



# **Comprehensive Annual Financial Report**

**For the year ended June 30, 2018**

**Serving Chesterfield, Henrico, and Richmond, Virginia**

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

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2018



*Prepared by the Department of Finance*  
James Madison, Director  
Tammy Goodman, Controller  
Christina Buisset, Accounting Supervisor  
Paul Morgan, Accounting Technician

# Table of Contents

---

## Introductory Section

Transmittal Letter .....	4
Certificate of Achievement for Excellence in Financial Reporting.....	12
Principal Officials.....	13
Organizational Chart .....	14

## Financial Section

Report of Independent Auditor .....	17
Management's Discussion and Analysis .....	19
Basic Financial Statements	
Statement of Net Position .....	25
Statement of Revenues, Expenses, and Changes in Net Position.....	27
Statement of Cash Flows .....	28
Notes to the Financial Statements.....	29
Required Supplementary Information (unaudited)	
Schedule of Changes in Net Pension Liability, (Asset), and Related Ratios.....	63
Schedule of Pension Contributions.....	63
Schedule of Changes in Net OPEB Liability and Related Ratios .....	65
Schedule of OPEB Contributions.....	66
Modified Approach for Reporting Infrastructure .....	70

## Statistical Section

Table of Contents.....	76
Net Position (Deficit) by Component.....	77
Net Position (Deficit) by Component by Fund .....	78
Change in Net Position.....	79
Expressway System, Change in Net Position .....	80
Expressway Parking Deck, Change in Net Position .....	80
Stadium, Change in Net Position .....	81
Main Street Station, Change in Net Position .....	81
Second Street Parking Facility, Change in Net Position .....	82
Carytown Parking Facilities, Change in Net Position .....	82
Operating Revenues by Fund.....	83
Operating Expenses by Fund.....	83
Operating Revenues by Source.....	84
Expressway System Toll Rates, Current and Historical.....	85
Expressway System, Revenue Bond Coverage.....	86
Expressway System, Debt per Toll Revenue and Toll Transactions.....	87
Principal Employers and Area Employment.....	88
Estimated Population, Richmond Metropolitan Area .....	89
Expressway System, Operating Indicators.....	90
Employees by Identifiable Activity.....	91

## Compliance Section

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 <i>Government Auditing Standards</i> .....	94
--	----

# Introductory Section

---



901 East Byrd Street, Suite 1120, Richmond, Virginia 23219  
Telephone 804-523-3300 – [www.rmtaonline.org](http://www.rmtaonline.org) – Fax 804-523-3335

June 25, 2019

Board of Directors  
Richmond Metropolitan Transportation Authority  
Richmond, Virginia

Honorable Members of the Board:

The comprehensive annual financial report of the Richmond Metropolitan Transportation Authority (“RMTA” or the “Authority”) for the fiscal year ended June 30, 2018 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 ended June 30, 2018. The report of the independent auditor is located at the front of the financial section of this report.

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

### **Profile of the Authority**

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

Legislation was introduced and passed during the 2014 General Assembly session that changed the Authority’s name to the Richmond Metropolitan Transportation Authority and equalized representation on the Authority’s Board of Directors. Previously, the Authority’s eleven member Board included six

## Transmittal Letter

---

members appointed by the Mayor of the City of Richmond, Virginia (the “City”), with the approval of City Council, and two each by the Boards of Supervisors of the Counties of Chesterfield and Henrico (the “Counties”). The Commonwealth Transportation Commissioner appointed the eleventh member from the Commonwealth Transportation Board.

Effective July 1, 2014, the Authority’s Board increased to sixteen members. The City and Counties each are authorized to appoint five members to the Board, with the option of one member from each jurisdiction being an elected official. The Commonwealth Transportation Commissioner is authorized to appoint the sixteenth member from the Commonwealth Transportation Board. Reappointment remains the sole responsibility of the aforementioned entities.

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

### **Operations of the Authority**

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

Comprised of the Powhite Parkway, Downtown Expressway, and Boulevard Bridge, the Expressway System contains over 50 lane miles of roads and 36 bridges. The Expressway System continues to provide a vital urban transportation link for the Richmond metropolitan area, as annual traffic has grown from 17 million in 1976 to over 64 million in 2018.

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

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

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

In June 2003, the City of Richmond completed the renovation of Main Street Station and related parking lots. Upon completion of the renovation, the Authority was requested by the City to provide management

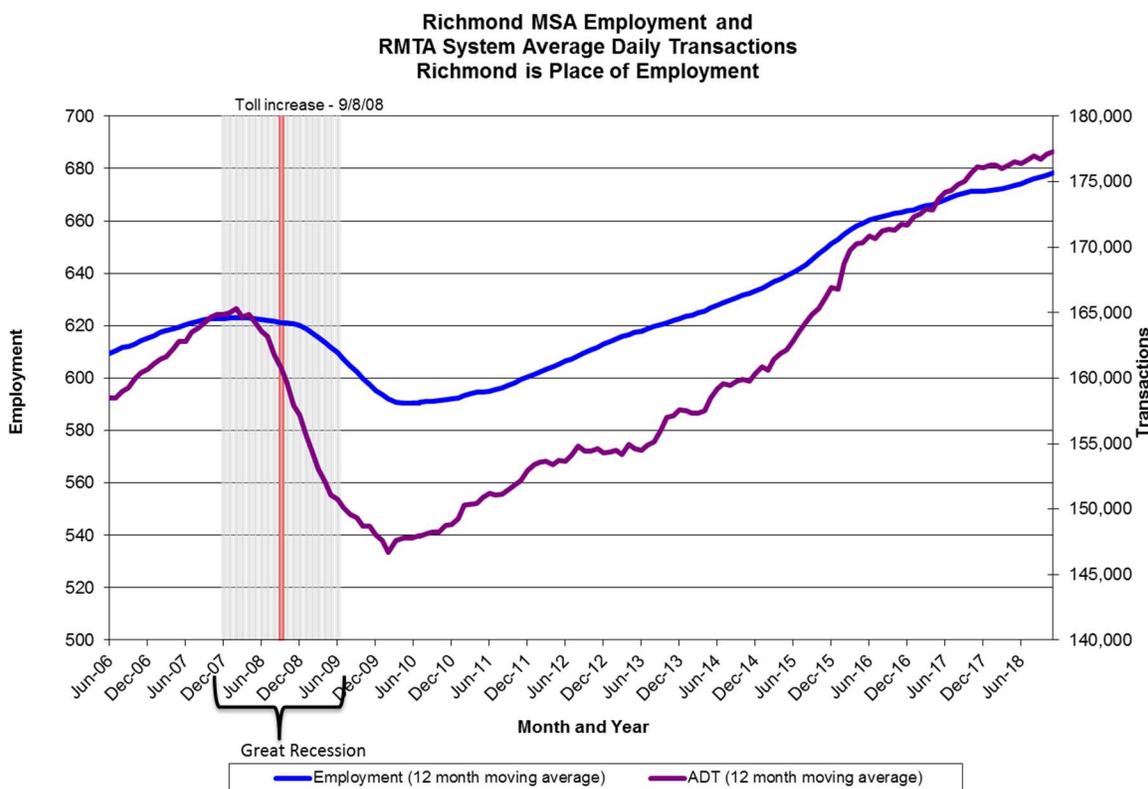
## Transmittal Letter

services for both the station and parking facilities. In March 2018, the City of Richmond completed renovations to the Train Shed, making it a venue for larger events such as concerts, festivals, and weddings. The Authority was requested by the City to provide management services for the Train Shed upon its completion. The Authority is not responsible for any facility debt and the facilities remain property of the City. The City agreed to pay all operating expenses in excess of revenues associated with the Authority's management of the facilities – this contribution is budgeted so net revenue over expenses equals zero. The Authority submits monthly financial reports, annual budgets, and audited financial statements to the City. The Authority's operation of the facilities is subject to periodic renewals of the operating agreement, with the current agreement expiring June 30, 2019.

