,756,866

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 $8.5 million remaining in its capital budget at the end of fiscal year 2016, 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	2012	2013	2014	2015	2016
Maintenance and Repair	$ 1,081,279	$ 4,792,475	$ 5,227,598	$ 2,376,188	$ 5,398,678
Protective Coatings	2,681,809	298,145	4,237,595	72,900	831,163
Inspections and Engineering	360,090	326,362	832,795	850,652	615,784
Vehicle Replacement	92,480	114,186	68,900	22,003	97,208
Other	147,159	45,708	37,802	600,720	547,187
	$ 4,362,817	$ 5,576,876	$ 10,404,690	$ 3,922,463	$ 7,490,020

Statistical Section

Statistical Section

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.

Table 1	Net Position (Deficit) by Component
Table 2	Net Position (Deficit) by Component by Fund
Table 3	Change in Net Position
Table 4	Expressway System, Change in Net Position
Table 5	Expressway Parking Deck, Change in Net Position
Table 6	Stadium, Change in Net Position
Table 7	Main Street Station, Change in Net Position
Table 8	Second Street Parking Facility, Change in Net Position
Table 9	Carytown Parking Facilities, Change in Net Position
Table 10	Operating Revenues by Fund
Table 11	Operating Expenses by Fund

Revenue Capacity

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

Table 12	Operating Revenues by Source
Table 13	Expressway System Toll Rates, Current and Historical

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.

Table 14	Expressway System, Revenue Bond Coverage
Table 15	Expressway System, Debt per Toll Revenue and Toll Transactions

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.

Table 16	Principal Employers and Area Employment
Table 17	Estimated Population, Richmond Metropolitan Area

Operating Information

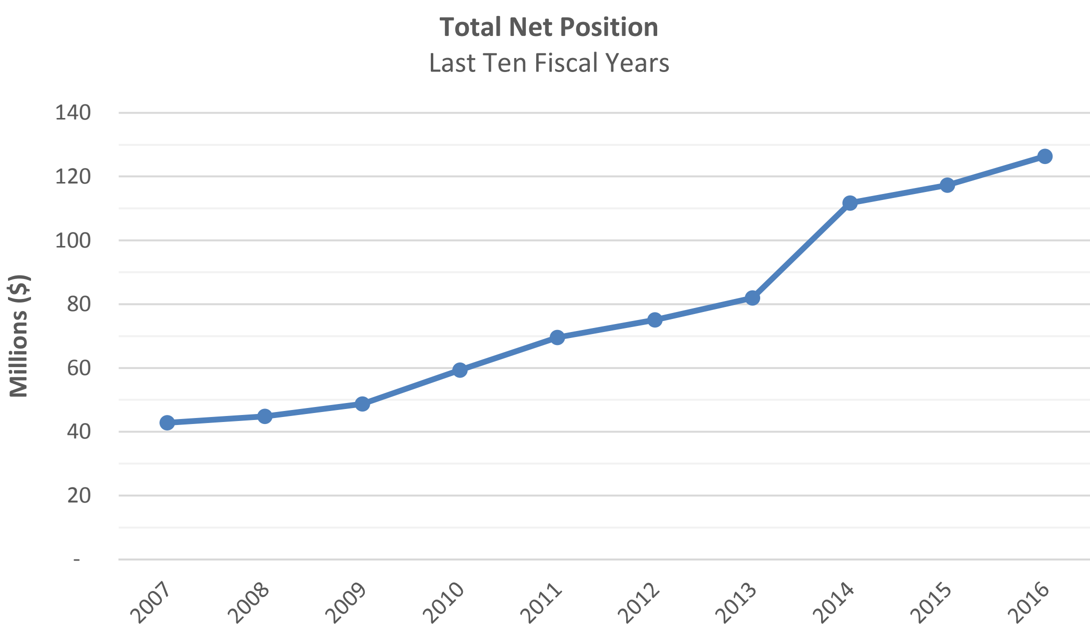
These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Table 18	Expressway System, Operating Indicators
Table 19	Employees by Identifiable Activity

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

Fiscal Year	Net Investment in Capital Assets	Restricted (1)	Unrestricted	Total
2007	$ 37,002,460	$ 15,976,753	$ (10,186,159)	$ 42,793,054
2008	44,980,515	9,890,574	(9,985,151)	44,885,938
2009	43,958,577	13,967,331	(9,212,380)	48,713,528
2010	50,278,485	18,224,463	(9,168,140)	59,334,808
2011	58,876,924	22,529,329	(11,848,617)	69,557,636
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

