Richmond Metropolitan Transportation Authority

Comprehensive Annual Financial Report

For the year ended June 30, 2014

Serving Chesterfield, Henrico, and Richmond, Virginia

Richmond Metropolitan Authority was renamed to Richmond Metropolitan Transportation Authority effective July 1, 2014.

Richmond Metropolitan Transportation Authority

RICHMOND METROPOLITAN TRANSPORTATION AUTHORITY
CHESTERFIELD, HENRICO, AND RICHMOND, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

Prepared by the Department of Finance:
Curtis Doughtie, Director
Christina Buisset, Accounting Supervisor
George Boyd, Accounting Technician
Paul Morgan, Accounting Technician

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Richmond Metropolitan Transportation Authority
Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2014
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INTRODUCTORY SECTION

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Richmond Metropolitan Transportation Authority

October 2, 2014

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 (the "Authority") for the fiscal year ended June 30, 2014 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, 2014. The independent auditor's report 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.

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 size 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 Commission 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 budget to actual 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. The resolutions authorizing the issuance of bonds prohibit the commingling of funds between the Authority's different operations (i.e. tolls generated from the Expressway System cannot be used to support any of the Authority's other facilities).

The Authority's Expressway System is comprised of 50.5 lane miles of roads, 36 bridges and three tunnels connecting downtown Richmond with surrounding areas. The Expressway System includes the Powhite Parkway, the Downtown Expressway, and the Boulevard Bridge:

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 completed renovation of the historic Main Street Station and adjacent parking lots. Upon completion of the renovation, the City requested that the Authority provide management services for both the station and parking facilities. The City agreed to pay all operating expenses in excess of revenues associated with the Authority's management of the facility. The Authority is not responsible for any facility debt and the facility remains property of the City. During fiscal year 2013 the City elected to take control of facility parking management and retain parking revenues.

The Authority also owns and operates The Diamond Stadium Facility. Built in 1984 to replace the aging Parker Field, The Diamond has provided a home for the Richmond Flying Squirrels minor league baseball team since 2010. The Flying Squirrels immediately built a successful relationship with the community, finishing first or second in Eastern League attendance in each of their first four seasons. At its December 2013 meeting, the Authority's Board voted to transfer the facility to the City on January 1, 2015. Upon conveyance, neither the Authority nor the Counties have any future funding obligations.

The Authority operated two parking facilities during fiscal year 2014: Expressway Parking Deck and Second Street Parking Facility. In March 2013, the Authority's Board unanimously authorized the General Manager to pursue negotiations to transfer these facilities to the City. Transfers of these facilities were completed in August (Second Street) and February (Expressway Parking Deck) of fiscal year 2014.

Major Initiatives

Since inception, the Authority has provided a forum for its member jurisdictions to work together for the benefit of the entire metropolitan area. The Expressway System has contributed to the region's continued economic strength, and illustrates the benefits of working together collectively. The City was allocated the majority of Board seats in 1966 when the Authority was formed because it was the only participating jurisdiction that agreed to back the Expressway financing. The City contributed funding through 1992, when a financial restructuring allowed the Expressway System to become fully reliant on user fees. In 2012, the City's contributions to the Expressway System were paid back by the Authority with interest, totaling approximately $62 million.

In March 2013, the Authority's Board unanimously authorized the General Manager to pursue negotiations to transfer City-funded assets to the City and report results to the Board. By February 2014, the Authority completed transfers of the Expressway Parking Deck, Second Street Parking Deck, and Carytown Parking Facilities to the City.

All three parking facilities were constructed at the request of the City, and the other jurisdictions were not involved in their funding. Second Street and Carytown were undertaken with the intent that the facilities would ultimately transfer to the City, and the City provided the financing for the Expressway Parking Deck.

The Diamond Stadium Facility was also considered with the intent for transfer to the City at some future date. It was built in 1984 by the Authority at the request of the jurisdictions on land then valued at $612,000, given to the Authority by the City. The Diamond was financed with a combination of private funding and bonds issued by the Authority backed by the moral obligations of all three jurisdictions. The three jurisdictions have provided combined support of $11 million for debt service and capital since 1985 for the facility. The Authority has planned a transfer of this facility to the City at the end of December 2014.

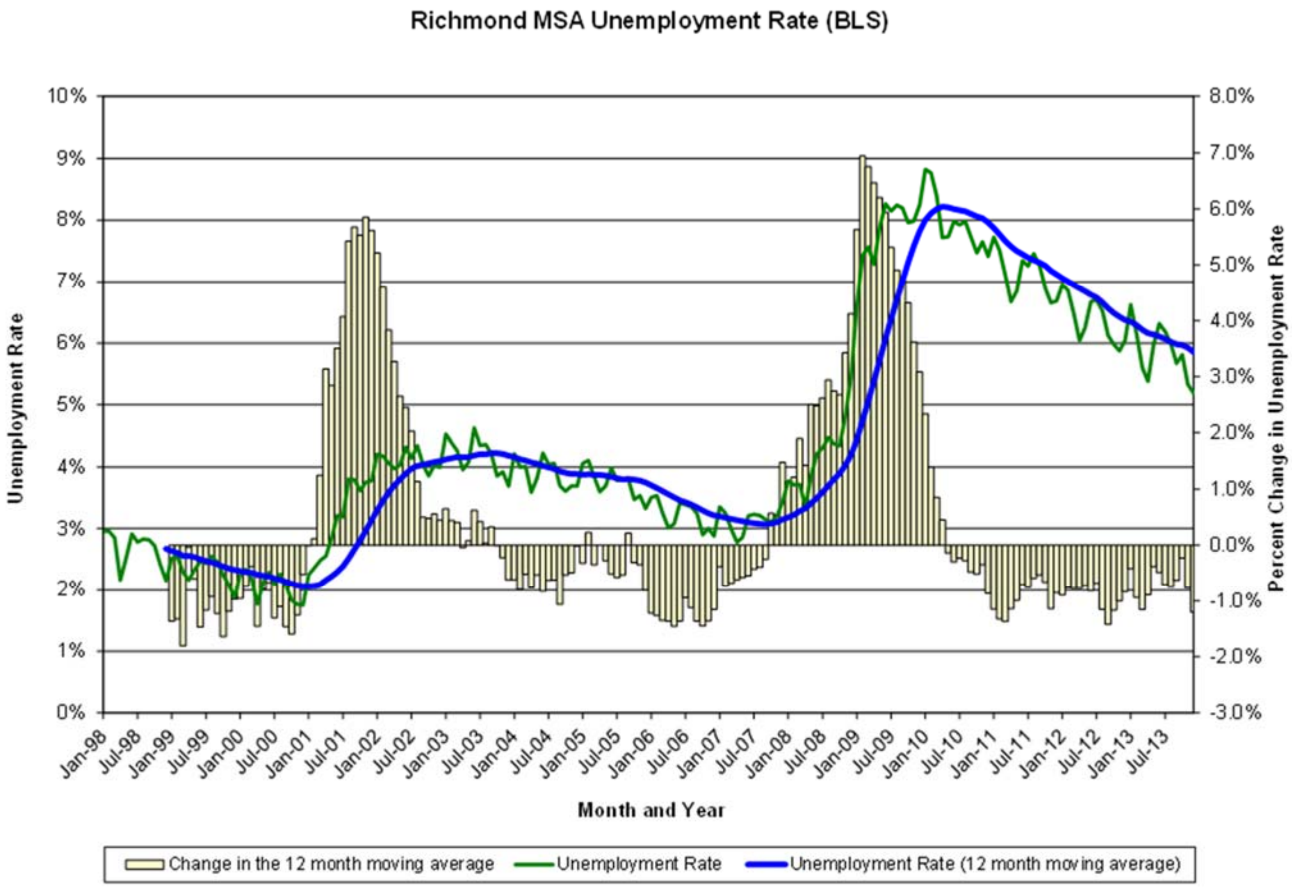
With the transfer of the parking facilities and planned transfer of The Diamond baseball stadium, the Authority has positioned itself to focus on its core competency: operation of transportation facilities.

Economic Condition and Outlook

The Authority's Expressway System traffic levels are closely related to area employment, which directly impacts the number of daily commuter trips. The unemployment rate for the Richmond Metropolitan Service Area (MSA) from the Bureau of Labor Statistics from January 1998 to December 2013 is presented in ***Figure 1***. The green line represents the unemployment rate by month, fluctuating based on seasonal variations of employment. The blue line is the 12 month moving average of the unemployment rate, essentially smoothing the curve to present a full picture of the Richmond MSA economy while removing the seasonal movement.

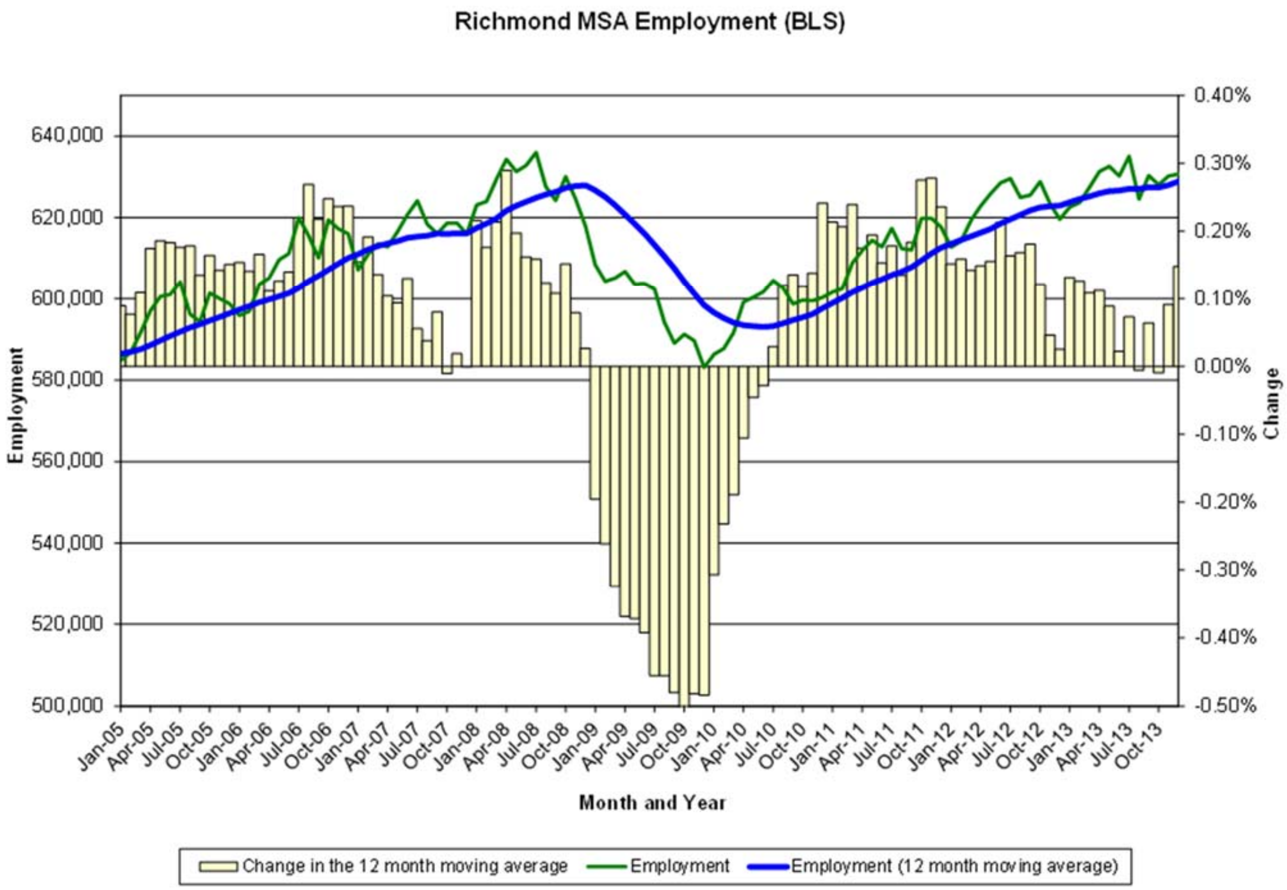
In general, since the end of the recession in 2009, the unemployment rate has decreased slightly to the late 2013 rate of just below 6%, indicating a steady, slow recovery.

Figure 1: Richmond MSA Unemployment Rate, January 2008-December 2013



The Authority's Traffic and Revenue Consultant advises "while the unemployment rate indicates the direction of the economy," the Richmond MSA employment levels (***Figure 2***) are a "more appropriate economic indicator" to correlate to the Authority's traffic. Although employment levels for the Richmond MSA had retreated to 2005/2006 levels by June 2010, for the next 37 months through August 2013 employment increased. This slow, steady recovery was interrupted by very small decreases in August and October 2013 that caused the 12 month moving average to decrease for the first time since the beginning of the recovery. This flattening of employment in the Summer and Fall of 2013 present reasons to remain conservative in the estimates of traffic and toll revenue in the coming months and fiscal year.