### Economic Condition and Outlook

Traffic on the Authority's Expressway System is primarily commuter-based, with area employment levels directly impacting the number of daily commuter trips. While the unemployment rate indicates the general direction of the economy, area employment is a more appropriate economic indicator to correlate to the Authority's traffic. *Figure 1* compares the 12 month moving average of area employment to the 12 month moving average of daily transactions on the Expressway System:

**Figure 1: Richmond MSA Total Employment Levels, June 2006-June 2018**

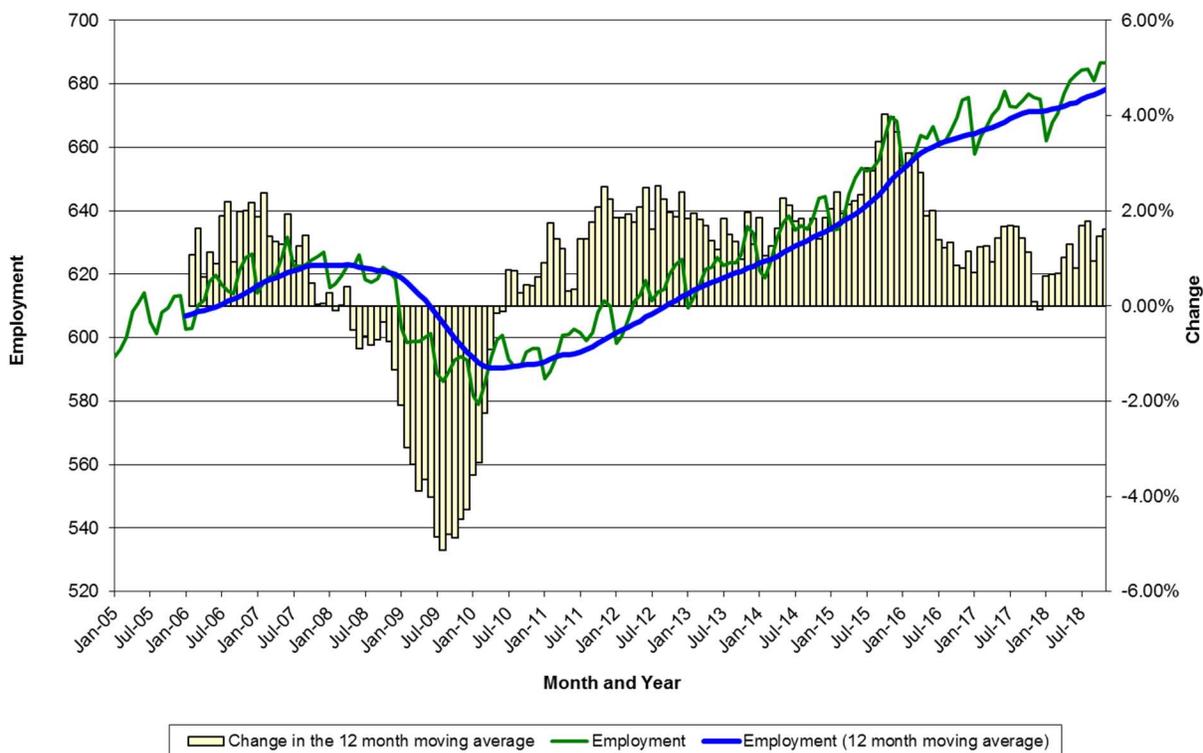


A portion of the drop in transactions in late 2008 is due to the timing of the September 2008 toll increase; traffic typically immediately drops after a toll increase before slowly rising. The 2008-2009 economic recession also impacted employment and traffic volumes during this time; while employment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

# Transmittal Letter

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

**Figure 2: Richmond MSA Total Employment Levels, January 2005-July 2018**  
**Richmond MSA Employment (BLS) - Place of Employment (since 2005)**



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

## Transmittal Letter

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

**Figure 3: Gas Prices, Last 10 Years**



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

Toll revenue for FY2019 is projected to increase to \$43.2 million. This increase is driven by ridership growth, as toll rates were last increased in September 2008 and remain unchanged for the next fiscal year. Previous projections anticipated a toll rate adjustment in FY2018; based on recent traffic growth, this adjustment has been removed from the current long-term financial plan. The timing and extent of future rate adjustments will continue to be analyzed as projections are updated and revised based on actual results.

While the Authority believes the traffic and revenue forecast is conservative, objective, and realistic, the forecast is stressed each year to determine how a decline in revenue would impact the Authority's financial position. Even in the event of a 10% loss in traffic and toll revenue, it is estimated that all debt service coverage requirements would be satisfied and no toll increase will be required during FY2019; in an extreme case of a 25-30% loss in traffic and toll revenue, FY2019 revenue would still be sufficient to pay for operations and required debt service.

## Transmittal Letter

---

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:

- The restoration of historic (1851) Monroe Park was a collaboration between The City of Richmond, Virginia Commonwealth University, and the Monroe Park Conservatory. The park is a sustainable site to include water mitigation and LED lighting with a total investment of \$7.5 million.
- Marriott Corporation is rehabilitating and renovating a 48,000 square foot office building into a boutique-style hotel in the Arts District of Richmond.
- In Jackson Ward there are plans for redevelopment of Jackson Place a mixed-use project with 154 studio and two-bedroom apartment units, 6,000 square feet of commercial space, surface parking on a 2.5 acre site. Total investment of \$32 million.
- Virginia Commonwealth University, located in the heart of Richmond with an enrollment in excess of 31,000 students, continues to be a key factor in new development. The University and its health system plan to invest \$3.5 billion in the region over the next 12 to 15 years. Recently completed projects include the \$41 million ICA at Markel Center 42,831 square foot art gallery with four exhibition galleries, a reception area with catering kitchen, curatorial work space, administrative offices and a 250-seat performance theater; and a \$96 million 360,000 square foot residence center. In the pipeline for 2019, is an \$80 million, 154,100 square foot, technology infused, state-of-the-art, School of Allied Health Professions building.
- Dominion Energy is expected to complete the construction of a 960,000 square foot, 20-story office tower with retail space, a 6-level covered parking deck, and a one-acre roof top garden. The project is in the financial district of Richmond and will be LEED Gold certified.
- Renovation of the train shed at Main Street Station was completed in 2018 with an investment of \$50 million. The project developed 65,000 square feet of commercial event space and a tourism center. Main Street Station is the most recognizable building on I-95 between Miami and New York and 65 million cars pass by each year.
- Redesign of 17th Street Farmers' Market began in 2018 with the space being converted into a public square with open, flexible space to include pedestrian connects, weekly pop-up markets, patio dining, and events. The area includes 17th Street from E. Main St. to E. Franklin St. and ties into the new Franklin St. connection.
- Over the last few years, the downtown Richmond area has experienced a resurgence of young professionals and empty-nesters moving back to the downtown core as a result of the continued renovation of historic warehouses, industrial buildings, and bank towers. Recent development in the Manchester area of South Richmond includes Manchester Park Phase I completed in 2017 which included new construction of 12 duplexes and Phase II which included 55 residential units in a four-story building with a shared courtyard and 4,500 SF of commercial space. Both phases were investments totaling \$11 million. 12 luxury townhomes at 7 West Townhomes were completed in 2018 with an investment of \$8 million. Reynolds South Tower is a new construction 10-story building with 213 apartments, a roof deck, pool, and fitness center developed with an investment of \$40 million.

## Transmittal Letter

---

- In the riverfront area, Locks Tower is currently under construction with 3 buildings, mix-use development featuring an 11-story residential tower, parking garage, and 4-story building facing the Canal Walk. There will be 237 luxury apartments and 11 roof top penthouses, 4,000 square foot street level commercial space, and 358 parking spaces. On site amenities for tenants include, a rooftop pool and clubhouse, business center, dog grooming, bike storage, outdoor common courtyard, private patios, and 2-level gym.
- The American Civil War Museum is investing \$37 million for construction into the hillside at Historic Tredegar to offer expanded gallery spaces, an experience theater, improved storage, and preservation areas for Civil War artifacts.
- The Virginia War Memorial has plans in 2019 for a 20,000 square foot addition which includes an underground parking deck with 170+ spaces, 300-seat auditorium, long-distance learning center, additional gallery, and office space. This includes expansion of the Memory Wall which creates more space to honor those who have died in Afghanistan, Iraq, and the ongoing War on Terrorism.
- In Chesterfield County, the Meadowville Technology Park continues to be a cornerstone of future economic growth in the County. Located at Interstate 295 and Meadowville Road, development in the park includes a one million square foot Amazon fulfillment center, a 242,000 square foot data center for Capital One, a 404,000 square foot distribution center for Medline Industries, and a 557,000 square foot manufacturing and bottling operation for Niagara Bottling.
- Libbie Mill, a \$434 million mixed-use community on 80 acres on Staples Mill Road in Henrico County continues to grow. New construction is planned in 2019 for a 350-unit apartment building located at the corner of Libbie Lake East Street and Libbie Mill West Boulevard across from the recently completed 327 luxury unit Penstock Quarter building. Gumenick Properties anticipates breaking ground for a six-story, 142,000 square-foot office building beside Libbie Mill Library, in the center of the 80-acre community.