(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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expressway System										
Net inv. in cap. assets	$ 39,836,177	$ 48,144,699	$ 47,868,001	$ 54,310,568	$ 63,641,630	$ 93,759,354	$ 92,553,786	$ 97,465,173	$ 97,560,342	$ 98,530,597
Restricted	15,659,148	9,454,748	13,665,129	17,625,439	21,765,287	27,821,271	37,880,382	31,252,379	37,907,088	44,904,103
Unrestricted	(611,009)	173,275	1,427,221	2,205,574	1,760,711	(27,320,318)	(27,178,061)	(21,482,949)	(18,170,506)	(17,081,471)
	$ 54,884,316	$ 57,772,722	$ 62,960,351	$ 74,141,581	$ 87,167,628	$ 94,260,307	$103,256,107	$107,234,603	$117,296,924	$126,353,229
Stadium (1)										
Net inv. in cap. assets	$ 5,690,102	$ 5,430,664	$ 5,129,497	$ 5,390,527	$ 5,030,725	$ 4,670,923	$ 4,311,121	$ 3,951,319	$ -	$ -
Restricted	-	66,898	-	126,372	190,589	144,100	242,386	128,166	-	-
Unrestricted	(41,069)	-	(25,969)	140,307	134,446	172,989	208,722	376,764	-	-
	$ 5,649,033	$ 5,497,562	$ 5,103,528	$ 5,657,206	$ 5,355,760	$ 4,988,012	$ 4,762,229	$ 4,456,249	$ -	$ -
Main Street Station (2)										
Unrestricted	$ 62,180	$ 48,695	$ 166,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	$ 62,180	$ 48,695	$ 166,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Expressway Parking Deck (3)										
Net inv. in cap. assets	$ (9,075,373)	(9,473,945)	(9,870,563)	(10,266,797)	(10,662,163)	(11,057,529)	(11,452,481)	$ -	$ -	$ -
Restricted	262,659	327,361	261,198	431,500	532,000	368,000	333,000	-	-	-
Unrestricted	(8,814,419)	(9,423,686)	(10,026,566)	(10,737,544)	(12,983,133)	(13,596,543)	(14,127,260)	-	-	-
	$(17,627,133)	$(18,570,270)	$(19,635,931)	$(20,572,841)	$(23,113,296)	$(24,286,072)	$(25,246,741)	$ -	$ -	$ -
Other Non-Major Funds (3)										
Net inv. in cap. assets	$ 551,554	$ 879,097	$ 831,642	$ 844,187	$ 866,732	$ 889,277	$ (67,625)	$ -	$ -	$ -
Restricted	54,946	41,567	41,004	41,152	41,453	147,808	244,921	-	-	-
Unrestricted	(781,842)	(783,435)	(753,566)	(776,477)	(760,641)	(916,873)	(941,181)	-	-	-
	$ (175,342)	$ 137,229	$ 119,080	$ 108,862	$ 147,544	$ 120,212	$ (763,885)	$ -	$ -	$ -

(1) Stadium facility was transferred to the City in fiscal year 2015.

(2) Main Street Station net position was revised in fiscal year 2009 to more accurately reflect the Authority's operation of the facility.