Figure 2: Richmond MSA Total Employment Levels, January 2005-December 2013



The Authority's Traffic and Revenue Consultant also considers the potential impact of high fuel prices in their traffic projections. It is estimated that gas prices would have to increase substantially higher than the $4.00 per gallon seen during the summer of 2008 to have a negative impact on the fiscal year 2015 forecast. Furthermore, those higher gas prices would have to be sustained over the course of many months for people to begin changing their driving behavior. If those two things occur, it is estimated that the Expressway System could lose between 5 and 10% of traffic compared to what is forecasted.

For fiscal year 2014, Expressway System traffic of 58.1 million increased 2.6% from the prior year. This positions the Authority well to achieve fiscal year 2015 budget targets: even in the event of a 10% loss in toll revenue, it is projected that all debt service coverage requirements would be satisfied with no toll increase required. In an extreme case of a 25% loss in revenue, the Authority would still have sufficient revenues to pay its 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 started during the summer of 2013 on the Gateway Plaza, a new 18-story office building situated in downtown Richmond. McGuireWoods Consulting, LLC will be the anchor tenant of this new building. The building will be substantially complete by late 2014.

- Virginia Commonwealth University, located in the heart of Richmond with an enrollment in excess of 32,000 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. Current projects include the $168 million Children's Pavilion facility (opening summer 2015) 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, is expected to be completed in early 2015. The First Freedom Center celebrates the 1786 Virginia law that guaranteed religious freedom, while the Marriot hotel will provide approximately 200 guest rooms.

- The historic rehabilitation of The Locks, a mixed-use residential and commercial development along the Haxall and Kanawha Canals, continues with the construction of a four-story structure of approximately 52 apartment units at the corner of 12th and Byrd. The first phase of the project, completed in the summer of 2013, created 175 apartments with 8,000 square feet of retail space. Future plans call for a potential office/residential tower structure at 10th and Byrd.

- Renovations began in November 2013 on the Central National Bank building, located in downtown Richmond at Broad and Third Streets. The building, vacant since 2000, will be transformed into approximately 200 apartments. Renovations are expected to be complete by late 2015.

- Richmond welcomed the Washington Redskins to their new training facility in July 2013. The City's $10.8 million investment provides an opportunity for fans to connect with the team during their annual two-week training camp. Joint training camp practices with the New England Patriots were held at the Richmond training facility in 2014.

- Meadowville Technology Park in Chesterfield County 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 (opened October 2012) and a 242,000 square foot data center for Capital One (opened March 2014).

- In June 2014, China's Shandong Tralin 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 is expected to begin in 2016.

- Construction began in summer 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 about 160,000 square feet of office and retail space. The first announced retail tenant, Southern Season, opened a 53,000 square foot store in July 2014.

- The Wegman's supermarket chain announced its planned expansion into the Richmond market with planned store developments in Chesterfield County (Stonehenge Village Shopping Center near Chesterfield Town Center Mall) and Henrico County (West Broad Marketplace near Short Pump Mall). In May 2014, Whole Foods announced a second Richmond-area supermarket near West Broad and Boulevard in the City's Fan District.

In September 2011, the City was selected to host the 2015 UCI Road World Championships (the "Worlds"), considered cycling's pinnacle event. The Worlds will take place on September 19-27, 2015 and is expected to draw 1,000 athletes and 450,000 spectators to the Richmond area. Cycling events start in the City and surrounding counties, with all events ending at the Greater Richmond Convention Center in downtown Richmond. Road closures required to ensure the safety of cyclists and spectators are expected to cause delays to patrons of the Authority's Downtown Expressway. In May 2014, the City hosted the three-day CapTech USA Cycling Collegiate Road National Championships as a prelude to the September 2015 Worlds. While the Authority's Expressway System experienced minimal impact during the May 2014 event, the nine-day Worlds event is much larger in scope and will encompass a full work week. The Authority continues to work with the City and race organizers to minimize the impact of the September 2015 Worlds to our patrons.

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 Board formally adopted a comprehensive set of financial policies during fiscal year 2014, with a focus on four key areas: financial planning, revenue and expenses, debt management, and reserve funds. The following summarizes the detailed policies included in each of the four key areas:

Financial Planning: identify toll rate adjustments and borrowing decisions within the context of the long-term financial plan; maintain accurate inventories and perform periodic condition assessments of infrastructure assets.

Revenue and Expense: use a conservative, objective, and realistic approach to develop revenue forecasts; maintain fair and equitable service rates; analyze the cost implications of agreements that would create on-going expense; evaluate the appropriate use of one-time revenues.

Debt Management: manage debt obligations to keep debt service a predictable part of the operating budget, raise capital at the lowest cost, and support the Authority's credit rating objective; maintain an internal debt service coverage ratio goal of at least 1.50X; ensure compliance with continuing disclosure requirements.

Reserve Fund: maintain adequate reserve levels as required by applicable bond documents; strive to have balances on hand as of June 30th to fully fund the next fiscal year's capital plan; require Board approval for all uses of Excess Balances.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (the "GFOA") awarded 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, 2013. This was the twentieth 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 its current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements and is being submitted to the GFOA to determine its eligibility for another certificate.

Preparation of the Authority's comprehensive annual financial 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 member of the Department in the preparation of this report. In closing, we would like to thank the Board of Directors of the Authority 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
General Manager

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, 2013

Executive Director/CEO

Board of Directors

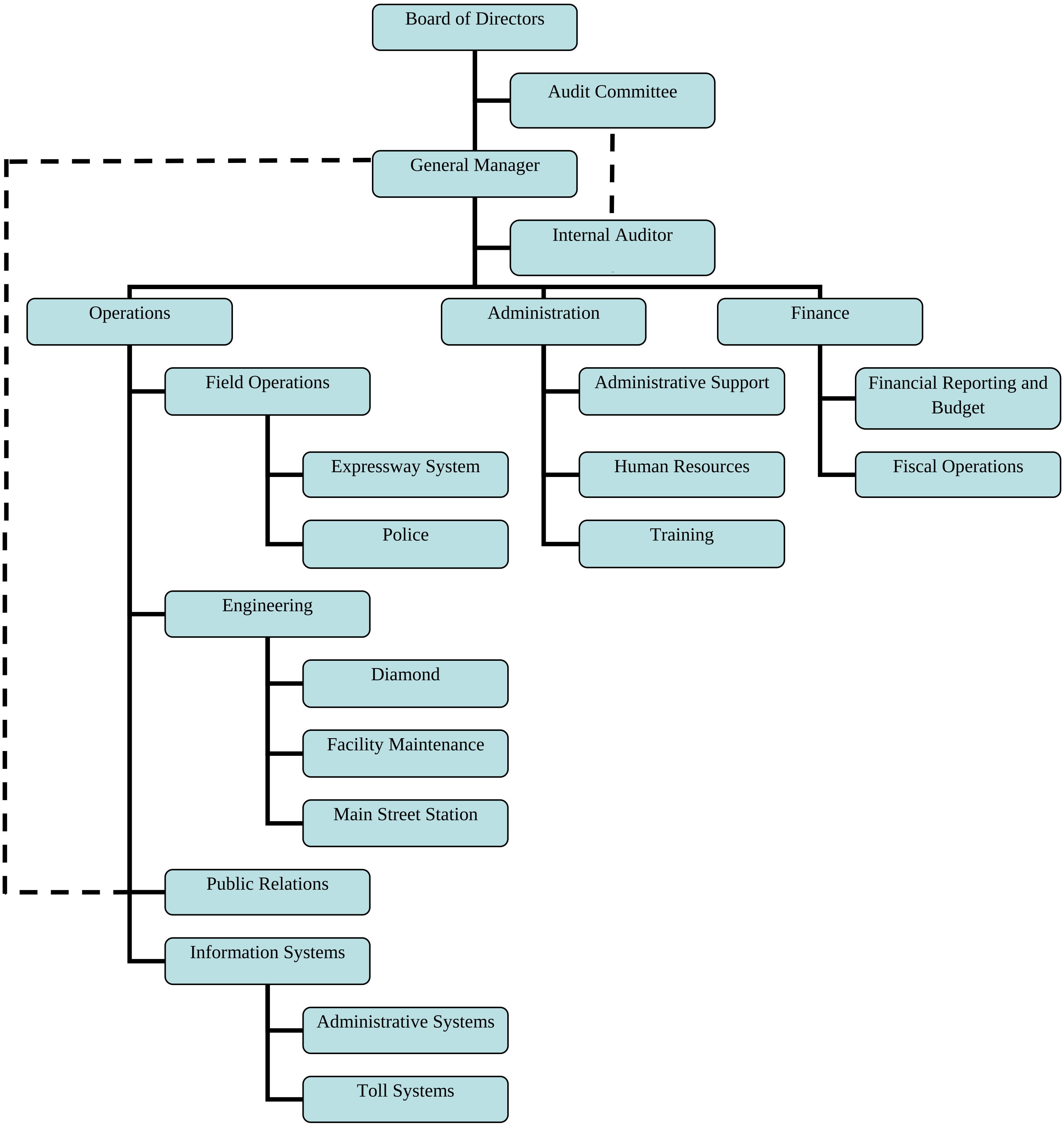
Carlos Brown, Chairman	City of Richmond
Roger Cole, Vice-Chair	Commonwealth Transportation Board
A. Dale Cannady	Chesterfield County
Virgil Hazelett	Henrico County
Harvey Hinson	Henrico County
Jim Holland	Chesterfield County
Pierce Homer	City of Richmond
Darius Johnson	City of Richmond
Betty Jolly	City of Richmond
Bryan Kornblau	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

Management and Counsel

Angela Gray	General Manager
Curtis Doughtie	Director of Finance
Sheryl Johnson	Director of Human Resources
Theresa Simmons	Director of Operations
Eric Ballou	Secretary and General Counsel

Fiscal year 2014 note: Legislation was introduced and passed during the 2014 Virginia General Assembly session that equalized representation on the Authority's Board of Directors effective July 1, 2014. Under the new legislation, the City of Richmond and Counties of Chesterfield and Henrico each appoint five members to the Board, with the option of one from each being an elected official. The Commonwealth Transportation Commission continues to appoint one member from the Commonwealth Transportation Board. The Board of Directors listed above reflect appointments made under the new legislation.

Organizational Chart



FINANCIAL SECTION

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Metropolitan Transportation Authority (the "Authority"), formerly known as the Richmond Metropolitan Authority, as of and for the year ended June 30, 2014, 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 the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Metropolitan Transportation Authority, as of June 30, 2014, 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.

Emphasis-of-Matter

As discussed in Note 9 to the financial statements, the Authority adopted new accounting guidance, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective July 1, 2013 Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit trend information and modified approach for reporting infrastructure information on pages 16-20, 49, and 50-52, 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 Richmond Metropolitan Transportation Authority's basic financial statements. The Introductory, Supplementary Information, and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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 2, 2014, 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 2, 2014

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, 2014. 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 at the close of the fiscal year by $112.8 million (net position), an increase of $30.8 million or 37.5%. This increase in net position is primarily due to the gain on transfer of the Expressway Parking Deck and Second Street Parking Facility to the City of Richmond, Virginia (the "City") during fiscal year 2014.
- Operating revenues of $39.2 million increased by 1.3%, primarily due to an increase in toll revenue from ridership growth. Operating expenses of $25.9 million increased by 27.5% 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 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 supplementary 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 and deferred outflows and 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 2014 and 2013, followed by a description of significant changes:

	2014	2013	Increase (Decrease)	% Change
Current and other assets	$ 64,944,690	$ 64,510,405	$ 434,285	0.7%
Capital assets	225,131,140	231,282,792	(6,151,652)	(2.7)%
Total assets	290,075,830	295,793,197	(5,717,367)	(1.9)%
Deferred outflows of resources	12,047,327	13,328,728	(1,281,401)	(9.6)%
Current liabilities	13,834,855	20,920,904	(7,086,049)	(33.9)%
Long-term liabilities	175,498,943	206,193,311	(30,694,368)	(14.9)%
Total liabilities	189,333,798	227,114,215	(37,780,417)	(16.6)%
Net position (deficit):				
Net investment in capital assets	101,416,492	85,344,801	16,071,691	18.8%
Restricted	31,380,545	38,700,689	(7,320,144)	(18.9)%
Unrestricted	(20,007,678)	(42,037,780)	22,030,102	52.4%
Total net position	$112,789,359	$ 82,007,710	$30,781,649	37.5%

- Capital assets of $225.1 million decreased by $6.2 million, primarily due to the transfer of the Expressway Parking Deck and Second Street Parking Facility to the City.
- Current liabilities decreased by $7.1 million, primarily due to the forgiveness of debt associated with the transfer of the Expressway Parking Deck.
- Long-term liabilities decreased by $30.7 million, primarily due to the forgiveness of debt associated with the transfer of the Expressway Parking Deck and Second Street Parking Facility.
- Net position, net investment in capital assets increased by $16.1 million, primarily due to the forgiveness of debt associated with the transfer of the Expressway Parking Deck and Second Street Parking Facility.
- Net position, restricted decreased by $7.3 million, primarily due to the consumption of resources for planned capital needs of the Expressway System.
- Net position, unrestricted increased by $22.0 million, primarily due to the transfer of the Expressway Parking Deck.