### Financial Policies

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

## Transmittal Letter

---

### Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the twenty-fourth 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.

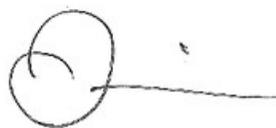
The Authority also received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2018 budget for the fourth consecutive year. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This award is valid for a period of one year only. The Authority believes its fiscal year 2019 budget continues to conform to program requirements and has submitted it to the GFOA to determine its eligibility for another award.

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

Sincerely,



Joi Dean  
Chief Executive Officer



James Madison  
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, 2017**

*Christopher P. Morill*

Executive Director/CEO

## Principal Officials

---



### Board of Directors

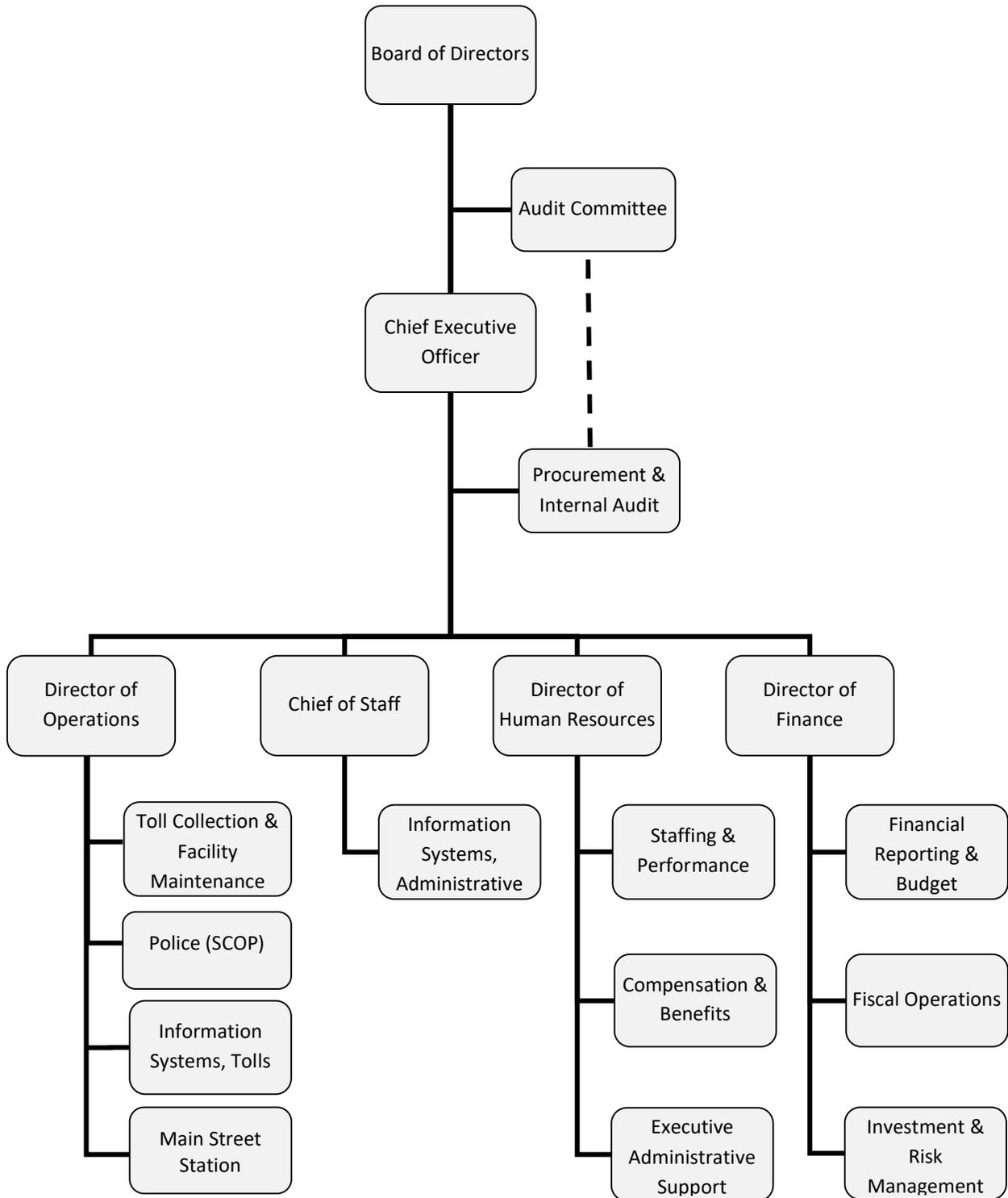
Tyrone Nelson, Chairman	Henrico County
Gregory A. Whirley, Vice-Chairman	Chesterfield County
Carlos M. Brown	Commonwealth Transportation Board
Dr. Unwana Dabney	City of Richmond
Stephen Elswick	Chesterfield County
Aubrey Fountain	City of Richmond
James B. Gurley, Jr.	Henrico County
Barrett Hardiman	City of Richmond
Thomas A. Hawthorne	Henrico County
Harvey Hinson	Henrico County
Darius Johnson	City of Richmond
Lane Ramsey	Chesterfield County
Marvin Tart, Sr.	Henrico County
Marilyn West	City of Richmond
Donald Williams	Chesterfield County
Bill Woodfin	Chesterfield County

### Executive Management

Joi Dean	Chief Executive Officer
Sheryl Johnson	Director of Human Resources
James Madison	Director of Finance
Leslie Mehta	Chief of Staff
Theresa Simmons	Director of Operations

# Organizational Chart

---





# Financial Section

---



## Report of Independent Auditor

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of each major fund of the Richmond Metropolitan Transportation Authority (the "Authority"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Richmond Metropolitan Transportation Authority, as of June 30, 2018, 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 Matters***

As discussed in Note 1 and presented in Notes 11 and 12 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board (the "GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit trend information and modified approach for reporting infrastructure information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Richmond, Virginia  
June 25, 2019

## Management's Discussion and Analysis

---

This section presents management's discussion and analysis of the financial performance of the Richmond Metropolitan Transportation Authority (the "Authority" or "RMTA") during the fiscal year ended June 30, 2018. This section should be read in conjunction with the transmittal letter in the introductory section of this report and the Authority's basic financial statements, which immediately follow this section.

### Financial Highlights

Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the fiscal year by \$141.2 million (net position), an increase of \$10.4 million or 8.0%. This increase in net position is primarily due to increases in assets and reduction of liabilities as a result of operations.

Operating revenues of \$43.4 million increased by 1.7%, primarily due to an increase in toll revenues (0.8%) and rental revenues (156.6%). Operating expenses of \$25.5 million decreased by 12.7% primarily due to schedule changes in planned Expressway System preservation and capital maintenance projects.

### Overview of the Financial Statements

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

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

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

## Management's Discussion and Analysis

### Overall Financial Position Analysis

The following table presents a summary of the Authority's financial position for fiscal years 2018 and 2017, followed by a description of significant changes. Note that amounts in fiscal year 2017 were restated for comparability to fiscal year 2018. See Note 1 to the financial statements for additional information.