(3) 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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating revenue										
Tolls	$ 25,717,464	$ 25,765,372	$ 33,114,311	$ 34,476,969	$ 35,391,965	$ 36,111,774	$ 36,585,702	$ 37,714,962	$ 38,799,387	$ 41,040,930
Parking	2,040,242	2,158,576	2,093,770	1,941,725	2,262,483	2,313,737	1,566,154	891,834	-	-
Rentals	447,942	428,427	193,419	96,942	177,705	183,449	514,207	551,123	453,521	236,622
Other	52,630	12,645	13,831	15,504	33,038	19,577	18,188	31,253	23,117	61,267
	28,258,278	28,365,020	35,415,331	36,531,140	37,865,191	38,628,537	38,684,251	39,189,172	39,276,025	41,338,819
Operating expense										
Salaries and benefits	5,690,125	6,150,445	6,838,818	6,874,119	6,921,337	7,234,307	7,504,865	7,138,845	6,676,149	6,360,143
Operations	7,085,436	6,651,552	7,619,090	7,852,053	7,368,484	7,006,658	6,108,233	6,931,250	7,587,476	7,796,755
Preservation and capital maintenance	2,155,535	4,864,531	8,973,845	3,560,850	2,435,040	4,362,817	5,703,506	10,450,097	3,922,463	7,490,020
Depreciation	737,585	737,585	839,421	868,744	976,684	964,974	981,402	1,370,558	2,464,345	2,288,578
	15,668,681	18,404,113	24,271,174	19,155,766	17,701,545	19,568,756	20,298,006	25,890,750	20,650,433	23,935,496
Operating income	12,589,597	9,960,907	11,144,157	17,375,374	20,163,646	19,059,781	18,386,245	13,298,422	18,625,592	17,403,323
Nonoperating revenue (expense)										
Investment earnings	2,632,212	1,984,321	2,342,855	1,139,023	563,070	233,663	(423,520)	800,816	602,642	493,966
Gain (loss) on fixed asset disposal	1,846,122	(237,825)	-	-	-	-	-	40,598	-	-
Interest expense	(10,059,432)	(10,091,797)	(10,172,499)	(9,545,237)	(9,046,050)	(11,587,208)	(11,045,529)	(10,698,738)	(9,326,625)	(9,451,226)
Support from localities	352,862	477,282	513,077	1,004,403	383,026	469,793	1,029,990	792,568	694,114	610,242
Other contributions	-	-	-	647,717	-	-	-	-	-	-
	(5,228,236)	(7,868,019)	(7,316,567)	(6,754,094)	(8,099,954)	(10,883,752)	(10,439,059)	(9,064,756)	(8,029,869)	(8,347,018)
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	7,361,361	2,092,888	3,827,590	10,621,280	12,063,692	8,201,029	6,925,251	30,781,649	5,606,072	9,056,305
Net position, beginning	35,431,693	42,793,050	44,885,938	48,713,528	59,334,808	69,557,636	75,082,459	82,007,710	111,690,852	117,296,924
Restatement	-	-	-	-	(1,840,864)	(2,676,206)	-	(1,098,507)	-	-
Net position, ending	$42,793,054	$44,885,938	$48,713,528	$59,334,808	$69,557,636	$75,082,459	$82,007,710	$111,690,852	$117,296,924	$126,353,229

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

Fiscal Year	Operating Revenue	Operating Expense	Operating Income	Nonoperating Revenue (Expense), Net	Change in Net Position
2007	$ 25,762,972	$ 12,935,528	$ 12,827,444	$ (4,270,980)	$ 8,556,464
2008	25,840,518	15,571,300	10,269,218	(7,380,810)	2,888,408
2009	33,190,599	21,283,027	11,907,572	(6,719,943)	5,187,629
2010	34,542,171	16,016,550	18,525,621	(7,344,391)	11,181,230
2011	35,465,389	14,947,006	20,518,383	(7,492,336)	13,026,047
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

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

Fiscal Year	Operating Revenue	Operating Expense	Operating Income	Nonoperating Revenue (Expense), Net	Facility Transfer Gain, Net (1)	Change in Net Position
2007	$ 1,252,419	$ 840,140	$ 412,279	$ (1,260,309)	$ -	$ 8,556,464
2008	1,258,186	883,469	374,717	(1,317,852)	-	2,888,408
2009	1,104,723	1,033,594	71,129	(1,136,790)	-	5,187,629
2010	1,132,417	1,022,728	109,689	(1,046,599)	-	11,181,230
2011	1,298,980	962,565	336,415	(1,036,006)	-	13,026,047
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	-	-	-	-	-	-

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

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

Fiscal Year	Operating Revenue	Operating Expense	Operating Loss	Nonoperating Revenue	Facility Transfer Loss (1)	Change in Net Position
2007	$ 607,421	$ 859,266	$ (251,845)	$ 107,475	$ -	$ (144,370)
2008	604,565	849,237	(244,672)	93,201	-	(151,471)
2009	265,688	756,416	(490,728)	96,694	-	(394,034)
2010	177,762	877,693	(699,931)	1,253,609	-	553,678
2011	291,128	593,186	(302,058)	612	-	(301,446)
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	-	-	-	-	-	-