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 2014 and 2013, followed by a description of significant changes:

	2014	2013	Increase (Decrease)	% Change
Operating revenue	$ 39,189,172	$ 38,684,251	$ 504,921	1.3%
Operating expense	25,890,750	20,298,006	5,592,744	27.6%
Operating income	13,298,422	18,386,245	(5,087,823)	(27.7)%
Nonoperating expenses	(9,064,756)	(10,439,059)	(1,374,303)	(13.2)%
Transfer of facilities	26,547,983	(1,021,935)	27,569,918	2,697.8%
Total change in net position	30,781,649	6,925,251	23,856,398	344.5%
Beginning net position	82,007,710	75,082,459	6,925,251	9.2%
Ending net position	$ 112,789,359	$ 82,007,710	$ 30,781,649	37.5%

- Operating revenues of $39.2 million increased by 1.3%, primarily due to an increase in toll revenue from ridership growth as toll rates were last changed in 2008. Tolls comprise approximately 96.2% of the Authority's operating revenues.
- Operating expenses of $25.9 million increased by $5.6 million or 27.6%, primarily due to planned Expressway System preservation and capital maintenance projects. Preservation and capital maintenance routinely varies between years based on capital plan requirements.
- Nonoperating expenses of $9.1 million decreased by 13.2%, primarily due to interest savings as a result of the forgiveness of debt associated with the transfer of the Expressway Parking Deck.
- The Authority completed the planned transfers of the Expressway Parking Deck and Second Street Parking Facility to the City in fiscal year 2014. A net accounting gain of $26.5 million was recognized for the forgiveness of debt and associated transfer of these facilities in fiscal year 2014.

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

	Expressway System	Stadium	Main Street Station	Expressway Parking Deck	Other Non-Major Funds	Total
Fiscal year 2014	$ 108,333,110	$ 4,456,249	$ -	$ -	$ -	$ 112,789,359
Fiscal year 2013	103,256,107	4,762,229	-	(25,246,741)	(763,885)	82,007,710
Incr. (Dec.)	$ 5,077,003	$ (305,980)	$ -	$25,246,741	$ 763,885	$ 30,781,649

Capital Assets

The Authority's capital assets consist of roads, bridges, tunnels, land, buildings, the Diamond Stadium Facility, systems, and equipment. As of June 30, 2014, capital assets net of accumulated depreciation decreased from $231.3 million to $225.1 million, primarily due to the transfer of parking facilities to the City and the completion of the Toll System Replacement project. The change in capital assets is summarized by asset type below:

	2014	2013	Change
Expressway system	$ 200,192,048	$ 199,569,029	$ 623,019
Boulevard Bridge	9,777,483	9,777,483	-
Land	612,000	1,181,366	(569,366)
Construction in progress	601,559	6,857,258	(6,255,699)
Buildings	2,488,650	2,561,791	(73,141)
Parking garages	-	7,403,345	(7,403,345)
Stadium facility	3,339,319	3,699,121	(359,802)
Vehicles and equipment	194,213	233,399	(39,186)
Systems	7,925,868	-	7,925,868
Total	$ 225,131,140	$ 231,282,792	$ (6,151,652)

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. Bridges and expressways maintained by the Authority are 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 2014, the Authority spent approximately $10.4 million to preserve and maintain the roads and bridges at or above this level.

The Authority utilizes its independent Consulting Engineer to perform condition assessments and facility inspections. Pavement condition assessments and inspections of fracture critical bridge elements are performed annually while other bridge elements are inspected on a biennial basis. The latest inspection and condition assessment 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 2014. At June 30, 2014, outstanding bonds and notes payable of $179,636,975 decreased by $23.5 million or 11.6% from the prior year, primarily due to the forgiveness of outstanding debt as part of the facility transfers of the Expressway Parking Deck and Second Street Parking Facility. See Notes 7, 8, and 9 for additional information relative to the Authority's debt. A summary by fund follows:

Expressway System: Total bonds payable of $179,636,975 is comprised of $175,790,000 in Expressway System parity debt and related issuance premiums of $3,846,975. Principal in the amount of $3,960,000 is payable on July 15, 2014. See Note 8 for a detail of outstanding Expressway System debt.

Expressway Parking Deck: Bonds payable to the City of $18,875,000 and unpaid accrued interest of approximately $14,840,000 were forgiven as part of the facility transfer. See Note 9 for additional discussion.

Second Street Parking Facility: The City agreed to send the Authority $220,000 for early retirement of the outstanding balance due to bondholders and waive the $409,500 subordinate note and unpaid accrued interest of approximately $997,000 as part of the facility transfer. See Note 9 for additional discussion.

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 and continues to experience a gradual recovery from the 2008 recession. Regional employment of 637,561 at June 2013 grew 3.1% to 657,424 at June 2014. Over the past decade, population has continued to increase, as illustrated at Table 17 in the Statistical Section. Regional unemployment of 5.7% in June 2014 is an improvement compared to 6.3% in the prior year. The regional unemployment rate is slightly behind Virginia's 5.3% and compares favorably to the national rate of 6.1%.

Traffic levels are illustrated at Table 18 in the Statistical Section for the past decade. Fiscal year 2014 traffic volume of 58.1 million increased 2.6% from fiscal year 2013. Although the slow pace of the economic recovery creates uncertainty for continued improvement, the Authority's Traffic and Revenue Consultant predicts that the fiscal year 2015 toll revenue forecast can be achieved with no growth from the prior year.

Fiscal Year 2015 Rates

Expressway System tolls were last increased in September 2008 and remain unchanged for next fiscal year. Table 13 in the statistical section illustrates toll rates for the past ten years.

Contacting the Authority's Financial Management

This financial 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.

BASIC FINANCIAL STATEMENTS

Richmond Metropolitan Transportation Authority
Statement of Net Position
As of June 30, 2014

	Expressway System	Stadium	Main Street Station	Total
ASSETS				
Current assets:				
Cash and cash equivalents (Note 2)	$ 9,081,907	$ 476,025	$ 202,939	$ 9,760,871
Restricted cash (Note 2)	8,060,090	-	-	8,060,090
Restricted investments held by trustee (Note 3)	8,532,018	-	-	8,532,018
Other short-term investments (Note 3)	292,573	-	-	292,573
Accrued interest receivable	78,598	-	-	78,598
Receivables (Note 4)	80,809	229,756	83,396	393,961
Prepaid expenses	37,307	1,407	2,384	41,098
Total current assets	26,163,302	707,188	288,719	27,159,209
Noncurrent assets:				
Restricted investments held by trustee (Note 3)	22,377,503	-	-	22,377,503
Other long-term investments (Note 3)	15,359,537	-	-	15,359,537
Escrow assets (Note 8)	48,441	-	-	48,441
Capital assets (Note 5):				
Land and other non-depreciable assets	210,571,090	612,000	-	211,183,090
Buildings, systems, and equipment	12,130,136	10,723,373	-	22,853,509
Less: Accumulated depreciation	(1,521,405)	(7,384,054)	-	(8,905,459)
Capital assets, net	221,179,821	3,951,319	-	225,131,140
Total noncurrent assets	258,965,302	3,951,319	-	262,916,621
Total assets	285,128,604	4,658,507	288,719	290,075,830
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding (Note 8, 18)	12,047,327	-	-	12,047,327
Total assets and deferred outflows of resources	$ 297,175,931	$ 4,658,507	$ 288,719	$ 302,123,157
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities (Note 6)	$ 1,295,746	$ 4,008	$ 71,967	$ 1,371,721
Accounts payable from restricted cash	3,364,424	-	-	3,364,424
Accrued interest payable (Note 7, 8)	4,442,673	-	-	4,442,673
Advance	-	-	120,513	120,513
Unearned revenues	-	198,250	96,239	294,489
Bonds and notes payable, current (Note 7, 8)	4,241,035	-	-	4,241,035
Total current liabilities	13,343,878	202,258	288,719	13,834,855
Noncurrent liabilities:				
Accrued liabilities (Note 6, 7)	103,003	-	-	103,003
Bonds and notes payable (Note 7, 8)	175,395,940	-	-	175,395,940
Total noncurrent liabilities	175,498,943	-	-	175,498,943
Total liabilities	188,842,821	202,258	288,719	189,333,798
NET POSITION (DEFICIT)				
Net investment in capital assets	97,465,173	3,951,319	-	101,416,492
Restricted for repairs and contingency	12,848,405	128,166	-	12,976,571
Restricted for debt service	18,403,974	-	-	18,403,974
Unrestricted	(20,384,442)	376,764	-	(20,007,678)
Total net position (deficit)	108,333,110	4,456,249	-	112,789,359
Total liabilities and net position	$ 297,175,931	$ 4,658,507	$ 288,719	$ 302,123,157

See accompanying notes to financial statements

Richmond Metropolitan Transportation Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

	Expressway System	Stadium	Main Street Station	Expressway Parking Deck	Other Non-Major Funds	Total
Operating revenues:						
Tolls	$ 37,714,962	$ -	$ -	$ -	$ -	$ 37,714,962
Parking	-	74,708	-	793,744	23,382	891,834
Rentals	47,971	238,405	264,747	-	-	551,123
Other	8,578	16	21,715	829	115	31,253
Total operating revenues	37,771,511	313,129	286,462	794,573	23,497	39,189,172
Operating expenses:						
Salaries and benefits	6,654,907	77,775	191,066	202,407	12,690	7,138,845
Operations	5,638,311	297,787	772,073	200,967	22,112	6,931,250
Preservation and capital maintenance	10,404,690	-	-	45,407	-	10,450,097
Depreciation	757,913	359,802	-	245,802	7,041	1,370,558
Total operating expenses	23,455,821	735,364	963,139	694,583	41,843	25,890,750
Operating income (loss)	14,315,690	(422,235)	(676,677)	99,990	(18,346)	13,298,422
Nonoperating revenues (expenses):						
Investment earnings	799,399	255	109	359	694	800,816
Gain on sale of property	40,598	-	-	-	-	40,598
Support from localities	-	116,000	676,568	-	-	792,568
Interest expense on bonds	(10,078,684)	-	-	(615,788)	(4,266)	(10,698,738)
Total nonoperating revenues (expenses), net	(9,238,687)	116,255	676,677	(615,429)	(3,572)	(9,064,756)
Change in net position before special items	5,077,003	(305,980)	-	(515,439)	(21,918)	4,233,666
Facility transfer - gain on debt forgiveness (Note 9)	-	-	-	33,704,993	1,399,440	35,104,433
Facility transfer - loss on disposal (Note 9)	-	-	-	(7,942,813)	(613,637)	(8,556,450)
Net gain on facility transfers	-	-	-	25,762,180	785,803	26,547,983
Change in net position	5,077,003	(305,980)	-	25,246,741	763,885	30,781,649
Net position (deficit) - beginning	103,256,107	4,762,229	-	(25,246,741)	(763,885)	82,007,710
Net position - ending	$ 108,333,110	$ 4,456,249	$ -	$ -	$ -	$ 112,789,359

See accompanying notes to financial statements

Richmond Metropolitan Transportation Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