	<u>FY2018</u>	<u>FY2017 Restated</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Assets</b>				
Current and other assets	\$ 89,895,987	\$ 83,877,770	\$ 6,018,217	7.2%
Capital assets	213,219,011	213,947,611	(728,600)	-0.3%
Total assets	<u>303,114,998</u>	<u>297,825,381</u>	<u>5,289,617</u>	1.8%
Deferred outflows of resources	<u>8,725,930</u>	<u>8,922,661</u>	<u>(196,731)</u>	-2.2%
Total assets and deferred outflows of resources	<u>\$ 311,840,928</u>	<u>\$ 306,748,042</u>	<u>\$ 5,092,886</u>	1.7%
<b>Liabilities</b>				
Current liabilities	\$ 13,755,630	\$ 13,120,894	\$ 634,736	4.8%
Long-term liabilities	156,011,267	162,242,971	(6,231,704)	-3.8%
Total liabilities	<u>169,766,897</u>	<u>175,363,865</u>	<u>(5,596,968)</u>	-3.2%
Deferred inflows of resources	<u>1,089,279</u>	<u>654,571</u>	<u>434,708</u>	66.4%
<b>Net position (deficit)</b>				
Net investment in capital assets	102,313,753	99,747,709	2,566,044	2.6%
Restricted	53,905,169	47,978,503	5,926,666	12.4%
Unrestricted	<u>(15,234,170)</u>	<u>(16,996,606)</u>	<u>1,762,436</u>	-10.4%
Total net position	<u>140,984,752</u>	<u>130,729,606</u>	<u>10,255,146</u>	7.8%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 311,840,928</u>	<u>\$ 306,748,042</u>	<u>\$ 5,092,886</u>	1.7%

- Current and other assets of \$89.9 million increased as a result of operations.
- Capital assets of \$213.2 million decreased due to routine depreciation (\$929k).
- Deferred outflows of resources decreased primarily in FY2018 due to amortization of refunding losses (\$206k) and a decrease related to pensions (\$450k) offset by a \$460k increase related to OPEB.
- Current liabilities increased primarily due to an increase in accounts payable at fiscal year-end as a result of timing and operating activity.
- Long-term liabilities decreased primarily as a result of debt service payments (\$4.9 million) and an advance refunding (\$19.7 million).
- Deferred inflows of resources increased as a result of pensions \$258k and OPEB \$177k.
- Restricted net position represents resources restricted for the payment of debt service or capital projects (repairs and contingency). Resources generated as a result of fiscal year 2018 operations were classified as restricted based on the Authority's upcoming capital needs.
- Net position, unrestricted represents the residual net position that does not meet the definition of "net investment in capital assets" or "restricted". Unrestricted net position is reduced by the outstanding principal liability for Series 2011-D debt.

## Management's Discussion and Analysis

---

### 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 2018 and 2017, followed by a description of significant changes. Note that amounts in fiscal year 2017 were restated for comparability to fiscal year 2018. See Note 1 to the financial statements for additional information.

	<u>FY2018</u>	<u>FY2017</u>	<u>\$ Change</u>	<u>% Change</u>
Tolls	\$ 42,782,772	\$ 42,440,008	\$ 342,764	0.8%
Rental	613,744	239,218	374,526	156.6%
Other	<u>21,727</u>	<u>19,019</u>	<u>2,708</u>	14.2%
Total operating revenues	43,418,243	42,698,245	719,998	1.7%
Operating expenses	<u>25,027,943</u>	<u>29,256,904</u>	<u>(4,228,961)</u>	-14.5%
Operating income	<u>18,390,300</u>	<u>13,441,341</u>	<u>4,948,959</u>	36.8%
Nonoperating expenses	<u>(8,135,154)</u>	<u>(8,407,718)</u>	<u>272,564</u>	-3.2%
Change in net position	<u>10,255,146</u>	<u>5,033,623</u>	<u>5,221,523</u>	103.7%
Beginning net position, "as restated"	<u>130,729,606</u>	<u>125,695,983</u>	<u>5,033,623</u>	4.0%
Ending net position	<u>\$ 140,984,752</u>	<u>\$ 130,729,606</u>	<u>\$ 10,255,146</u>	7.8%

- Operating revenues of \$42.8 million increased primarily due to an increase in toll revenues from ridership growth, and rental income.
- Operating expenses of \$25.0 million decreased primarily due to a decrease in fiscal year 2018 planned Expressway System preservation and capital maintenance projects (\$2.5 million) and depreciation (\$929k). Preservation and capital maintenance routinely varies between years based on capital plan requirements.

## Management's Discussion and Analysis

---

### Capital Assets

The Authority's capital assets consist of roads, bridges, tunnels and land that comprise the Expressway System, along with other buildings, vehicles and equipment, and systems. As of June 30, 2018, capital assets net of accumulated depreciation decreased from \$213.9 million to \$213.2 million, primarily due to routine depreciation. The change in capital assets is summarized by asset type below:

	<u>FY2018</u>	<u>FY2017</u>	<u>\$ Change</u>	<u>% Change</u>
Expressway System	\$ 209,969,531	\$ 209,969,531	\$ -	0.0%
Buildings	2,196,088	2,269,227	(73,139)	-3.2%
Vehicles and equipment	251,812	164,473	87,339	53.1%
Systems	772,190	1,544,380	(772,190)	-50.0%
Leasehold	29,389	-	29,389	100.0%
Total	<u>\$ 213,219,011</u>	<u>\$ 213,947,611</u>	<u>\$ (728,603)</u>	-0.3%

See Note 5 for additional information relative to capital assets.

The Authority has elected to use the modified approach to account for certain infrastructure assets, as provided for in GAAP wherein the Authority does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity, technology or efficiency of the asset; the Expressway System is accounted for using this modified approach. Utilization of this approach requires the Authority to commit to maintaining and preserving affected assets at or above a condition level established by the Authority, maintain an inventory of the assets, perform periodic condition assessments to ensure that the condition level is being maintained, and make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. For fiscal year 2018, the Authority spent approximately \$10.0 million to preserve and maintain the Expressway System at or above this level.

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

### Debt Administration

On August 16, 2017, the Virginia Resources Authority (VRA) closed the issuance of Virginia Pooled Financing Program (VPFP) Series 2017B bonds. The RMTA Board of Directors, at the recommendation of their Financial Advisor and RMTA Director of Finance, approved participation in the pool to lower debt servicing. \$18.8 million of RMTA Series 2011B bonds was advance refunded on August 16, 2017. The refunding lowers total debt service over \$2.6 million and approximately \$105,000 annually. At June 30, 2018, outstanding bonds payable of \$162.8 million decreased by \$3.5 million or 2.1% from the prior year, primarily due to scheduled debt service payments and refunding. The total outstanding bonds payable is comprised of \$159.3 million in Expressway System parity debt and related issuance premiums of \$3.5 million. Principal in the amount of \$6.9 million is payable on July 15, 2018. See Note 8 for additional detail.

## Management's Discussion and Analysis

---

### **Economic Factors and Next Year's Budget**

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

The region remains a growing community with a diverse economy. Regional unemployment of 3.1% in June 2018 decreased compared to 4.0% in the prior year. The regional unemployment rate mirrors the state-wide rate of 3.1% and it compares favorably to the national rate of 4.0%. Regional population has increased over the past decade, as illustrated in Table 17 in the statistical section.

Traffic levels are illustrated at Table 18 in the statistical section for the past decade. FY2018 traffic volumes of 64.3 million exceeded the previous system-high traffic levels last seen in 2008; accordingly, traffic forecasts remain conservative and temper recent growth. FY2019 toll revenues are projected to total \$41.8 million with 64.9 million total transactions.

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

### **Contacting the Authority's Financial Management**

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



## Basic Financial Statements

### Statement of Net Position As of June 30, 2018

	<u>Expressway System</u>	<u>Main Street Station</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents (Note 2)	\$ 3,325,281	\$ 296,566	\$ 3,621,847
Restricted cash (Note 2)	16,119,988	-	16,119,988
Restricted short-term investments (Note 3)	25,566,953	-	25,566,953
Other short-term investments (Note 3)	11,523,650	-	11,523,650
Accrued interest receivable	161,283	-	161,283
Receivables (Note 4)	79,035	60,203	139,238
Prepaid expenses	90,375	-	90,375
Total current assets	<u>56,866,565</u>	<u>356,769</u>	<u>57,223,334</u>
Noncurrent assets:			
Restricted long-term investments (Note 3)	17,200,338	-	17,200,338
Other long-term investments (Note 3)	14,075,291	-	14,075,291
Escrow asset (Note 8)	32,045	-	32,045
Net pension asset (Note 10)	1,364,979	-	1,364,979
Capital assets (Note 5):			
Land and other non-depreciable assets	209,969,531	-	209,969,531
Buildings, systems, and equipment	12,430,207	-	12,430,207
Less: accumulated depreciation	<u>(9,180,727)</u>	<u>-</u>	<u>(9,180,727)</u>
Capital assets, net	<u>213,219,011</u>	<u>-</u>	<u>213,219,011</u>
Total noncurrent assets	<u>245,891,664</u>	<u>-</u>	<u>245,891,664</u>
Total assets	<u>302,758,229</u>	<u>356,769</u>	<u>303,114,998</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding (Note 8)	7,996,728	-	7,996,728
Deferred outflows related to pensions (Note 10)	269,104	-	269,104
Deferred outflows related to OPEB (Note 11, 12)	460,098	-	460,098
Total deferred outflows of resources	<u>8,725,930</u>	<u>-</u>	<u>8,725,930</u>
Total assets and deferred outflows of resources	<u>\$ 311,484,159</u>	<u>\$ 356,769</u>	<u>\$ 311,840,928</u>