(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 Revenue	Operating Expense	Operating Loss	Nonoperating Revenue (Expense), Net	Reimbursement from City of Richmond	Change in Net Position (2)
2007	$ 451,057	$ 822,412	$ (371,355)	$ 12,789	$ 262,968	$ (95,598)
2008	479,717	874,373	(394,656)	(1,113)	382,282	(13,487)
2009	635,085	936,552	(301,467)	1,195	418,077	117,805
2010	456,231	1,022,555	(566,324)	421	399,403	(166,500)
2011	603,600	986,968	(383,368)	342	383,026	-
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	-

(2) Main Street Station net position was revised in fiscal year 2010 to more accurately reflect the Authority's operation of the facility.

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
2007	$ 129,458	$ 129,125	$ 333	$ (84,505)	$ -	$ (83,925)
2008	123,334	137,606	(14,272)	(84,258)	-	339,162
2009	148,977	136,257	12,720	353,434	-	36,470
2010	151,033	123,297	27,736	23,750	-	11,025
2011	140,658	120,376	20,282	(16,711)	-	64,581
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	-	-	-	-	-	-

(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
2007	$ 54,951	$ 82,210	$ (27,259)	$ 4,079	$ -	$ (23,180)
2008	58,700	88,128	(29,428)	2,839	-	(26,589)
2009	70,259	125,328	(55,069)	450	-	(54,619)
2010	71,526	92,943	(21,417)	174	-	(21,243)
2011	65,436	91,444	(26,008)	109	-	(25,899)
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	-	-	-	-	-	-

(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
2007	$ 25,762,972	$ 1,252,419	$ 607,421	$ 451,057	$ 129,458	$ 54,951	$ 28,258,278
2008	25,840,518	1,258,186	604,565	479,717	123,334	58,700	28,365,020
2009	33,190,599	1,104,723	265,688	635,085	148,977	70,259	35,415,331
2010	34,542,171	1,132,417	177,762	456,231	151,033	71,526	36,531,140
2011	35,465,389	1,298,980	291,128	603,600	140,658	65,436	37,865,191
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

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
2007	$12,935,528	$ 840,140	$ 859,266	$ 822,412	$129,125	$ 82,210	$ 15,668,681
2008	15,571,300	883,469	849,237	874,373	137,606	88,128	18,404,113
2009	21,283,027	1,033,594	756,416	936,552	136,257	125,328	24,271,174
2010	16,016,550	1,022,728	877,693	1,022,555	123,297	92,943	19,155,766
2011	14,947,006	962,565	593,186	986,968	120,376	91,444	17,701,545
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

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

Fiscal Year	Tolls (1)	Parking (2)	Rentals (3)	Other	Total
2007	$ 25,717,464	$ 2,040,242	$ 447,942	$ 52,630	$ 28,258,278
2008	25,765,372	2,158,576	428,427	12,645	28,365,020
2009	33,114,311	2,093,770	193,419	13,831	35,415,331
2010	34,476,969	1,941,725	96,942	15,504	36,531,140
2011	35,391,965	2,262,483	177,705	33,038	37,865,191
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

(1) A toll increase was implemented in September 2008 (fiscal year 2009).
(2) 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.
(3) The Stadium facility was transferred to the City of Richmond in fiscal year 2015.