	Expressway System	Stadium	Main Street Station	Expressway Parking Deck	Other Non-Major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$ 37,827,576	$ 349,498	$ 250,003	$ 788,695	$ 23,452	$ 39,239,224
Payments to suppliers and service providers	(14,932,730)	(333,969)	(781,243)	(288,724)	(28,203)	(16,364,869)
Payments to employees for salaries and benefits	(6,265,791)	(77,775)	(188,342)	(221,165)	(12,994)	(6,766,067)
Payment to City of Richmond, fund settlement	-	-	-	(777,779)	(100,438)	(878,217)
Net cash provided by (used for) operating activities	16,629,055	(62,246)	(719,582)	(498,973)	(118,183)	15,230,071
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Receipts from localities	-	116,000	795,774	-	-	911,774
Net cash provided by non-capital financing activities	-	116,000	795,774	-	-	911,774
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Interest paid on revenue bonds and notes	(8,814,496)	-	-	(803,609)	(6,600)	(9,624,705)
Principal paid on revenue bonds and notes	(3,725,000)	-	-	-	(220,000)	(3,945,000)
Capitalized interest	(186,370)	-	-	-	-	(186,370)
Proceeds from sale of equipment	40,598	-	-	-	-	40,598
Capital expenses	(2,752,404)	-	-	-	-	(2,752,404)
Net cash used for capital and related financing activities	(15,437,672)	-	-	(803,609)	(226,600)	(16,467,881)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(23,463,799)	-	-	-	-	(23,463,799)
Proceeds from sale and maturities of investments	23,589,070	-	-	-	226,600	23,815,670
Interest on investments	415,316	255	109	359	699	416,738
Net cash provided by investing activities	540,587	255	109	359	227,299	768,609
Net increase (decrease) in cash and cash equivalents	1,731,970	54,009	76,301	(1,302,223)	(117,484)	442,573
Cash and cash equivalents - July 1	15,410,027	422,016	126,638	1,302,223	117,484	17,378,388
Cash and cash equivalents - June 30	$ 17,141,997	$ 476,025	$ 202,939	$ -	$ -	$ 17,820,961
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	$ 14,315,690	$ (422,235)	$ (676,677)	$ 99,990	$ (18,346)	$ 13,298,422
Depreciation expense	757,913	359,802	-	245,802	7,041	1,370,558
(Increase) decrease in accounts receivable	56,065	(82,031)	(62,592)	3,222	750	(84,586)
Increase in prepaids and other	(13,917)	(1,407)	(2,384)	-	-	(17,708)
(Decrease) increase in accounts payable and accrued liabilities	1,513,304	(34,775)	(4,062)	(61,108)	(48,121)	1,365,238
(Decrease) increase in unearned revenue	-	118,400	26,133	(9,100)	(705)	134,728
Decrease in net position, fund settlement	-	-	-	(777,779)	(58,802)	(836,581)
Net cash provided by (used for) operating activities	$ 16,629,055	$ (62,246)	$ (719,582)	$ (498,973)	$ (118,183)	$ 15,230,071
Non-cash capital and related financing activities:						
Facility transfer - gain on debt forgiveness (Note 9)	-	-	-	33,704,993	1,399,440	35,104,433
Non-cash investing activities:						
Net change in fair value of investments	394,724	-	-	-	-	394,724

See accompanying notes to financial 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.

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 Commission 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 six enterprise funds: Expressway System, Stadium Facility, Expressway Parking Deck, and Main Street Station are considered major funds. Second Street Parking Facility and Carytown Parking Facilities are combined as other non-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. These sub-funds are incorporated into the six enterprise funds at year-end.

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 six 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 the Expressway System fund.

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.

Investments – Investments are shown at fair value based on quoted market prices.

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. 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 costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Snow removal, landscaping services, and certain maintenance of the Expressway System are provided by the Virginia Department of Transportation in exchange for an annual contractual fee.

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. The other capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset	Years
Buildings	40
Stadium facility	40
Systems	5 to 7
Vehicles and equipment	3 to 8

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 (expense) until then. The Authority has one item that qualifies for reporting in this category: accounting loss on debt refunding. These amounts are recognized as a component of interest expense over the shorter of the life of the old debt or new debt (see Note 8).

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 transportation, rentals and parking. 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 vacation and sick pay 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, 2014 the carrying amount of deposits with banks was $17,705,636, with $8,060,090 being restricted for repairs and contingency. The bank balance of these deposits at June 30, 2014 was $18,418,468. These amounts exclude petty cash and change funds not held by banks of $115,325. The difference between the carrying and bank totals is primarily due to outstanding checks and deposits in transit.

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, 2014 the Authority had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Credit Rating (Moody's, S&P)	% of Portfolio
Federal Farm Credit Bureau	$ 13,587,479	3.01	AAA, AA+	29.2%
Federal Home Loan Mortgage Corporation	10,729,209	3.54	AAA, AA+	23.0
U.S. Federally Insured Money Market	8,824,590	0.01	Aaa-mf, AAAm	19.0
Federal National Mortgage Association	6,892,009	3.49	AAA, AA+	14.8
Federal Home Loan Bank	3,857,666	3.70	AAA, AA+	8.3
U.S. Treasuries	2,670,678	3.92	AAA, N/A	5.7
	$ 46,561,631	2.74		

Funds held by the trustee in the amount of $30,909,521 are restricted because their use is limited by the terms of applicable bond covenants. Of this amount, $8,532,018 is classified as current and $22,377,503 as non-current. Restricted investments are composed of amounts for bond retirement principal and interest accounts ($8,403,556), debt service reserves ($14,364,494), and amounts restricted for repair and contingency ($8,141,471).

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 the following: securitized time and certificates of deposit; obligations of and obligations guaranteed by the Commonwealth of Virginia or any of its counties, towns, districts, authorities, or public bodies; obligations of and obligations guaranteed by the United States or certain of its agencies; "prime" quality commercial paper; shares of any investment company the assets of which are invested exclusively in the aforementioned instruments; and certain other instruments of specified quality and rating as dictated by the resolutions. Not all investment types are available to each of the enterprises due to the specifications of the individual bond indentures.

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. However, the policy establishes limitations on portfolio composition, both by investment type and by issuer, in order to control the concentration of credit risk.

Note 4 – Receivables

Receivables at June 30, 2014 for the Authority consisted of:

Type	Expressway System	Stadium	Main Street Station	Total
Due from other governments	$ 8,269	$ 125,414	$ 83,396	$ 217,079
Accounts receivable	72,540	104,342	-	176,882
Total receivables	$ 80,809	$ 229,756	$ 83,396	$ 393,961

Note 5 – Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	June 30, 2013	Additions	Disposals	June 30, 2014
Non-depreciable:				
Land	$ 1,181,366	$ -	$ (569,366)	$ 612,000
Expressway System	199,569,029	623,019	-	200,192,048
Boulevard Bridge	9,777,483	-	-	9,777,483
Construction in progress	6,857,258	2,875,972	(9,131,671)	601,559
Total non-depreciable	217,385,136	3,498,991	(9,701,037)	211,183,090
Depreciable:				
Buildings	2,925,621	-	-	2,925,621
Parking garages	17,421,195	-	(17,421,195)	-
Stadium facility	10,723,373	-	-	10,723,373
Vehicles and equipment	837,899	62,802	(204,838)	695,863
Systems	-	8,508,652	-	8,508,652
Total depreciable	31,908,088	8,571,454	(17,626,033)	22,853,509
Less accumulated depreciation:				
Buildings	(363,830)	(73,141)	-	(436,971)
Parking garages	(10,017,850)	(252,843)	10,270,693	-
Stadium facility	(7,024,252)	(359,802)	-	(7,384,054)
Vehicles and equipment	(604,500)	(101,988)	204,838	(501,650)
Systems	-	(582,784)	-	(582,784)
Total accumulated depreciation	(18,010,432)	(1,370,558)	10,475,531	(8,905,459)
Total depreciable, net	13,897,656	7,200,896	(7,150,502)	13,948,050
Total capital assets, net	$ 231,282,792	$ 10,699,887	$ (16,851,539)	$ 225,131,140

Depreciation expense for the year ended June 30, 2014 was $1,370,558. 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).

Construction in progress additions of $2,875,972 includes $186,370 of capitalized interest.

Note 6 – Payables and accrued liabilities

Payables and accrued liabilities at June 30, 2014 for the Authority consisted of:

Type	Expressway System	Stadium	Main Street Station	Total
Current:				
Due to other governments	$ 241,940	$ 1,639	$ 6,630	$ 250,209
Salaries and benefits	234,930	-	3,624	238,554
Compensated absences	520,432	-	727	521,159
Accounts payable	3,662,868	2,369	60,986	3,726,223
Total current	$ 4,660,170	$ 4,008	$ 71,967	$ 4,736,145
Noncurrent:				
Compensated absences	$ 103,003	$ -	$ -	$ 103,003

Note 7 – Long-term liabilities

Issue	June 30, 2013	Additions	Reductions	June 30, 2014	Due within One Year
Expressway System:					
1992 Series	$ 1,150,000	$ -	$ (1,150,000)	$ -	$ -
1998 Series	33,030,000	-	(2,580,000)	30,450,000	3,290,000
2002 Series	23,975,000	-	-	23,975,000	670,000
2011 Series A, B, C	77,490,000	-	-	77,490,000	-
2011 Series D	43,875,000	-	-	43,875,000	-
Issuance premiums	4,128,902	-	(281,927)	3,846,975	281,035
Total Expressway System	183,648,902	-	(4,011,927)	179,636,975	4,241,035
Expressway Parking Deck:					
1990 Series	16,500,000	-	(16,500,000)	-	-
1992 Series	2,375,000	-	(2,375,000)	-	-
Issuance discount	(11,683)	-	11,683	-	-
Total Expressway Parking Deck	18,863,317	-	(18,863,317)	-	-
Second Street Parking Facility:					
1974 Series	220,000	-	(220,000)	-	-
Subordinated note payable	409,500	-	(409,500)	-	-
Total Second Street Parking Facility	629,500	-	(629,500)	-	-
Total bonds & notes payable	$ 203,141,719	$ -	$ (23,504,744)	$ 179,636,975	$ 4,241,035
Accrued interest:					
Expressway System	$ 4,179,333	$ 4,442,673	$ (4,179,333)	$ 4,442,673	$ 4,442,673
Expressway Parking Deck	15,029,497	614,119	(15,643,616)	-	-
Other Non-Major Funds	992,275	4,266	(996,541)	-	-
Total accrued interest	$ 20,201,105	$ 5,061,058	$ (20,819,490)	$ 4,442,673	$ 4,442,673
Compensated absences	$ 648,333	$ 519,550	$ (543,721)	$ 624,162	$ 521,159
Total long-term liabilities	$ 223,991,157	$ 5,580,608	$(44,867,955)	$ 184,703,810	$ 9,204,867

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, 2014 Outstanding Balance	Unamortized Premium	Deferred Loss on Refunding
1998	March 1998	80,705,000	3.65-5.25	2022	30,450,000	383,055	6,723,561
2002	April 2002	28,430,000	3.50-5.25	2022	23,975,000	530,812	1,355,614
2011 A, B, C	Nov. 2011	77,490,000	4.62-4.75	2042	77,490,000	2,933,108	2,532,989
2011 D	Nov. 2011	43,875,000	4.29	2042	43,875,000	-	-
Previously defeased debt		-	-	-	-	-	1,435,163
					$175,790,000	$ 3,846,975	$ 12,047,327

Series 1998 Bonds

Revenue bonds were issued in order 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 Bonds

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 Bonds

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 construction of $22,300,000, including the Downtown Expressway Open Road Tolling and Toll System Replacement Projects.

Series 2011-D Bonds

Revenue bonds were issued and combined with other resources to pay off $22,772,022 of subordinate notes and $39,352,570 of accrued interest to the City. The subordinate notes were originally issued for amounts paid into the Reserve Fund by the City between 1975 and 1991.

Defeased Bonds

At June 30, 2014, outstanding bonds in the amount of $35,928,000 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 established to reflect amounts held in escrow by the trustee, 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. During the fiscal year, approximately $5,600 was paid, reducing Series 1998 principal by $5,000. 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, 2014, none of the bond series are accruing an arbitrage rebate liability.

Debt Service Requirements
Debt service requirements on the Expressway System bonds are scheduled as follows:

Year ending June 30,	Principal	Interest	Total
2015	$ 3,960,000	$ 8,781,396	$ 12,741,396
2016	4,170,000	8,567,983	12,737,983
2017	4,390,000	8,343,283	12,733,283
2018	4,615,000	8,106,902	12,721,902
2019	6,860,000	7,805,683	14,665,683
2020-2024	34,440,000	33,279,345	67,719,345
2025-2029	23,165,000	26,471,923	49,636,923
2030-2034	29,375,000	20,102,255	49,477,255
2035-2039	37,480,000	11,783,194	49,263,194
2040-2042	27,335,000	2,109,676	29,444,676
	$ 175,790,000	$ 135,351,640	$ 311,141,640

<u>Note 9 – Transactions with the City and localities</u>
Expressway Parking Deck – Series 1990 and Series 1992 revenue bonds were issued to the City for a combined $19,000,000 for the construction of the Expressway Parking Deck. The revenue derived from the operation, ownership, and management of the Expressway Parking Deck was pledged to the payment of the outstanding bonds. In October 2013, the City agreed to waive the outstanding principal and interest balance, contingent upon the transfer of the asset from the Authority to the City. The facility transfer was finalized in February 2014 and all remaining fund assets from operations were paid to the City in June 2014.