*The accompanying notes are an integral part of these statements.*

## Basic Financial Statements

### Statement of Net Position (continued) As of June 30, 2018

	Expressway System	Main Street Station	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities (Note 6)	\$ 1,044,136	\$ 111,819	\$ 1,155,955
Accounts payable from restricted cash (Note 6)	1,468,402	-	1,468,402
Accrued interest payable	3,592,316	-	3,592,316
Advance	-	53,515	53,515
Unearned revenues	-	191,435	191,435
Bonds payable, current (Note 7, 8)	7,294,007	-	7,294,007
Total current liabilities	<u>13,398,861</u>	<u>356,769</u>	<u>13,755,630</u>
Noncurrent liabilities:			
Accrued liabilities (Note 6, 7)	209,128	-	209,128
Bonds payable (Note 7, 8)	155,482,979	-	155,482,979
Net OPEB Liability (Note 11, 12)	319,160	-	319,160
Total noncurrent liabilities	<u>156,011,267</u>	<u>-</u>	<u>156,011,267</u>
Total liabilities	<u>169,410,128</u>	<u>356,769</u>	<u>169,766,897</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions (Note 10)	912,613	-	912,613
Deferred inflows related to OPEB (Note 11,12)	176,666	-	176,666
Total deferred inflows of resources	<u>1,089,279</u>	<u>-</u>	<u>1,089,279</u>
<b>NET POSITION (DEFICIT)</b>			
Net investment in capital assets	102,313,753	-	102,313,753
Restricted for repairs and contingency	32,873,437	-	32,873,437
Restricted for debt service	21,031,732	-	21,031,732
Unrestricted	<u>(15,234,170)</u>	<u>-</u>	<u>(15,234,170)</u>
Total net position	<u>140,984,752</u>	<u>-</u>	<u>140,984,752</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 311,484,159</u>	<u>\$ 356,769</u>	<u>\$ 311,840,928</u>

*The accompanying notes are an integral part of these statements.*

## Basic Financial Statements

### Statement of Revenues, Expenses, and Change in Net Position For the Fiscal Year Ended June 30, 2018

	<u>Expressway System</u>	<u>Main Street Station</u>	<u>Total</u>
Operating revenues:			
Tolls	\$ 42,782,772	\$ -	\$ 42,782,772
Rentals	51,391	562,353	613,744
Other	770	20,957	21,727
Total operating revenues	<u>42,834,933</u>	<u>583,310</u>	<u>43,418,243</u>
Operating expenses:			
Salaries and benefits	5,338,299	189,400	5,527,699
Operations	7,578,886	961,234	8,540,120
Preservation and capital maintenance	10,031,464	-	10,031,464
Depreciation	928,660	-	928,660
Total operating expenses	<u>23,877,309</u>	<u>1,150,634</u>	<u>25,027,943</u>
Operating income (loss)	<u>18,957,624</u>	<u>(567,324)</u>	<u>18,390,300</u>
Nonoperating revenues (expenses):			
Investment earnings	430,534	-	430,534
Support from localities	-	567,324	567,324
Interest expense on bonds	(9,133,012)	-	(9,133,012)
Total nonoperating revenues (expenses), net	<u>(8,702,478)</u>	<u>567,324</u>	<u>(8,135,154)</u>
Change in net position	<u>10,255,146</u>	<u>-</u>	<u>10,255,146</u>
Net position - beginning - "as restated"	<u>130,729,606</u>	<u>-</u>	<u>130,729,606</u>
Net position - ending	<u>\$ 140,984,752</u>	<u>\$ -</u>	<u>\$ 140,984,752</u>

*The accompanying notes are an integral part of these statements.*

## Basic Financial Statements

### Statement of Cash Flows For the Fiscal Year Ended June 30, 2018

	Expressway System	Main Street Station	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 42,839,670	\$ 639,660	\$ 43,479,330
Payments to suppliers and service providers	(19,141,428)	(963,331)	(20,104,759)
Payments to employees for salaries and benefits	(6,627,175)	(188,494)	(6,815,669)
Net cash provided by (used for) operating activities	<u>17,071,067</u>	<u>(512,165)</u>	<u>16,558,902</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Receipts from localities	-	536,833	536,833
Net cash provided by non-capital financing activities	<u>-</u>	<u>536,833</u>	<u>536,833</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest paid on revenue bonds and notes	(7,724,020)	-	(7,724,020)
Principal paid and retirement of revenue bonds and notes	(26,731,699)	-	(26,731,699)
Proceeds on bonds issued	19,735,000	-	19,735,000
Premium on bonds issued	2,091,699	-	2,091,699
Capital expenses	(200,060)	-	(200,060)
Net cash used for capital and related financing activities	<u>(12,829,080)</u>	<u>-</u>	<u>(12,829,080)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(35,602,139)	-	(35,602,139)
Proceeds from sale and maturities of investments	32,789,018	-	32,789,018
Interest on investments	720,527	-	720,527
Net cash used for investing activities	<u>(2,092,594)</u>	<u>-</u>	<u>(2,092,594)</u>
Net increase in cash and cash equivalents	2,149,393	24,668	2,174,061
Cash and cash equivalents - July 1	17,295,876	271,898	17,567,774
Cash and cash equivalents - June 30	<u>\$ 19,445,269</u>	<u>\$ 296,566</u>	<u>\$ 19,741,835</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating income (loss)	\$ 18,957,624	\$ (567,324)	\$ 18,390,300
Depreciation expense	928,660	-	928,660
Pension expense	(581,133)	-	(581,133)
OPEB expense	(621,518)	-	(621,518)
Decrease (increase) in accounts receivable	4,737	(34,698)	(29,961)
Increase in prepaid expenses	(1,221)	-	(1,221)
Decrease in accounts payable and accrued liabilities	(1,616,082)	(1,191)	(1,617,273)
Increase in unearned revenues	-	91,048	91,048
Net cash provided by (used for) operating activities	<u>\$ 17,071,067</u>	<u>\$ (512,165)</u>	<u>\$ 16,558,902</u>
<b>Non-cash Investing Activities:</b>			
Net change in fair value of investments	\$ (322,879)	\$ -	\$ (322,879)

*The accompanying notes are an integral part of these statements.*

## Notes to Basic 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. In 2016, another amendment authorized the Authority to construct, own, and operate coliseums and arenas.

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

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

Effective July 1, 2014, the Authority’s Board size increased to sixteen members. The City and Counties of Chesterfield and Henrico each are authorized to appoint five members to the Board, with the option of one member from each jurisdiction being an elected official. The Commonwealth Transportation Commissioner is authorized to appoint the sixteenth member from the Commonwealth Transportation Board. Reappointment remains the sole responsibility of the aforementioned entities.

#### **Basis of presentation**

The Authority administers two enterprise funds: Expressway System and Main Street Station, and both are considered major funds. Each enterprise fund is used to separate the Authority’s resources and liabilities by facility. The Authority also maintains two sub-funds: Repair and Contingency and Central Administration.

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

## Notes to Basic Financial Statements

---

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

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

### **Measurement focus and basis of accounting**

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

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

### **Assets, liabilities, deferred outflows/inflows of resources, and net position**

*Cash and cash equivalents* – For purposes of the Statement of Cash Flows, only cash on hand and cash balances on deposit and available for immediate withdrawal are considered cash equivalents. Other highly liquid instruments are classified as other short-term investments.

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

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

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

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

## Notes to Basic Financial Statements

---

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

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

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

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

*Deferred outflows of resources* – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The Authority has three items that qualify for reporting in this category: accounting loss on debt refunding, deferred outflows of resources related to pensions, deferred outflows of resources related to Other Postemployment Benefits (OPEB). Deferred losses on refundings are recognized as a component of interest expense over the shorter of the life of the old debt or new debt (see Note 8). Deferred outflows of resources related to pensions are amortized as follows: resulting from contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the next fiscal year and the net difference between projected and actual earnings on pension plan investments is amortized over a closed five year period (see Note 10). Deferred outflows of resources related to OPEB are amortized as follows: resulting from contributions subsequent to the measurement date are recognized as a reduction of the net OPEB liability in the next fiscal year differences in expected and actual plan experience and are amortized over the remaining service life of all plan participants (see Notes 11 and 12).