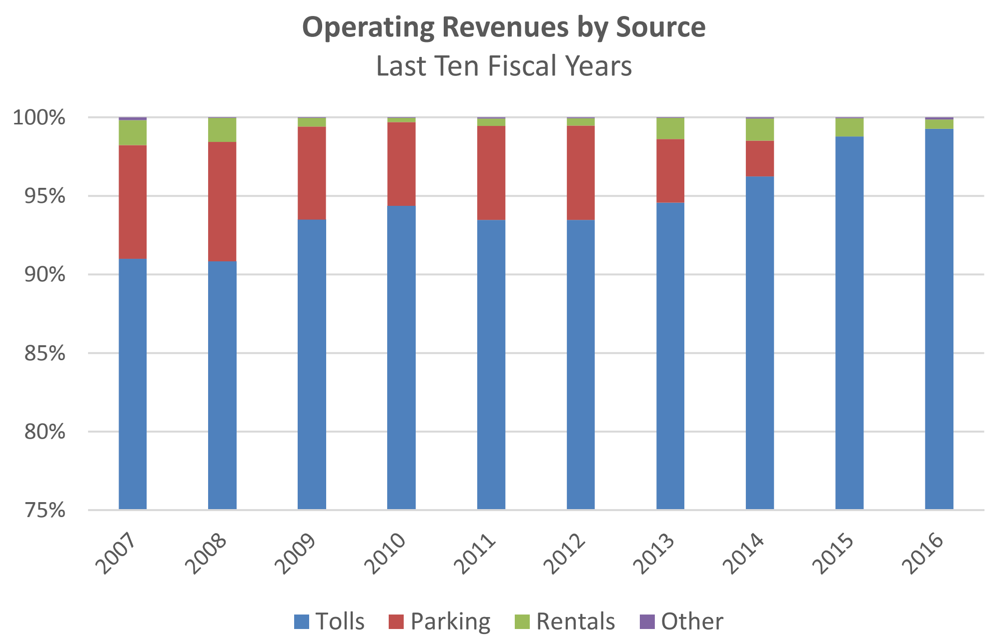


Table 13 – Expressway System Toll Rates, Current and Historical

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	Revenue	Direct Operating Expenses (1)	Net Revenue Available for Debt Service	Principal (2)	Interest	Total Required Debt Service	DSCR (3)
2007	$27,510,653	$9,069,133	$18,441,520	$5,678,000	$6,268,291	$11,946,291	1.54
2008	27,314,921	9,696,510	17,618,411	5,980,000	6,786,412	12,766,412	1.38
2009	34,409,168	11,866,709	22,542,459	6,810,000	6,860,225	13,670,225	1.65
2010	35,433,491	11,865,436	23,568,055	7,234,000	6,442,811	13,676,811	1.72
2011	36,291,178	12,360,824	23,930,354	7,590,000	6,071,349	13,661,349	1.75
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

(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.

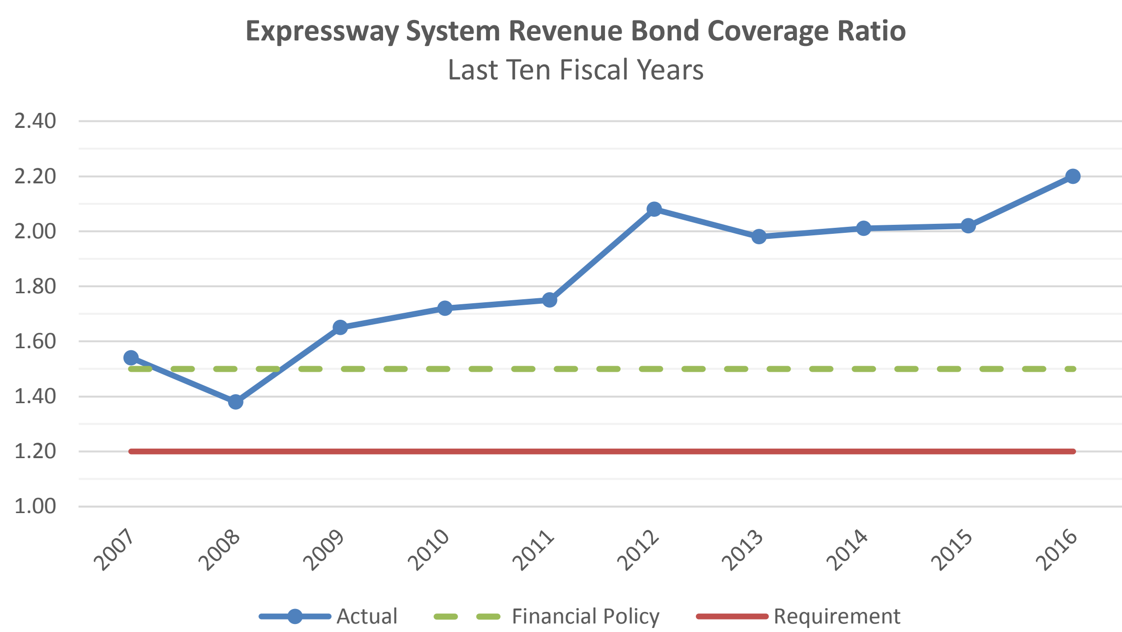
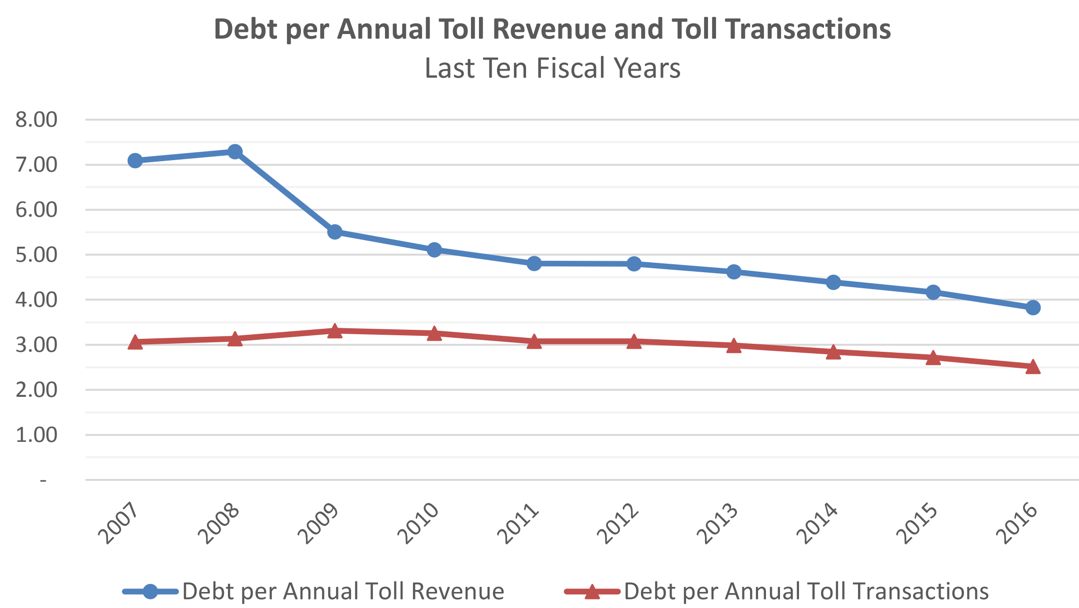