Stadium Facility – Under the terms of a Moral Obligation Agreement with the City and the Counties of Chesterfield and Henrico, the Authority submits information to each of the localities annually showing the estimated difference between net revenues available to the Authority from the Stadium Facility and the operating cost and reserve fund requirements. Based on this information and the Authority's request for funds to meet reserve requirements and other Stadium Facility needs, the localities may, but are not legally bound to, appropriate money to the Authority for such purposes. For fiscal year 2014, the Authority did not receive payments from the localities for support for the Stadium Facility. Pursuant to the Moral Obligation Agreement, the City may appropriate to the Authority the estimated total taxes payable with respect to admission tickets sold for events held the previous calendar year at the Stadium Facility. The Authority received $116,000 from the City for admissions tax revenue in fiscal year 2014. In December 2013, the Authority's Board voted to transfer the facility to the City effective January 2015; the Authority will continue to operate the facility until the transfer date. Upon conveyance, neither the Authority nor the counties of Chesterfield and Henrico have any future funding obligations.

Main Street Station – In June 2003, the City completed the renovation of the Main Street Station. The Authority was requested by the City to provide management services for both the station and parking facilities. The City agreed to pay all operating expenses in excess of revenues associated with the Authority's management of the facility under an annual contract. The Authority is not responsible for any facility debt and the facility remains property of the City. The City's Economic & Community Development Department leases office space at the facility. See Note 13 for additional information.

Second Street Parking Facility – The original agreements between the Authority and the City called for ownership of the parking facility to revert to the City once all associated debt was paid in full. In June 2013, the City agreed to send the Authority $220,000 for early retirement of the outstanding balance due to bondholders and waive the subordinate note and associated accrued interest, contingent upon the transfer of the asset from the Authority to the City. The remaining balance due to bondholders and scheduled interest on the Series 1974 bonds was paid on July 1, 2013. The facility transfer was finalized in August 2013 and all remaining fund assets from operations were paid to the City in December 2013.

Carytown Parking Facilities – In 1991, the Authority signed two separate agreements with the City for the rental and operation of the two Carytown Parking Facilities. Under the terms of the agreements, the Authority agreed to operate and manage the Carytown Parking Facilities and the City agreed to provide the Authority with funds sufficient to carry out all responsibilities as defined in the two agreements. The facility transfer was finalized in June 2013, with the loss on disposal recorded in the Authority's fiscal year 2013 financial statements. All remaining fund assets from operations were paid to the City in October 2013.

Note 10 – Defined benefit pension plan

Plan description

The Authority participates in the Virginia Retirement System ("VRS"), an agent and cost-sharing multiple employer pension plan administered by the Virginia Retirement System ("System"). All full-time, salaried permanent employees of the Authority are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave, and previously refunding VRS service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has different eligibility and benefit structures as defined below:

VRS Plan 1

Overview – VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Eligibility – Employees are in VRS 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 VRS 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 VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

Retirement Contributions – Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; 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%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

Normal Retirement Age – Age 65.

Earliest Unreduced Retirement Eligibility – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility – Members may retire with a reduced benefit as early as 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. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. 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 periods of leave without pay.

VRS Plan 2

Overview – VRS 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 VRS 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 VRS 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 – VRS 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 VRS 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 VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

Retirement Contributions – Same as VRS Plan 1.

Creditable Service – Same as VRS Plan 1.

Vesting – Same as VRS Plan 1.

Calculating the Benefit – See definition under VRS 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 Plan1 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 – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility – Members may retire with a reduced benefit as early as 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. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. 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 VRS 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 VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. 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 state employees, school division employees, political subdivision employees, judges appointed or elected to an original term on or after January 1, 2014, members in VRS Plan 1 or VRS 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 members of the State Police Officers' Retirement System (SPORS), members of the Virginia Law Officers' Retirement System (VaLORS), and 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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS 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. VRS Plan 1 or VRS 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 VRS 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 VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier – The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS 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 VRS 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 – Members are eligible for an unreduced retirement benefit when they reach 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 VRS Plan 2. Eligibility and exceptions to COLA effective dates are the same as VRS Plan 1 and VRS Plan 2.

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

Disability Coverage – Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or 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 VRS Plan 1 and VRS Plan 2.

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding policy
Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward retirement. This contribution is paid by the employees. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended June 30, 2014 was 7.24% of the annual covered payroll.

Annual pension cost

For fiscal year 2014, the Authority's annual pension cost of $301,156 was equal to the required and actual contributions. Three year trend information on the Authority's annual pension cost is included below:

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	$ 390,161	100%	-
2013	325,294	100	-
2014	301,156	100	-

Funded status and funding progress

As of June 30, 2013, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	$ 15,130,651
Actuarial value of plan assets	13,056,367
Unfunded actuarial liability (UAAL)	$ 2,074,284
Funded ratio (actuarial value of plan assets /AAL)	86.3%
Covered payroll	$ 4,522,294
UAAL as a percentage of covered payroll	45.9%

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 the plan assets is increasing or decreasing over time relative to the AAL for benefits.

Actuarial methods and assumptions

The Annual Required Contribution (ARC) for the plan was determined as part of the June 30, 2013 actuarial valuation using the following methods and assumptions:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market value
Investment return*	7.00%
Projected salary increases*	3.50-5.35%
Cost of living adjustments	2.25-2.50%

*Includes inflation at 2.50%

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, 2014, 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	-	2	22	24
Active employees	-	4	7	11
Total	-	6	29	35

For fiscal year 2014, the Authority's combined premium expense for all three tiers was approximately $117,393.

Funding policy
The Authority contributes to the Virginia Pooled OPEB 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 $477,400 is 9.5 percent of the $4,522,294 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, 2014.

Annual required contribution ("ARC")	$ 477,400
Employer contributions	(314,700)
Employee contributions (premiums)	(162,700)
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 Ended June 30,	Annual Required Contribution	Percentage of ARC Contributed	Net OEPB Liability (Asset)
2012	$ 437,900	100%	-
2013	467,800	100	-
2014	477,400	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), and workers' compensation coverage is obtained through membership in the Virginia Municipal League. Public officials' and employees' legal liability coverage is also obtained through membership in the Virginia Municipal League. 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, 2014.

Note 13 – Leases

Stadium Facility – In fiscal year 2010, the Authority entered a lease agreement with the Flying Squirrels double-A minor league team for the 2010 and 2011 seasons, with the option for three one-year renewals. This lease was renewed in fiscal year 2013 for the 2014 season, the final option year. The Flying Squirrels are responsible for concession sales, skybox leasing and rental, playing field maintenance, cleaning, certain equipment maintenance, and utility cost. The team also operates parking for games, with net parking revenues split evenly with the Authority. The Authority supplies certain equipment maintenance and maintains the structure in good repair. The Authority also retains use of one skybox. Rental payments are reflected in the enclosed financial statements.

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 Economic and Community Development Department 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 $156,000 for fiscal year 2015, $158,100 for fiscal year 2016, and $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 $5,300 for fiscal year 2015, $5,300 for fiscal year 2016, and $1,800 for fiscal year 2017.

Rent expense on all leases was approximately $157,000 in fiscal year 2014.

Note 14 – Contingencies

In the normal course of operations, the Authority may have commitments, contingent liabilities, lawsuits, and claims. Management of the Authority does not expect that any amount it may have to pay in connection with any of these matters would have a material adverse effect on the combined financial position of the Authority or any of the individual enterprise funds.

Note 15 – Commitments

The Authority has active construction projects and various open purchase orders at times during the fiscal year. As of June 30, 2014, the Authority's commitments to contractors are:

Project	Fund	Spent to Date	Remaining Commitment
Powhite ORT Conversion	Expressway	$ 348,302	$ 812,704
Maintenance & Repair	Expressway	-	1,159,684
		$ 348,302	$ 1,972,388

As of June 30, 2014, the Authority had open purchase orders totaling $105,876 all within the Expressway System fund.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Virginia Retirement System – Defined Benefit Pension Plan

The following information was provided to the Authority by actuaries for the Virginia Retirement System, as part of the June 30, 2013 actuarial valuation, the most recent actuarial valuation date:

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
	(a)	(b)	(a) – (b)	(a)/(b)	(c)	((a-b)/c)
June 30, 2011	$ 12,897,847	$ 14,321,237	$ 1,423,390	90.1%	$ 4,241,081	33.6%
June 30, 2012	12,993,881	14,849,709	1,855,828	87.5	4,358,644	42.6
June 30, 2013	13,056,367	15,130,651	2,074,284	86.3	4,522,294	45.9

Other Postemployment Benefits ("OPEB") Plan

The following information was provided to the Authority, as part of the January 1, 2014 actuarial valuation, the most recent actuarial valuation date:

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
	(a)	(b)	(a) – (b)	(a)/(b)	(c)	((a-b)/c)
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 approximately 50.5 lane miles of roads and 36 bridges (spans in excess of 20 feet) 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.
- Document that the assets are being preserved approximately at or above the established condition level.

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 generated 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 Description	Potential Recommended Maintenance Strategies and Treatments
Group 1	100-75	Excellent Condition to Very Good Condition	No Action to Preventative Maintenance Including: Crack Sealing, Isolated Patches
Group 2	74-50	Very Good Condition to Good Condition	Preventative Maintenance to Light Rehabilitation Including: Crack Sealing, Shallow Patches, Deep Patches, Scarify and Thin Overlay.
Group 3	49-25	Good Condition to Fair Condition	Preventative Maintenance to Moderate Rehabilitation Including: Crack Sealing, Shallow Patches, Deep Patches, Thin Overlay, Thick Overlay, Scarify and Overlay, Mill and Overlay.
Group 4	24-0	Poor Condition	Heavy Rehabilitation to Reconstruction: Mill and Overlay, Total Reconstruction

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 fiscal years were:

	Rating			
Fiscal Year	Group 1	Group 2	Group 3	Group 4
2010	86.1%	13.9%	0.0%	0.0%
2011	87.6%	12.4%	0.0%	0.0%
2012	86.6%	12.4%	1.0%	0.0%
2013	57.9%	35.2%	6.9%	0.0%
2014	30.3%	68.2%	1.5%	0.0%

Bridge condition assessment, measurement scale, and established condition level
The Authority utilizes the following scale to monitor the condition of the 36 bridges within the Expressway System. The scale rates bridges, including the deck, superstructure and substructure, using a 10-point scale:

Rating	Description
9	Excellent (no specific definition).
8	Very good.
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

"Structurally deficient" results when a condition of 4 or worse is assessed to at least one of the major structural elements (e.g. the deck, superstructure, or substructure). The Authority's established condition level requires that none of the Authority's bridges shall be rated as "structurally deficient."

A complete inspection of the Authority's bridges is accomplished on a biennial basis. The percentage of bridges rated as "structurally deficient" for the past five inspections were:

Calendar Year	Structurally Deficient
2006	0%
2008	0%
2010	0%
2012	0%
2014	0%

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	Actual Spending
2010	$ 6,800,000	$ 3,560,850
2011	5,821,000	2,435,040
2012	7,955,000	4,362,817
2013	5,875,000	5,576,876
2014	3,069,000	10,404,690
	$ 29,520,000	$ 26,340,273

The budget process and timing of projects results in spending in one fiscal year from amounts that were certified as necessary in a previous year(s). This timing difference does not allow a true comparison of amounts budgeted and spent within a given year. This table and other tables within this narrative demonstrate that 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	2010	2011	2012	2013	2014
Maintenance and repair	$ 1,000,213	$ 1,124,896	$ 1,076,315	$ 4,789,009	$ 4,735,482
Protective coatings	1,861,307	870,677	2,681,809	298,145	4,237,595
Facility inspections	258,874	80,593	290,318	150,491	332,802
Engineering services	154,358	253,935	69,772	175,871	724,508
Support fleet	15,565	66,683	92,480	114,186	68,900
Other	270,533	38,256	152,123	49,174	305,403
Total	$ 3,560,850	$ 2,435,040	$ 4,362,817	$ 5,576,876	$ 10,404,690

SUPPLEMENTARY INFORMATION

Richmond Metropolitan Transportation Authority
Combining Statement of Revenues, Expenses, and Changes in Net Position, Non-Major Funds
For the Fiscal Year Ended June 30, 2014