## Notes to Basic Financial Statements

---

*Deferred inflows of resources* – In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. The Authority has three items that qualify for reporting in this category: deferred inflows related to pensions, which represents net differences between projected and actual investment earnings amortized over a closed five year period and the difference between expected and actual experience and changes in assumptions amortized over the remaining service life of all plan participants (see Note 10); deferred inflows of resources related to OPEB, which represent net differences between projected and actual investment earnings amortized over a closed five year period (see Note 11); and deferred inflows of resources related to OPEB Group Life Insurance (GLI) resulting from net differences between projected and actual investment earnings amortized over a closed five year period and the differences in expected and actual plan experience, changes in proportion, and changes of assumptions amortized over the remaining service life of all plan participants (see Note 12).

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

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

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

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

## Notes to Basic Financial Statements

---

*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 statute.

### Revenues and expenses

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

*Unearned revenues* – Funds received by the Authority for future events at Main Street Station are unearned and recorded as deferred revenues until the completion of the event. After the event has occurred the deferred funds are then recorded as earned revenue.

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

### Governmental Accounting Standards Board ("GASB") Pronouncements

In June 2015 The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement improves accounting and financial reporting for postemployment benefits. The statement requires a restatement of Net Position to record the Net OPEB Liability. The RMTA restated the FY2017 net position to record the beginning Net OPEB Liability as follows:

\$ 131,386,852	Net position - beginning as previously reported
<u>(657,246)</u>	GASB 75 adjustment
<u>\$ 130,729,606</u>	Net position - beginning, as restated

In June 2018 The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement improves financial reporting and disclosure of information related to capital assets and the cost of borrowing for a reporting period, and simplifies accounting for interest cost before the end of a construction period. This statement has been implemented for fiscal year 2018 prospectively, in advance of the requirement for reporting periods beginning after December 15, 2019.

The GASB has issued the following statements with effective implementation dates later than the fiscal year ending June 30, 2018. The statements deemed to have a potential future impact on the Authority are:

- GASB Statement No. 84, *Fiduciary Activities* – This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported.

## Notes to Basic Financial Statements

- GASB Statement No. 87, *Leases* – This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.
- GASB Statement No. 88 *Certain Disclosures Related to Debt* – This Statement improves disclosure of information related to liabilities that arise from contractual obligations, assets pledged as collateral, and consequences of significant events such as default or acceleration.

### **Note 2 – Cash and cash equivalents**

At June 30, 2018, the carrying amount of deposits with banks was \$19,626,310 with \$16,119,988 being restricted for repairs and contingency. The bank balance of these deposits at June 30, 2018 was \$21,036,102. The difference between the carrying and bank totals is primarily due to outstanding checks and deposits in transit. These amounts include petty cash and change funds of \$115,525.

Bank deposits are insured by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire assets of the collateral pool become available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool.

### **Note 3 – Investments**

As of June 30, 2018, the Authority had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Rating (Moody's, S&amp;P)</u>	<u>% of Total Portfolio</u>
US Treasuries	\$21,685,370	0.54	NA, NA	31.7%
US Federally Insured Money Market	11,528,845	0.01	Aaa-mf, AAAm	16.9%
Federal National Mortgage Association	14,781,370	0.23	AAA, AA+	21.6%
Federal Home Loan Bank	13,146,440	0.27	AAA, AA+	19.2%
Federal Home Loan Mortgage Corporation	7,224,207	0.15	AAA, AA+	10.6%
	<u>\$68,366,232</u>	<u>1.20</u>		

## Notes to Basic Financial Statements

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

Investment Type	Total Fair Value at 6/30/18	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
US Treasuries	\$ 21,685,370	\$ -	\$ 21,685,370	\$ -
Federal National Mortgage Association	14,781,370	-	14,781,370	-
Federal Home Loan Bank	13,146,440	-	13,146,440	-
Federal Home Loan Mortgage Corporation	7,224,207	-	7,224,207	-
Total Debt Securities	56,837,387	\$ -	\$ 56,837,387	\$ -
Investments measured at amortized cost:				
US Federally Insured Money Market	11,528,845			
Total investments measured at fair value	\$ 68,366,232			

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

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

Purpose	Restricted	Unrestricted	Total
Bond retirement principal and interest	\$ 10,876,610	\$ -	\$ 10,876,610
Debt service reserves	13,740,086	-	13,740,086
Restricted for Repair and Contingency	18,150,595	-	18,150,595
Reserve funds	-	25,598,941	25,598,941
	\$ 42,767,291	\$ 25,598,941	\$ 68,366,232

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

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

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

## Notes to Basic Financial Statements

### Note 4 – Receivables

Receivables at June 30, 2018 for the Authority consisted of:

Type	Expressway System	Main Street Station	Total
Due from other governments	\$ 75,182	\$ 60,203	\$ 135,385
Other accounts receivable	3,853	-	3,853
	\$ 79,035	\$ 60,203	\$ 139,238

Management has evaluated the outstanding receivables at year-end and deem them to be collectible, therefore no allowance provision was considered necessary.

### Note 5 – Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

Type	June 30, 2017	Additions	Disposals	June 30, 2018
Non-depreciable:				
Expressway System	\$ 209,969,531	\$ -	\$ -	\$ 209,969,531
Depreciable:				
Buildings	2,925,621	-	-	2,925,621
Vehicles and equipment	795,872	179,574	(81,379)	894,067
Office furniture and equipment	-	69,212	-	69,212
Toll systems	8,508,652	-	-	8,508,652
Leasehold	-	32,655	-	32,655
Total depreciable	12,230,145	281,441	(81,379)	12,430,207
Total assets	222,199,676	281,441	(81,379)	222,399,738
Less accumulated depreciation:				
Buildings	(656,394)	(73,141)	-	(729,535)
Vehicles and equipment	(631,398)	(71,764)	(2)	(703,164)
Office furniture and equipment	-	(8,300)	-	(8,300)
Toll systems	(6,964,273)	(772,189)	-	(7,736,462)
Leasehold	-	(3,266)	-	(3,266)
Total accumulated depreciation	(8,252,065)	(928,660)	(2)	(9,180,727)
Total depreciable, net	3,978,080	(647,219)	(81,381)	3,249,480
Total capital assets, net	\$ 213,947,611	\$ (647,219)	\$ (81,381)	\$ 213,219,011

Depreciation expense for the year ended June 30, 2018 was \$928,660. 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).

## Notes to Basic Financial Statements

### Note 6 – Payables and accrued liabilities

Payables and accrued liabilities at June 30, 2018 for the Authority consisted of:

Type	Expressway System	Main Street Station	Total
Current:			
Due to other governments	\$ 310,977	\$ -	\$ 310,977
Salaries and benefits	128,934	1,661	130,595
Compensated absences	266,416	-	266,416
Other accounts payable	1,806,211	110,158	1,916,369
Total current	<u>\$ 2,512,538</u>	<u>\$ 111,819</u>	<u>\$ 2,624,357</u>
Noncurrent:			
Compensated absences	<u>\$ 209,128</u>	<u>\$ -</u>	<u>\$ 209,128</u>

### Note 7 – Long-term liabilities

Long-term liabilities at June 30, 2018 for the Authority consisted of:

Type	June 30, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
Bonds payable					
Series 1998	\$ 23,565,000	\$ -	\$ (1,925,000)	\$ 21,640,000	\$ 4,055,000
Series 2002	18,325,000	-	(2,690,000)	15,635,000	2,805,000
Series 2011 A, B, C	77,490,000	-	(18,795,000)	58,695,000	-
Series 2011-D	43,875,000	-	-	43,875,000	-
Series 2017	-	19,735,000	(290,000)	19,445,000	45,000
Issuance premiums	3,023,027	2,091,699	(1,627,740)	3,486,986	389,007
Total bonds payable	166,278,027	21,826,699	(25,327,740)	162,776,986	7,294,007
Compensated absences	535,194	241,751	(301,400)	475,545	266,416
OPEB	657,246	384,683	(722,769)	319,160	-
Pension asset	(75,372)	1,510,661	(2,800,268)	(1,364,979)	-
Total long-term liabilities, net	<u>\$ 167,395,095</u>	<u>\$ 23,963,794</u>	<u>\$ (29,152,177)</u>	<u>\$ 162,206,712</u>	<u>\$ 7,560,423</u>

### 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, 2018		
					Outstanding Balance	Unamortized Premium	Deferred Loss on Refunding
1998	March 1998	\$ 80,705,000	3.65-5.25%	July 2022	\$ 21,640,000	\$ 129,449	\$ 3,361,781
2002	April 2002	28,430,000	3.50-5.25%	July 2022	15,635,000	167,371	677,807
2011-A, B, C	Nov. 2011	77,490,000	4.62-4.75%	July 2041	58,695,000	1,169,945	1,640,942
2011-D	Nov. 2011	43,875,000	4.29%	July 2041	43,875,000	-	-
2017	Aug. 2017	19,735,000	4.50%	July 2041	19,445,000	2,020,221	1,598,615
Previously defeased debt		-	-	-	-	-	717,583
					<u>\$ 159,290,000</u>	<u>\$ 3,486,986</u>	<u>\$ 7,996,728</u>

## Notes to Basic Financial Statements

---

### Series 1998

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

### Series 2002

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

### Series 2011-A, B, & C

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

### Series 2011-D

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

### Series 2017

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

### Defeased bonds

At June 30, 2018, outstanding bonds in the amount of \$9,925,000 are considered defeased. Investments and cash are held in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liabilities for defeased bonds are not included in the accompanying financial statements.