Table 15 – Expressway System, Debt per Toll Revenue and Transactions, Last Ten Fiscal Years

Fiscal Year	Outstanding Bonds, Net of Premiums and Discounts	Outstanding Subordinate Notes and Accrued Interest	Less: Debt Service Reserves	Total Debt, Net of Resources	Debt per Annual Toll Revenue (1)	Debt per Annual Toll Transactions (2)
2007	$139,736,891	$56,302,583	$(13,662,691)	$182,376,783	7.09	3.07
2008	143,809,010	57,800,028	(13,838,921)	187,770,117	7.29	3.14
2009	137,595,243	59,102,305	(14,352,025)	182,345,523	5.51	3.31
2010	130,566,720	60,333,919	(14,848,238)	176,052,401	5.11	3.26
2011	123,127,124	61,561,294	(14,530,282)	170,158,136	4.81	3.08
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

(1) Total debt outstanding divided by annual toll revenue (see Table 12).
(2) Total debt outstanding divided by annual toll transactions (see Table 18).



The decrease in debt per annual toll revenue in fiscal year 2009 was due to the September 2008 toll increase, which led to significantly more revenue on fewer transactions (see Table 18).

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Employer Ranking (1, 2)										
Virginia Commonwealth University	4	3	1	1	1	1	2	2	2	1
Capital One Bank	3	4	4	4	4	2	1	1	1	2
Henrico County School Board	2	2	3	3	2	3	4	4	3	3
Chesterfield County School Board	1	1	2	2	3	4	3	3	4	4
MCV Hospital	5	5	5	5	5	5	6	6	5	5
Bon Secours Health System	9	8	7	6	7	6	9	8	7	6
HCA Virginia Health System	-	-	-	-	-	-	5	5	6	7
US Department of Defense	8	7	8	8	6	7	8	9	8	8
Wal-Mart	6	6	6	7	8	8	7	7	9	9
Integrity Staffing Solutions	-	-	-	-	-	-	-	10	10	10
Richmond City Public Schools	10	10	9	9	9	9	10	-	-	-
County of Henrico	-	-	-	-	-	10	-	-	-	-
City of Richmond	-	-	10	10	10	-	-	-	-	-
Philip Morris USA	7	9	-	-	-	-	-	-	-	-
Richmond Area Employment (3)	586,083	595,963	603,549	575,851	578,495	590,551	600,337	608,250	621,411	631,095

(1) Final quarter data for the top ten employers shown based on the most recent calendar year (2006-2015).