	Second Street Facility	**Carytown Facilities**	**Total Non-Major Funds**
Operating revenues:			
Parking	$ 23,382	$ -	$ 23,382
Other	115	-	115
Total operating revenues	23,497	-	23,497
Operating expenses:			
Salaries and benefits	9,095	3,595	12,690
Operations	20,407	1,705	22,112
Depreciation	7,041	-	7,041
Total operating expenses	36,543	5,300	41,843
Operating loss	(13,046)	(5,300)	(18,346)
Nonoperating revenues (expenses):			
Investment earnings	689	5	694
Interest expense on bonds	(4,266)	-	(4,266)
Total nonoperating revenues (expenses), net	(3,577)	5	(3,572)
Change in net position before special item	(16,623)	(5,295)	(21,918)
Facility transfer - debt forgiveness	1,399,440	-	1,399,440
Facility transfer - loss on disposal	(613,637)	-	(613,637)
Net gain on facility transfers	785,803	-	785,803
Change in net position	769,180	(5,295)	763,885
Net position (deficit) - beginning	(769,180)	5,295	(763,885)
Net position - ending	$ -	$ -	$ -

Richmond Metropolitan Transportation Authority
Combining Statement of Cash Flows, Non-Major Funds
For the Fiscal Year Ended June 30, 2014

	Second Street Facility	Carytown Facilities	Total Non-Major Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 23,452	$ -	$ 23,452
Payments to suppliers and service providers	(26,588)	(1,615)	(28,203)
Payments to employees for salaries and benefits	(9,399)	(3,595)	(12,994)
Payment to City of Richmond, fund settlement	(58,802)	(41,636)	(100,438)
Net cash used for operating activities	(71,337)	(46,846)	(118,183)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on revenue bonds and notes	(6,600)	-	(6,600)
Principal paid on revenue bonds and notes	(220,000)	-	(220,000)
Net cash used for capital and related financing activities	(226,600)	-	(226,600)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale and maturities of investments	226,600	-	226,600
Interest on investments	694	5	699
Net cash provided by investing activities	227,294	5	227,299
Net decrease in cash and cash equivalents	(70,643)	(46,841)	(117,484)
Cash and cash equivalents - July 1	70,643	46,841	117,484
Cash and cash equivalents - June 30	$ -	$ -	$ -
Reconciliation of operating loss to net cash used for operating activities:			
Operating income (loss)	$ (13,046)	$ (5,300)	$ (18,346)
Depreciation expense	7,041	-	7,041
Decrease in accounts receivable	660	90	750
Decrease in accounts payable and accrued liabilities	(6,485)	(41,636)	(48,121)
Decrease in unearned revenue	(705)	-	(705)
Decrease in net position, fund settlement	(58,802)	-	(58,802)
Net cash used for operating activities	$ (71,337)	$ (46,846)	$ (118,183)

STATISTICAL SECTION

The Statistical Section presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the overall financial health of the Richmond Metropolitan Transportation Authority (the "Authority"). This information has not been audited by the independent auditor.

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	Toll Rates

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, Richmond Metropolitan Area
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	Operating and Capital 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 Net Position
2005	$ 25,258,578	$ 17,657,309	$ (11,331,645)	$ 31,584,242
2006	31,944,663	14,048,201	(10,561,171)	35,431,693
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	(20,007,678)	112,789,359

(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 fluctuate based on timing of projects.

Total Net Position
Last Ten Fiscal Years

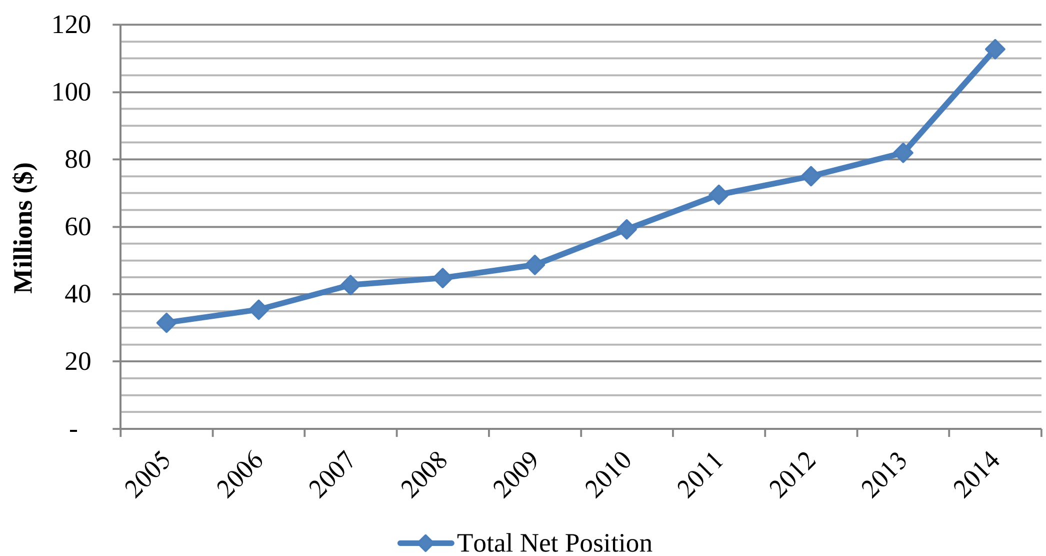


Table 2 – Net Position (Deficit) by Component by Fund
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expressway System										
Net inv. in capital assets	$26,791,581	$34,342,000	$39,836,177	$48,144,699	$47,868,001	$54,310,568	$63,641,630	$93,759,354	$92,553,786	$97,465,173
Restricted	17,250,964	13,856,981	15,659,148	9,454,748	13,665,129	17,625,439	21,765,287	27,821,271	37,880,382	31,252,379
Unrestricted	(2,981,255)	(1,871,529)	(611,009)	173,275	1,427,221	2,205,574	1,760,711	(27,320,318)	(27,178,061)	(20,384,442)
Total net position	41,061,290	46,327,452	54,884,316	57,772,722	62,960,351	74,141,581	87,167,628	94,260,307	103,256,107	108,333,110
Stadium										
Net inv. in capital assets	5,992,191	5,854,885	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	222,951	-	-	66,898	-	126,372	190,589	144,100	242,386	128,166
Unrestricted	(62,149)	(61,482)	(41,069)	-	(25,969)	140,307	134,446	172,989	208,722	376,764
Total net position	6,152,993	5,793,403	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 (1)										
Unrestricted	216,393	157,778	62,180	48,695	166,500	-	-	-	-	-
Total net position	216,393	157,778	62,180	48,695	166,500	-	-	-	-	-
Expressway Parking Deck (2)										
Net inv. in capital assets	(8,129,108)	(8,546,169)	(9,075,373)	(9,473,945)	(9,870,563)	(10,266,797)	(10,662,163)	(11,057,529)	(11,452,481)	-
Restricted	183,394	191,220	262,659	327,361	261,198	431,500	532,000	368,000	333,000	-
Unrestricted	(7,934,621)	(8,424,154)	(8,814,419)	(9,423,686)	(10,026,566)	(10,737,544)	(12,983,133)	(13,596,543)	(14,127,260)	-
Total net deficit	(15,880,335)	(16,779,103)	(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 capital assets	603,914	531,459	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	(570,013)	(599,696)	(781,842)	(783,435)	(753,566)	(776,477)	(760,641)	(916,873)	(941,181)	-
Total net position	33,901	(68,237)	(175,342)	137,229	119,080	108,862	147,544	120,212	(763,885)	-

(1) Main Street Station net position was revised in fiscal year 2009 to more accurately reflect the Authority's operation of the facility.
(2) Expressway Parking Deck was transferred to the City in fiscal year 2014.
(3) Carytown Parking Facilities were transferred to the City in fiscal year 2013. Second Street Parking Facility was transferred to the City in fiscal year 2014.

Table 3 – Change in Net Position
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Operating revenues:										
Tolls	$ 24,976,704	$ 25,079,121	$ 25,717,464	$ 25,765,372	$ 33,114,311	$ 34,476,969	$ 35,391,965	$ 36,111,774	$ 36,585,702	$ 37,714,962
Parking	1,628,944	1,688,295	2,040,242	2,158,576	2,093,770	1,941,725	2,262,483	2,313,737	1,566,154	891,834
Rentals	494,107	464,987	447,942	428,427	193,419	96,942	177,705	183,449	514,207	551,123
Other	77,595	110,753	52,630	12,645	13,831	15,504	33,038	19,577	18,188	31,253
Total operating revenues	27,177,350	27,343,156	28,258,278	28,365,020	35,415,331	36,531,140	37,865,191	38,628,537	38,684,251	39,189,172
Operating expenses:										
Salaries and benefits	5,231,440	5,456,477	5,690,125	6,150,445	6,838,818	6,874,119	6,921,337	7,234,307	7,504,865	7,138,845
Operations	4,712,004	6,323,328	7,085,436	6,651,552	7,619,090	7,852,053	7,368,484	7,006,658	6,108,233	6,931,250
Preservation and capital maintenance	2,797,000	2,769,000	2,155,535	4,864,531	8,973,845	3,560,850	2,435,040	4,362,817	5,703,506	10,450,097
Depreciation	737,585	737,585	737,585	737,585	839,421	868,744	976,684	964,974	981,402	1,370,558
Total operating expenses	13,478,029	15,286,390	15,668,681	18,404,113	24,271,174	19,155,766	17,701,545	19,568,756	20,298,006	25,890,750
Operating income	13,699,321	12,056,766	12,589,597	9,960,907	11,144,157	17,375,374	20,163,646	19,059,781	18,386,245	13,298,422
Nonoperating revenues (expenses):										
Investment earnings	1,399,156	880,030	2,632,208	1,984,321	2,342,855	1,139,023	563,070	233,663	(423,520)	800,816
Gain on insurance proceeds	400,226	-	-	-	-	-	-	-	-	-
Gain on sale of land	-	-	1,846,122	875	-	-	-	-	-	-
Gain (loss) - disposal of fixed assets	-	-	-	(238,700)	-	-	-	-	-	40,598
Interest expense:										
Bonds	(9,107,476)	(8,407,902)	(8,681,393)	(8,618,759)	(8,794,460)	(8,167,198)	(7,678,700)	(11,016,816)	(11,020,426)	(10,698,738)
Notes	(1,378,039)	(1,283,040)	(1,378,039)	(1,473,038)	(1,378,039)	(1,378,039)	(1,367,350)	(570,392)	(25,103)	-
Support from localities	1,121,013	601,614	352,862	477,282	513,077	1,004,403	383,026	469,793	1,029,990	792,568
Other contributions	-	-	-	-	-	647,717	-	-	-	-
Total nonoperating expenses, net	(7,565,120)	(8,209,298)	(5,228,240)	(7,868,019)	(7,316,567)	(6,754,094)	(8,099,954)	(10,883,752)	(10,439,059)	(9,064,756)
Capital contributions	-	-	-	-	-	-	-	25,000	-	-
Transfer of facilities (1)	-	-	-	-	-	-	-		(1,021,935)	26,547,983
Change in net position	6,134,201	3,847,468	7,361,357	2,092,888	3,827,590	10,621,280	12,063,692	8,201,029	6,925,251	30,781,649
Net position - beginning	25,450,024	31,584,225	35,431,693	42,793,050	44,885,938	48,713,528	59,334,808	69,557,636	75,082,459	82,007,710
Restatement	-	-	-	-	-	-	(1,840,864)	(2,676,206)	-	-
Net position - ending	$ 31,584,225	$ 35,431,693	$ 42,793,050	$ 44,885,938	$ 48,713,528	$ 59,334,808	$ 69,557,636	$ 75,082,459	$ 82,007,710	$ 112,789,359

(1) Carytown parking facilities were transferred to the City in fiscal year 2013. Expressway Parking Deck and Second Street Parking Facilities were transferred to the City in fiscal year 2014.