### Escrow asset

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

### Arbitrage

Expressway System bond issues are reviewed annually to ensure compliance with the IRS regulations regarding arbitrage rebates. As of June 30, 2018 none of the bond series are accruing an arbitrage rebate liability.

## Notes to Basic Financial Statements

---

### Debt service requirements

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

Fiscal Year	Principal	Interest	Total
2019	6,905,000	7,653,117	14,558,117
2020	7,265,000	7,282,036	14,547,036
2021	7,650,000	6,891,152	14,541,152
2022	8,050,000	6,479,339	14,529,339
2023	7,650,000	6,067,430	13,717,430
2024-2028	22,375,000	26,761,002	49,136,002
2029-2033	28,295,000	20,688,366	48,983,366
2034-2038	35,740,000	13,027,912	48,767,912
2039-2042	35,360,000	3,497,610	38,857,610
	<u>\$ 159,290,000</u>	<u>\$ 98,347,964</u>	<u>\$ 257,637,964</u>

### Note 9 – Transactions with the City and localities

*Main Street Station* – In June 2003, the City completed the renovation of Main Street Station. Upon completion of the renovation, the Authority was requested by the City to provide management services for the facility. The operating agreement is subject to periodic renewals, with the current agreement expiring June 30, 2019. Through the operating agreement, the City agreed to pay all operating expenses in excess of revenues. The Authority is not responsible for any facility debt and the facility remains property of the City. Upon cessation of the operating agreement, all Main Street Station fund assets on hand from operations would be remitted to the City. The City's Department of Economic & Community Development leases office space at the facility. See Note 14 for additional information.

### Note 10 – Defined benefit pension plan

#### **Plan description**

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

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

#### VRS Plan 1

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

## Notes to Basic Financial Statements

---

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

*Hybrid Opt-In Election* – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

*Retirement Contributions* – Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

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

*Vesting* – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

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

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

*Service Retirement Multiplier* – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.

*Normal Retirement Age* – Age 65.

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

## Notes to Basic Financial Statements

---

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

*Cost-of-Living Adjustment (COLA) in Retirement* – The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

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

*Disability Coverage* – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

*Purchase of Prior Service* – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first.

### VRS Plan 2

*Overview* – Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

*Eligible Members* – Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

*Hybrid Opt-In Election* – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt

## Notes to Basic Financial Statements

---

into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

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

*Creditable Service* – Same as Plan 1.

*Vesting* – Same as Plan 1.

*Calculating the Benefit* – See definition under Plan 1.

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

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

*Normal Retirement Age* – Normal Social Security retirement age.

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

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

*COLA in Retirement* – The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility and exceptions to COLA effective dates are the same as VRS Plan 1.

*Disability Coverage* – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

*Purchase of Prior Service* – Same as Plan 1.

### VRS Hybrid Retirement Plan

*Overview* – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window (see "Eligible Members"). The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

## Notes to Basic Financial Statements

---

*Eligible Members* – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees and members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

*Retirement Contributions* – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

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

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

*Vesting, Defined Benefit Component* – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

*Vesting, Defined Contributions Component* – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service:

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

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

## Notes to Basic Financial Statements

---

*Calculating the Benefit, Defined Contribution Component* – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

*Average Final Compensation* – Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

*Service Retirement Multiplier* – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

*Normal Retirement Age, Defined Benefit Component* – Same as Plan 2.

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

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

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

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

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

*COLA in Retirement, Defined Benefit Component* – Same as Plan 2. Eligibility and exceptions to COLA effective dates are the same as Plan 1 and Plan 2.

*COLA in Retirement, Defined Contribution Component* – Not applicable.

*Disability Coverage* – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

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

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

## Notes to Basic Financial Statements

---

### Employees covered by benefit terms

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

Inactive members or their beneficiaries currently receiving benefits	52
Inactive members:	
Vested inactive members	13
Non-vested inactive members	40
Inactive members elsewhere in VRS	14
Total inactive members	<u>67</u>
Active members	<u>95</u>
Total covered employees	<u>214</u>

### Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2018 was 1.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$269,104 and \$104,434 for the years ended June 30, 2018 and June 30, 2017, respectively.

### Net pension liability

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

### Actuarial methods and assumptions

The total pension liability for the Authority was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

## Notes to Basic Financial Statements

---

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

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

Largest 10 – Non-LEOS:

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

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

### Long-term expected rate of return

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

## Notes to Basic Financial Statements

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected real Rate of Return	Weighted Average Long-Term Expected Real Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	<u>15.00%</u>	9.53%	<u>1.43%</u>
Total	<u>100.00%</u>		<u>4.80%</u>
			Inflation 2.50%
			Expected arithmetic nominal return* 7.30%

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

### Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

## Notes to Basic Financial Statements

### Changes in net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balance at June 30, 2016	\$ 16,579,725	\$ 16,655,097	\$ (75,372)
Changes for the year:			
Service cost	360,287	-	360,287
Interest	1,136,809	-	1,136,809
Changes in assumptions	(157,661)	-	(157,661)
Difference between expected and actual experience	(342,873)	-	(342,873)
Contributions – employer	-	104,434	(104,434)
Contributions – employee	-	181,946	(181,946)
Net investment income	-	2,013,354	(2,013,354)
Benefit payments, including refunds of employee contributions	(679,198)	(679,198)	-
Administrative expenses	-	(11,780)	11,780
Other changes	-	(1,785)	1,785
Net changes	317,364	1,606,971	(1,289,607)
Balance at June 30, 2017	<u>\$ 16,897,089</u>	<u>\$ 18,262,068</u>	<u>\$ (1,364,979)</u>

### Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease (6%)	Current Rate (7%)	1% Increase (8%)
Net pension liability (asset)	\$ 835,974	\$ (1,364,979)	\$ (3,202,392)

### Pension expense and deferred outflows and deferred inflows of resources related to pensions

For the year ended June 30, 2018, the Authority recognized pension expense of (\$494,557). At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$ 269,104	\$ -
Differences between expected and actual experience	-	537,182
Changes of assumptions	-	112,743
Net difference between projected and actual earnings on pension plan investments	-	262,688
	<u>\$ 269,104</u>	<u>\$ 912,613</u>

## Notes to Basic Financial Statements

Deferred outflows of resources related to pensions of \$269,104 resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2019	\$ (550,238)
2020	(117,461)
2021	(72,570)
2022	(172,344)
2023	-
Thereafter	-
	<u>\$ 912,613</u>

VRS issues a publicly available comprehensive annual financial report that includes financial statements, required supplementary information, and detailed information about the fiduciary net position of the VRS plans. A copy of that report may be downloaded from their web site at <http://www.varetire.org/pdf/publications/2018-annual-report.pdf> or obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

### **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 is governed by a Board of Trustees composed of local officials elected at an Annual Meeting of participants of the Trust Fund that issues a separate Comprehensive Annual Financial Report, which can be obtained by requesting a copy from the Plan Administrator, Virginia Municipal League, at P.O. Box 12164, Richmond, Virginia 23241.

#### **Plan Membership**

Total active and retired membership count in the plan at June 30, 2017 was 121.

The number of retiree participants and active employees currently eligible for immediate retirement benefits for each tier at June 30, 2017 were:

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Total</u>
Retirees	-	2	22	24
Active Employees	-	22	28	50
Total	<u>-</u>	<u>24</u>	<u>50</u>	<u>74</u>

## Notes to Basic Financial Statements

---

### Benefits Provided

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

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

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

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

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

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

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

### Contributions

Employer contributions are governed by the Authority and can be amended by the Authority with approval of the Authority's Board. The Authority contributes to the Trust Fund based on an actuarially determined amount. For the year ended June 30, 2018, the Authority's average contribution rate was 9.3% of covered employee payroll. Contributions were \$420,000 in FY2018 and \$429,000 in FY2017.