(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 (2006-2015). Total employment data obtained from the Bureau of Labor Statistics. Employment numbers are not seasonally adjusted. Historical employment data was updated in fiscal year 2016 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
2007	197,000	297,400	291,400	785,800	411,800	1,197,600
2008	198,800	302,300	296,100	797,200	417,100	1,214,300
2009	201,300	308,400	300,200	809,900	424,300	1,234,200
2010	198,200	311,600	304,600	814,400	426,900	1,241,300
2011	204,200	316,200	306,900	827,300	430,900	1,258,200
2012	206,200	319,600	310,700	836,500	443,800	1,280,300
2013	208,800	322,400	314,900	846,100	436,400	1,282,500
2014	211,172	326,950	316,973	855,095	404,171	1,259,266
2015	213,504	330,043	318,019	861,566	389,477	1,251,043
2016	217,938	333,450	320,717	872,105	391,512	1,263,617

(1) Population estimates as of July 1 of the previous year (2006-2015).

Source: Weldon Cooper Center for Public Service, University of Virginia

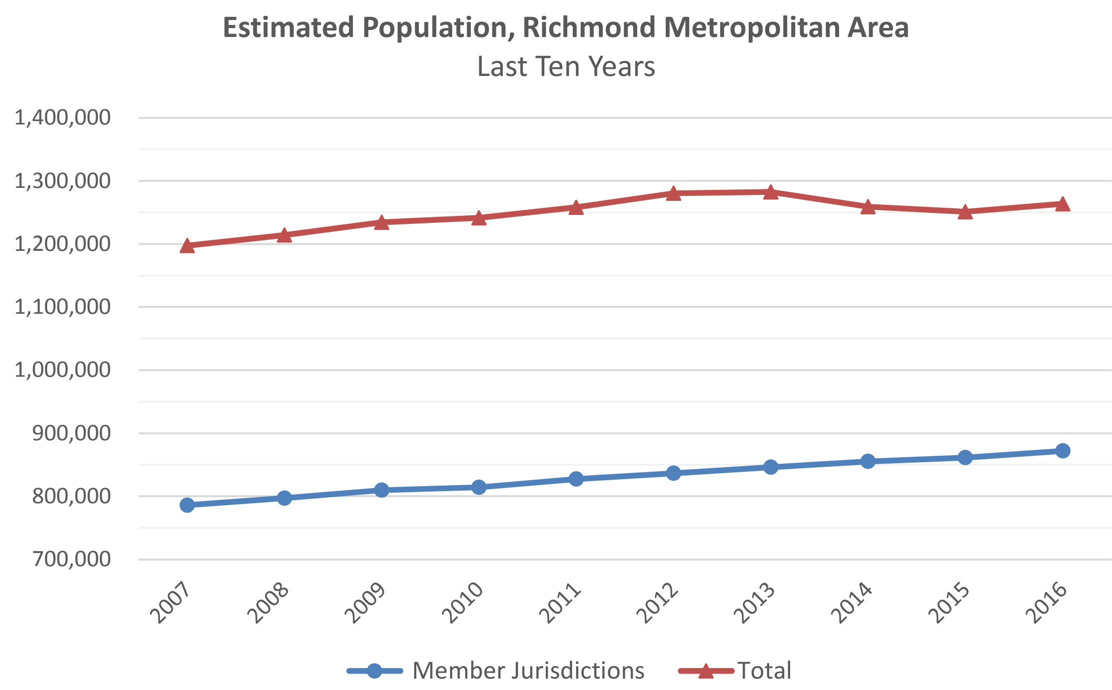


Table 18 – Expressway System, Operating Indicators, Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenue (1):										
Powhite Parkway	$15,794,137	$15,737,291	$19,975,538	$21,182,480	$21,650,023	$22,197,895	$22,399,507	$22,868,671	$23,606,375	$24,796,353
Downtown Expressway	8,678,668	8,789,276	11,009,880	11,421,500	11,791,817	11,900,320	12,210,502	12,823,395	13,061,678	13,674,656
Boulevard Bridge	1,244,659	1,238,805	1,583,822	1,610,910	1,607,330	1,583,026	1,555,089	1,515,723	1,492,920	1,523,353
Total	$25,717,464	$25,765,372	$32,569,240	$34,214,890	$35,049,170	$35,681,241	$36,165,098	$37,207,789	$38,160,973	$39,994,362
Traffic:										
Powhite Parkway	33,893,494	33,937,909	31,381,386	31,057,461	31,787,393	32,666,065	32,842,238	33,554,196	34,579,728	36,350,428
Downtown Expressway	20,586,135	20,966,648	18,857,745	18,326,751	18,838,516	19,002,222	19,344,609	20,225,578	20,623,336	21,561,269
Boulevard Bridge	4,995,311	4,964,251	4,800,726	4,619,608	4,575,223	4,562,253	4,426,225	4,312,318	4,262,366	4,343,172
Total	59,474,940	59,868,808	55,039,857	54,003,820	55,201,132	56,230,540	56,613,072	58,092,092	59,465,430	62,254,869
Avg. Toll (2)	$0.43	$0.43	$0.59	$0.63	$0.63	$0.63	$0.64	$0.64	$0.64	$0.64
E-ZPass % (3)	47.1%	49.5%	55.5%	58.1%	59.6%	60.6%	62.0%	63.0%	64.9%	66.5%
Lane Miles	46.94	45.91	45.91	49.90	49.90	49.90	50.15	50.15	50.15	50.15

(1) Toll revenue excludes violation enforcement revenue. Toll rates were last increased in September 2008 (fiscal year 2009).
(2) Average toll is determined by dividing toll revenue 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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expressway System										
Full time	80	89	89	89	89	89	87	87	90	84
Part time	27	26	26	27	26	29	28	32	34	37
	107	115	115	116	115	118	115	119	124	121
Central Administration										
Full time	16	17	17	17	17	17	17	12	12	13
Part time	1	1	1	1	1	1	1	1	1	1
	17	18	18	18	18	18	18	13	13	14