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

Fiscal Year	Operating Revenue	Operating Expenses	Operating Income	Total Nonoperating Revenue (Expense), Net	Change in Net Position
2005	$ 25,047,668	$ 10,550,361	$ 14,497,307	$ (7,411,452)	$ 7,085,855
2006	25,185,296	12,325,801	12,859,495	(7,592,926)	5,266,569
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

Table 5 – Expressway Parking Deck, Change in Net Position
Last Ten Fiscal Years (1)

Fiscal Year	Operating Revenue	Operating Expenses	Operating Income	Total Nonoperating Revenue (Expense) and Gain on Special Items, Net	Change in Net Position
2005	$ 1,215,338	$ 844,932	$ 370,406	$ (1,189,697)	$ (819,291)
2006	1,210,795	956,330	254,465	(1,153,227)	(898,762)
2007	1,252,419	840,140	412,279	(1,260,309)	(848,030)
2008	1,258,186	883,469	374,717	(1,317,852)	(943,135)
2009	1,104,723	1,033,594	71,129	(1,136,790)	(1,065,661)
2010	1,132,417	1,022,728	109,689	(1,046,599)	(936,910)
2011	1,298,980	962,565	336,415	(1,036,006)	(699,591)
2012	1,320,113	988,798	331,315	(1,504,091)	(1,172,776)
2013	1,283,788	964,879	318,909	(1,279,578)	(960,669)
2014	794,573	694,583	99,990	25,146,751	25,246,741

(1) 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 Expenses	Operating Loss	Total Nonoperating Revenue (Expense), Net	Contribution from Localities	Change in Net Position
2005	$ 650,669	$1,307,959	$ (657,290)	$ 2,098	$ 606,418	$ (48,774)
2006	626,047	1,081,762	(455,715)	12,660	83,467	(359,588)
2007	607,421	859,266	(251,845)	17,581	89,894	(144,370)
2008	604,565	849,237	(244,672)	(1,799)	95,000	(151,471)
2009	265,688	756,416	(490,728)	1,694	95,000	(394,034)
2010	177,762	877,693	(699,931)	648,609	605,000	553,678
2011	291,128	593,186	(302,058)	612	-	(301,446)
2012	286,801	775,812	(489,011)	263	121,000	(367,748)
2013	284,760	631,792	(347,032)	249	121,000	(225,783)
2014	313,129	735,364	(422,235)	255	116,000	(305,980)

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

Fiscal Year	Operating Revenue	Operating Expenses	Operating Loss	Total Nonoperating Revenue (Expense), Net	Reimbursement from City of Richmond	Change in Net Position
2005	$ 38,461	$ 571,763	$ (533,302)	$ 1,284	$ 514,595	$ (17,423)
2006	114,519	696,802	(582,283)	5,521	518,147	(58,615)
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	-

Table 8 – Second Street Parking Facility, Change in Net Position
Last Ten Fiscal Years (1)

Fiscal Year	Operating Revenue	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenue (Expense) and Gain on Special Items, Net	Change in Net Position
2005	$ 173,418	$ 122,253	$ 51,165	$ (89,182)	$ (38,017)
2006	155,370	136,985	18,385	(84,505)	(66,120)
2007	129,458	129,125	333	(84,258)	(83,925)
2008	123,334	137,606	(14,272)	353,434	339,162
2009	148,977	136,257	12,720	23,750	36,470
2010	151,033	123,297	27,736	(16,711)	11,025
2011	140,658	120,376	20,282	44,299	64,581
2012	142,684	129,596	13,088	(12,016)	1,072
2013	137,300	137,202	98	181,255	181,353
2014	23,497	36,543	(13,046)	782,226	769,180

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

Table 9 – Carytown Parking Facilities, Change in Net Position
Last Ten Fiscal Years (2)

Fiscal Year	Operating Revenue	Operating Expenses	Operating Loss	Total Nonoperating Revenue (Expense) and Gain on Special Items, Net	Change in Net Position
2005	$ 51,796	$ 80,761	$ (28,965)	$ 816	$ (28,149)
2006	51,129	88,710	(37,581)	1,565	(36,016)
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)	(1,021,889)	(1,065,450)
2014	-	5,300	(5,300)	5	(5,295)

(2) Carytown Parking Facilities were transferred to the City 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 Facilities	Total
2005	$25,047,668	$ 1,215,338	$650,669	$38,461	$173,418	$ 51,796	$27,177,350
2006	25,185,296	1,210,795	626,047	114,519	155,370	51,129	27,343,156
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

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 Facilities	Total
2005	$ 10,550,361	$ 844,932	$1,307,959	$ 571,763	$ 122,253	$ 80,761	$ 13,478,029
2006	12,325,801	956,330	1,081,762	696,802	136,985	88,710	15,286,390
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

Table 12 – Operating Revenues by Source
Last Ten Fiscal Years

Fiscal Year	Tolls	Parking	Rentals	Other (1)	Total
2005	$ 24,976,704	$ 1,628,944	$ 494,107	$ 77,595	$ 27,177,350
2006	25,079,121	1,688,295	464,987	110,753	27,343,156
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 (2)	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 (3)	36,585,702	1,566,154	514,207	18,188	38,684,251
2014 (4)	37,714,962	891,834	551,123	31,253	39,189,172

(1) Advertising fees, late fees, forfeited deposits, and miscellaneous charges.
(2) A toll increase was implemented on September 9, 2008.
(3) Main Street Station parking was transferred to the City of Richmond in July 2012.
(4) Second Street and Expressway Parking Deck facilities were transferred to the City in fiscal year 2014.

Operating Revenues by Source
Last Ten Fiscal Years

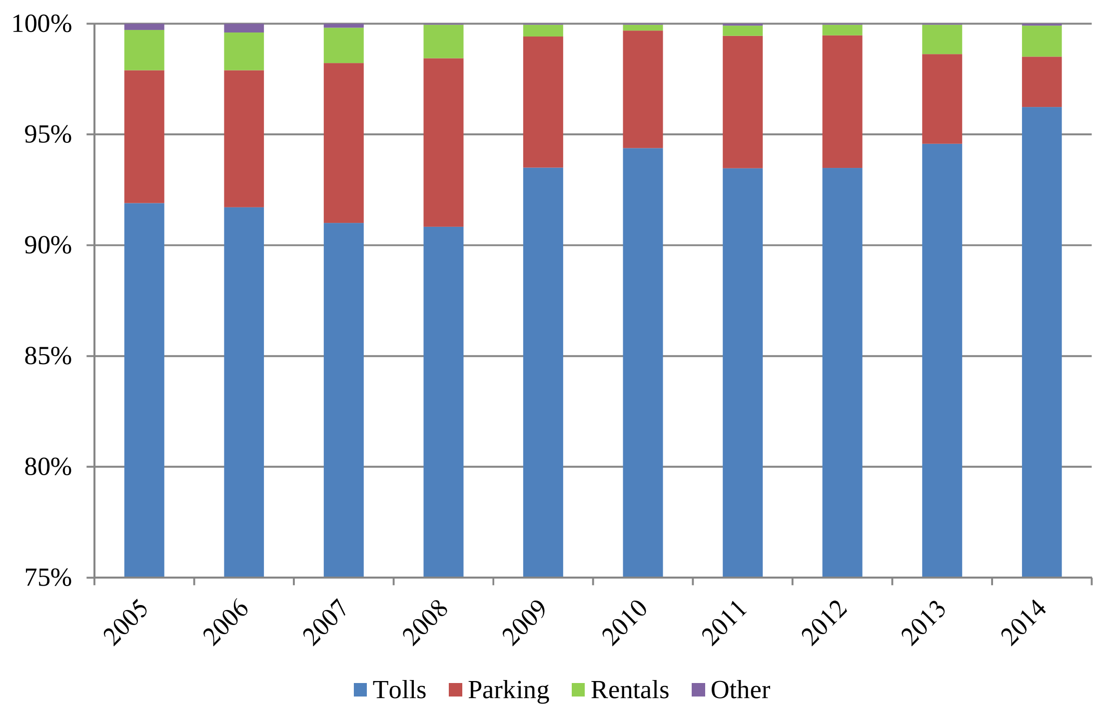


Table 13 – Toll Rates
Last Ten Fiscal Years

	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Two-axle vehicles:										
Powhite Parkway	0.50	0.50	0.50	0.50	0.70	0.70	0.70	0.70	0.70	0.70
Forest Hill Avenue	0.50	0.50	0.50	0.50	0.70	0.70	0.70	0.70	0.70	0.70
Douglasdale Road	0.15	0.15	0.15	0.15	0.20	0.20	0.20	0.20	0.20	0.20
Boulevard Bridge	0.25	0.25	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35
Downtown Expressway	0.50	0.50	0.50	0.50	0.70	0.70	0.70	0.70	0.70	0.70
Second Street	0.25	0.25	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35
Eleventh Street	0.20	0.20	0.20	0.20	0.30	0.30	0.30	0.30	0.30	0.30
Three-axle vehicles:										
Powhite Parkway	0.60	0.60	0.60	0.60	0.80	0.80	0.80	0.80	0.80	0.80
Forest Hill Avenue	0.60	0.60	0.60	0.60	0.80	0.80	0.80	0.80	0.80	0.80
Douglasdale Road	0.25	0.25	0.25	0.25	0.40	0.40	0.40	0.40	0.40	0.40
Boulevard Bridge	0.50	0.50	0.50	0.50	0.70	0.70	0.70	0.70	0.70	0.70
Downtown Expressway	0.60	0.60	0.60	0.60	0.80	0.80	0.80	0.80	0.80	0.80
Second Street	0.50	0.50	0.50	0.50	0.70	0.70	0.70	0.70	0.70	0.70
Eleventh Street	0.40	0.40	0.40	0.40	0.60	0.60	0.60	0.60	0.60	0.60
Four-axle vehicles:										
Powhite Parkway	0.70	0.70	0.70	0.70	0.90	0.90	0.90	0.90	0.90	0.90
Forest Hill Avenue	0.70	0.70	0.70	0.70	0.90	0.90	0.90	0.90	0.90	0.90
Douglasdale Road	0.25	0.25	0.25	0.25	0.40	0.40	0.40	0.40	0.40	0.40
Boulevard Bridge	-	-	-	-	-	-	-	-	-	-
Downtown Expressway	0.70	0.70	0.70	0.70	0.90	0.90	0.90	0.90	0.90	0.90
Second Street	0.50	0.50	0.50	0.50	0.70	0.70	0.70	0.70	0.70	0.70
Eleventh Street	0.40	0.40	0.40	0.40	0.60	0.60	0.60	0.60	0.60	0.60
Five-axle vehicles:										
Powhite Parkway	0.80	0.80	0.80	0.80	1.00	1.00	1.00	1.00	1.00	1.00
Forest Hill Avenue	0.80	0.80	0.80	0.80	1.00	1.00	1.00	1.00	1.00	1.00
Douglasdale Road	0.25	0.25	0.25	0.25	0.40	0.40	0.40	0.40	0.40	0.40
Boulevard Bridge	-	-	-	-	-	-	-	-	-	-
Downtown Expressway	0.80	0.80	0.80	0.80	1.00	1.00	1.00	1.00	1.00	1.00
Second Street	0.50	0.50	0.50	0.50	0.70	0.70	0.70	0.70	0.70	0.70
Eleventh Street	0.40	0.40	0.40	0.40	0.60	0.60	0.60	0.60	0.60	0.60

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

Fiscal Year	Revenue	Direct Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal (2)	Interest	Total	
2005	$ 25,047,668	$ 7,554,357	$ 17,493,311	$ 4,291,090	$ 6,780,930	$ 11,072,020	1.58
2006	26,495,000	8,337,264	18,157,736	4,958,000	6,869,444	11,827,444	1.54
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	9,265,580	13,225,580	1.96

(1) Excludes depreciation, unrealized gains/losses, and expenses from the Repair & Contingency Fund, which is funded after debt service requirements have been met.

(2) The Authority has used available funds in the Bond Retirement Account to retire bonds ahead of schedule.

Expressway System Revenue Bond Coverage Ratio
Actual vs. Requirement, Last Ten Fiscal Years

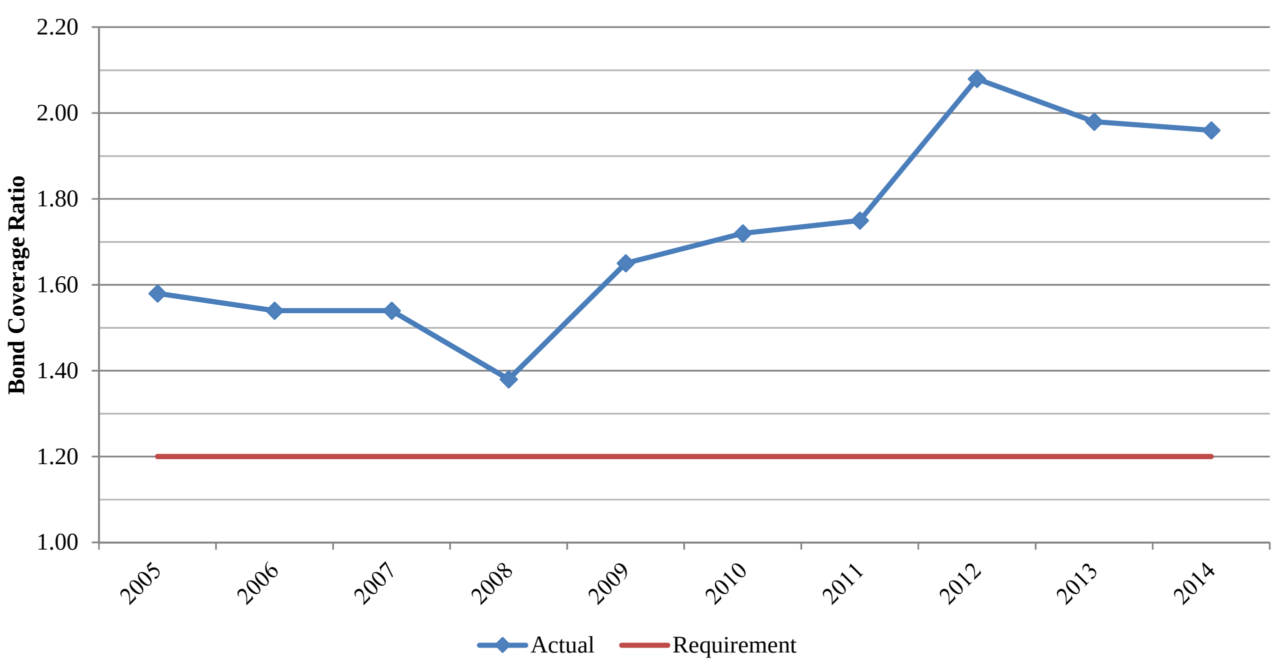


Table 15 – Expressway System, Debt per Toll Revenue and Toll Transactions
Last Ten Fiscal Years