Parking Operations										
Full time	2	2	2	2	2	2	2	-	-	-
Part time	6	5	5	6	6	6	5	-	-	-
	8	7	7	8	8	8	7	-	-	-
Main Street Station										
Full time	2	2	2	2	2	2	2	2	2	2
Part time	-	-	-	-	-	-	-	-	-	-
	2	2	2	2	2	2	2	2	2	2
Total										
Full time	100	110	110	110	110	110	108	101	104	99
Part time	34	32	32	34	33	36	34	33	35	38
	134	142	142	144	143	146	142	134	139	137

Compliance Section

Cherry Bekaert LLP
CPAs & Advisors

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

To the 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 each major fund of the Richmond Metropolitan Transportation Authority (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Richmond Metropolitan Transportation Authority's basic financial statements, and have issued our report thereon dated October 20, 2016.

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") to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Richmond Metropolitan Transportation 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and an area of noncompliance that is required to be reported under the *Specifications for Audits of Authorities, Boards and Commissions* as follows:

Criteria: Section 2.2-3115 of the *Code of Virginia* requires local government officials to file an annual Financial Disclosure Statement by December 15th.

Condition: We noted two instances where local government officials serving the Authority did not file a Financial Disclosure Statement on a timely basis.

Cause: Completed Financial Disclosure Statements were not filed by December 15, 2015.

Effect: Non-compliance may result in action by the Commonwealth.

Recommendation: Local government officials should complete the Financial Disclosure Statements in accordance with prescribed requirements.

Management's Response: The appointment of members to the Authority's Board of Directors is the sole responsibility of the City of Richmond and Counties of Chesterfield and Henrico and the Commonwealth Transportation Board. Financial Disclosure Statement forms are required to be filed with the Clerks of those respective jurisdictions (for the Commonwealth Transportation Board appointee, forms are submitted directly to the Conflict of Interest and Ethics Advisory Council) and the Authority has not historically been given notice regarding the timeliness of submissions. To the best of the Authority's knowledge, all members of the Authority's Board of Directors completed and filed the appropriate forms with their respective local bodies, with the noted instances of late filings occurring within 30 days of the December 15 filing deadline. The Authority will continue to work with its Board members and the Clerks of their respective local governing bodies to develop a process to ensure timeliness of future submissions.

The Authority's response to finding

The Authority's response to the finding identified in our audit is included herein. 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
October 20, 2016