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)
2005	$139,089,079	$53,914,692	$ (11,979,469)	$ 181,024,302	7.25	3.18
2006	144,948,769	55,172,139	(12,926,451)	187,194,457	7.46	3.23
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

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

Expressway System, Debt per Annual Toll Revenue and Toll Transactions
Last Ten Years

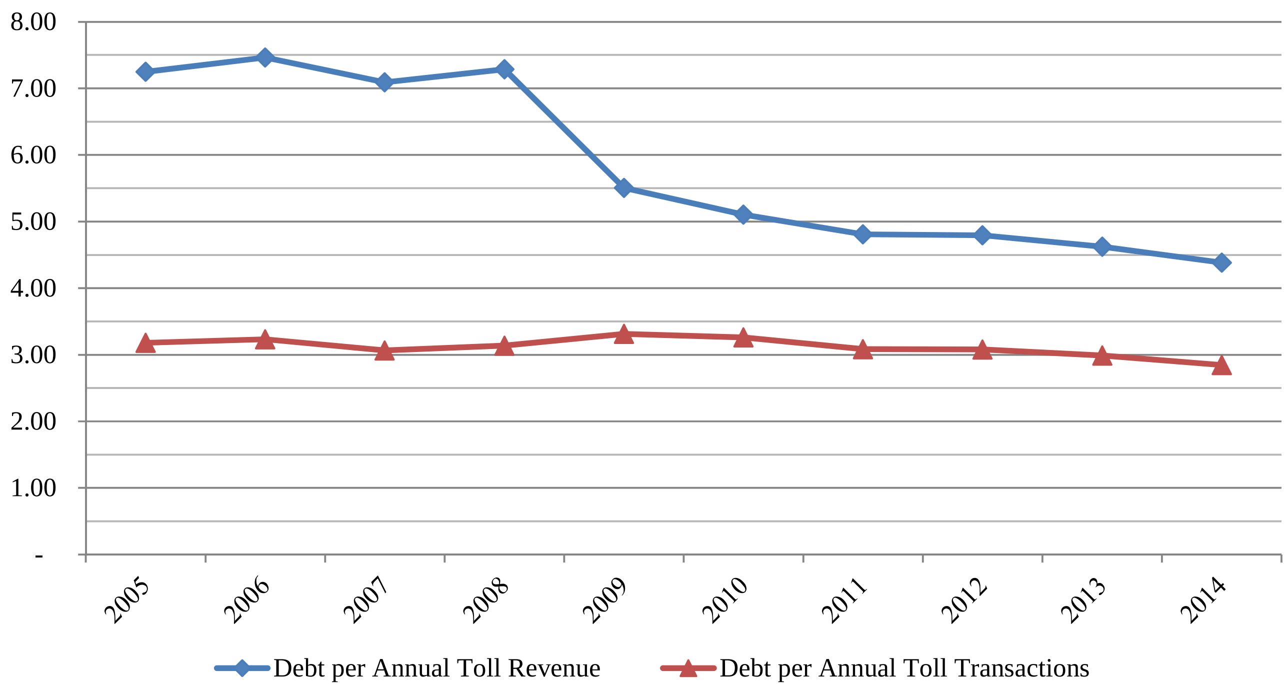


Table 16 – Principal Employers, Richmond Metropolitan Area
Current and Nine Years Prior (1)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Employer (2):										
Capital One Bank	2	3	3	4	4	4	4	2	1	1
Virginia Commonwealth University	4	4	4	3	1	1	1	1	2	2
Chesterfield County School Board	1	1	1	1	2	2	3	4	3	3
Henrico County School Board	3	2	2	2	3	3	2	3	4	4
HCA Virginia Health System	-	-	-	-	-	-	-	-	5	5
MCV Hospital	8	6	5	5	5	5	5	5	6	6
Wal-Mart	5	5	6	6	6	7	8	8	7	7
Bon Secours Richmond Health System	-	10	9	8	7	6	7	6	9	8
U.S. Department of Defense	7	8	8	7	8	8	6	7	8	9
Integrity Staffing Solution	-	-	-	-	-	-	-	-	-	10
Richmond City Public Schools	9	9	10	10	9	9	9	9	10	-
County of Henrico	-	-	-	-	-	-	-	10	-	-
City of Richmond	-	-	-	-	10	10	10	-	-	-
Philip Morris USA, Inc.	6	7	7	9	-	-	-	-	-	-
Ukrops	10	-	-	-	-	-	-	-	-	-
Total Richmond Metropolitan Area Employment (3)	585,981	596,413	610,065	616,145	627,972	598,563	598,434	614,008	625,287	633,289

(1) Final quarter data for most recent calendar year (2013-2004).
(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) Total employment data obtained from the Bureau of Labor Statistics. Employment numbers are not seasonally adjusted. Total area employment numbers for 2010-2013 were updated in fiscal year 2014 based on revised employment estimates released by the Bureau of Labor Statistics.

Source: Virginia Employment Commission, Bureau of Labor Statistics

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

Year	City of Richmond	Chesterfield County	Henrico County	Total Participating Jurisdictions	Other Service Area	Total Population (1)
2005	195,400	284,400	283,800	763,600	400,200	1,163,800
2006	194,500	292,000	287,500	774,000	406,200	1,180,200
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

(1) Fiscal year 2005-2011 data revised in February 2011.

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

Estimated Population, Richmond Metropolitan Area
Last Ten Years

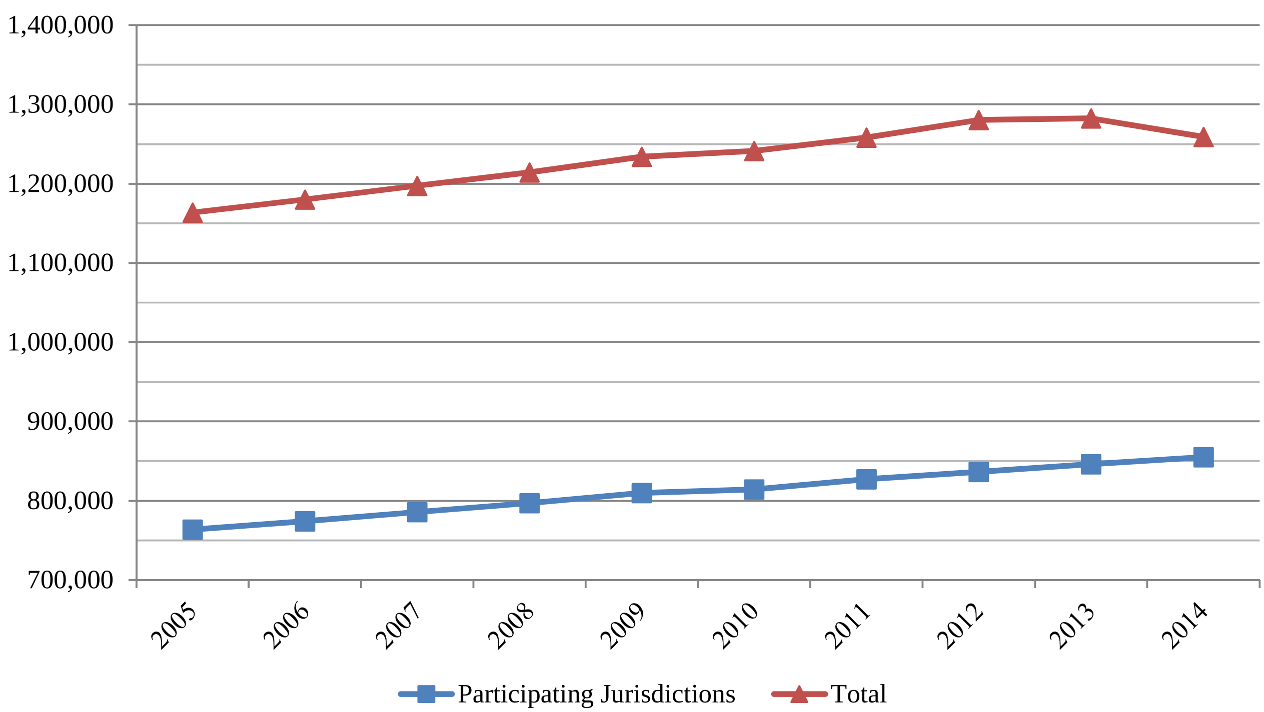


Table 18 – Operating and Capital Indicators
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expressway Traffic:										
Powhite Parkway	32,727,627	33,185,285	33,893,494	33,937,909	31,381,386	31,057,461	31,787,393	32,666,065	32,842,238	33,554,196
Downtown Expressway	19,020,040	19,722,805	20,586,135	20,966,648	18,857,745	18,326,751	18,838,516	19,002,222	19,344,609	20,225,578
Boulevard Bridge	5,166,411	4,997,137	4,995,311	4,964,251	4,800,726	4,619,608	4,575,223	4,562,253	4,426,225	4,312,318
Total	56,914,078	57,905,227	59,474,940	59,868,808	55,039,857	54,003,820	55,201,132	56,230,540	56,613,072	58,092,092
ETC transaction % (1)	40.4%	44.0%	47.1%	49.5%	55.5%	58.1%	59.6%	60.6%	62.0%	63.0%
Lane Miles	45.00	45.00	46.94	45.91	45.91	49.90	49.90	49.90	50.53	50.53
Stadium:										
Attendance (2)	375,029	402,815	378,228	342,090	-	463,842	447,520	438,002	434,769	418,147
Number of seats (3)	12,000	12,000	12,000	12,000	-	9,560	9,560	9,560	9,560	9,560
Parking Spaces (4):										
Carytown (4)	220	220	220	220	220	220	220	220	220	-
Second Street Facility	350	350	350	350	350	350	350	350	350	350
Expressway Parking Deck	1,000	1,000	1,000	1,000	1,000	991	991	991	991	991

(1) Transactions paid via Electronic Toll Collection (“ETC”) as a percentage of total traffic.
(2) Attendance listed by season. No baseball was played in 2009 season due to relocation of previous team.
(3) Seating reconfigured prior to 2010 season.
(4) Carytown Parking Facilities were transferred to the City in fiscal year 2013. Second Street and Expressway Parking Deck facilities were transferred to the City in fiscal year 2014.

Attendance source: Minor League Baseball, Eastern League Stats

Table 19 – Employees by Identifiable Activity
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Summary:										
Full-Time	99	101	100	110	110	110	110	110	108	101
Part-Time	36	34	34	32	32	34	33	36	34	33
Total	135	135	134	142	142	144	143	146	142	134
Expressway System:										
Full-Time	79	82	80	89	89	89	89	89	87	87
Part-Time	30	28	27	26	26	27	26	29	28	32
Total	109	110	107	115	115	116	115	118	115	119
Central Administration:										
Full-Time	17	16	16	17	17	17	17	17	17	12
Part-Time	1	1	1	1	1	1	1	1	1	1
Total	18	17	17	18	18	18	18	18	18	13
Parking:										
Full-Time	2	2	2	2	2	2	2	2	2	-
Part-Time	5	5	6	5	5	6	6	6	5	-
Total	7	7	8	7	7	8	8	8	7	-
Main Street Station										
Full-Time	1	1	2	2	2	2	2	2	2	2
Part-Time	-	-	-	-	-	-	-	-	-	-
Total	1	1	2	2	2	2	2	2	2	2

COMPLIANCE

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 the business-type activities, each major fund, and the aggregate remaining fund information of the Richmond Metropolitan Transportation Authority (the "Authority"), formerly known as the Richmond Metropolitan Authority, as of and for the year ended June 30, 2014, 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 2, 2014. That report recognizes that the Authority implemented one new accounting standard effective July 1, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Richmond Metropolitan Transportation 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 Richmond Metropolitan Transportation Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Richmond Metropolitan Transportation 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* or the *Specifications for Audits of Authorities, Boards and Commissions*.

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 2, 2014