### Financial Statements

The Plan does not issue separate stand-alone financial statements in accordance with GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans* and is not a fiduciary activity of the Authority and, as such, is not included within the reporting entity. Information specific to the Plan's activities are included within this section as a source of additional information for the reader of the financial statements.

## Notes to Basic Financial Statements

---

### Plan Actuarial Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the Authority are subject to continual revision as actual results are compared with expectations and new estimates are made about the future. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Investment return	7.00%
Healthcare cost trend rate	8.0% for 2018, decreasing 0.5% per year to an ultimate rate of 5.0% for 2024 and later years
Projected salary increases	2.5%, average

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

### Investments

The Authority participates in the 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. 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. At June 30, 2018 the actuarial value of the plan assets was \$4,105,891. Historically the rate of return has averaged over 8.0%.

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

### Plan Discount Rate

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

## Notes to Basic Financial Statements

---

### Plan Net OPEB liability

The components of the Plan's net OPEB liability at June 30, 2018, were as follows:

Plan total OPEB Liability	\$ 4,115,051
Plan fiduciary net position	<u>4,105,891</u>
Plan net OPEB Liability	<u>\$ 9,160</u>

Plan fiduciary net position as a percentage of total OPEB liability	99.8%
---	-------

### Sensitivity of the Plan's Net OPEB Liability to Changes in the Plan's Discount Rate

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

	<u>Discount Rate</u>	<u>Net OPEB Liability (Asset)</u>
1% decrease	6.0%	\$ 449,149
Current rate	7.0%	\$ 9,160
1% increase	8.0%	\$ (430,829)

### Sensitivity of the Plan's Net OPEB Liability to Changes in the Plan's Healthcare Cost Trend Rates

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

	<u>Healthcare Cost Trend Rate</u>	<u>Net OPEB Liability (Asset)</u>
1% decrease	7.0% decreasing to 4.0%	\$ (726,303)
Current rate	8.0% decreasing to 5.0%	\$ 9,160
1% increase	9.0% decreasing to 6.0%	\$ 894,467

## Notes to Basic Financial Statements

### Schedule of Changes in Net OPEB Liability

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Beginning Balance June 30, 2017	\$ 3,730,368	\$ 3,470,893	\$ 259,475
Changes for the Year:			
Service cost	50,139	-	50,139
Interest	13,963	-	13,963
Difference between expected & actual experience	440,581	-	440,581
Changes in assumptions	-	-	-
Contributions - employer	-	420,000	(420,000)
Investment income	-	334,998	(334,998)
Benefit payments	(120,000)	(120,000)	-
Net Changes	<u>384,683</u>	<u>634,998</u>	<u>(250,315)</u>
Ending Balance June 30, 2018	<u>\$ 4,115,051</u>	<u>\$ 4,105,891</u>	<u>\$ 9,160</u>

### OPEB Expense for Year Ending June 30, 2018

Service Cost	\$ 50,139
Interest cost on OPEB Liability	<u>13,963</u>
OPEB Expense	<u>\$ 64,102</u>

### Deferred Outflows and Deferred Inflows Summary

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 440,581	\$ -
Net difference between projected and actual earnings of Plan investments	-	111,666
Total	<u>\$ 440,581</u>	<u>\$ 111,666</u>

## Notes to Basic Financial Statements

---

### Schedule of Deferred Resources to be Recognized as Expense

Year Ended June 30:

2019	\$ 17,720
2020	17,720
2021	17,720
2022	17,720
2023	17,720
Thereafter	\$ 240,318

### Note 12 – OPEB - Group Life Insurance

#### **Plan Description**

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

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

## Notes to Basic Financial Statements

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

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"><li>• City of Richmond</li><li>• City of Portsmouth</li><li>• City of Roanoke</li><li>• City of Norfolk</li><li>• Roanoke City Schools Board</li></ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the GLI Program have several components.</p> <ul style="list-style-type: none"><li>• <b>Natural Death Benefit</b> – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.</li><li>• <b>Accidental Death Benefit</b> – The accidental death benefit is double the natural death benefit.</li><li>• <b>Other Benefit Provisions</b> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none"><li>○ Accidental dismemberment benefit</li><li>○ Safety belt benefit</li><li>○ Repatriation benefit</li><li>○ Felonious assault benefit</li><li>○ Accelerated death benefit option</li></ul></li></ul>
<p><b>Reduction in benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b>Minimum Benefit Amount and COLA</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 COLA adjustment and is currently \$8,111.</p>

## Notes to Basic Financial Statements

### Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$19,517 and \$19,771 for the years ended June 30, 2018 and June 30, 2017, respectively.

### **GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB**

At June 30, 2018, the entities reported a liability of \$310,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.02061% as compared to 0.02265% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$3,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	12,000
Change in assumptions	-	16,000
Changes in proportion	-	30,000
Employer contributions subsequent to the measurement date	19,517	-
<b>Total</b>	<b>\$ 19,517</b>	<b>\$ 65,000</b>

## Notes to Basic Financial Statements

---

\$19,517 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

### Year ended June 30

FY 2019	\$	(13,000)
FY 2020		(13,000)
FY 2021		(13,000)
FY 2022		(13,000)
FY 2023		(10,000)
Thereafter		(3,000)
	\$	<u>(65,000)</u>

### Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	7.0 Percent, net of investment expenses, including inflation*

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

## Notes to Basic Financial Statements

---

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

#### Pre-Retirement:

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

#### Post-Retirement:

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

#### Post-Disablement:

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

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

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

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

#### Pre-Retirement:

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

#### Post-Retirement:

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

#### Post-Disablement:

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

## Notes to Basic Financial Statements

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

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

### ***Net GLI OPEB Liability***

The net OPEB liability (NOL) for the GLI Program represents the program’s total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	<b>Group Life Insurance OPEB Program</b>
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	<u>1,437,586</u>
Employers’ Net GLI OPEB Liability	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

### ***Long-Term Expected Rate of Return***

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

## Notes to Basic Financial Statements

future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected real Rate of Return</b>	<b>Weighted Average Long-Term Expected Real Rate of Return</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	Expected arithmetic nominal return*		<u>7.30%</u>

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

### **Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

## Notes to Basic Financial Statements

---

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
Employer's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 401,000	\$ 310,000	\$ 237,000

### ***Group Life Insurance Program Fiduciary Net Position***

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### **Note 13 – Risk management**

The Authority is exposed to the risk of loss due to the wide range of services provided by its employees. Auto fleet coverage, general liability, property damage, building and contents, bridge, inland marine, boiler and machinery, dishonesty bond (crime), workers' compensation, and public officials' and employee's legal liability coverage is obtained through membership in the Virginia Municipal League (VML) through the VML Insurance Program. Members are liable for any and all unpaid claims in the event the association is in a deficit position. No settlements have exceeded coverage limits during the three years ended June 30, 2018.

### **Note 14 – Leases**

*Main Street Station* – Approximately 12,203 square feet of office space in the Main Street Station is available for occupancy by a tenant. Starting May 2010, the City's Department of Economic and Community Development began leasing available office space. Monthly rent of \$8,750 (\$105k annually) 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 relocated its corporate office in June 2017 and leases its administrative offices under an operating lease agreement expiring in April 2028. Due to rent abatement for the expansion space in the initial base year, lease payments were \$15,000 for fiscal year 2018, increasing to approximately \$100,000 in fiscal year 2019.

## Notes to Basic Financial Statements

---

*Office Equipment Rental* – The Authority leases certain office equipment under an operating lease agreement expiring in January 2020 and May 2021. Future minimum lease payments are approximately \$8,000 for fiscal year 2019 and 2020.

Rent expense on all leases was approximately \$19,000 in fiscal year 2018.

### **Note 15 – Commitments and Contingencies**

*Commitments* – The Authority has active construction projects and various open purchase orders at times throughout the fiscal year. As of June 30, 2018, the Authority's open construction contracts were:

<u>Project</u>	<u>Fund</u>	<u>Total Contract</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Toll System	Expressway	\$ 18,198,309	\$ 887,606	\$ 17,310,703
Deck Rehabilitation	Expressway	2,794,406	2,523,242	271,164
Maintenance/Repairs		2,599,714	321,172	2,278,542

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

### **Note 16 – Subsequent Event**

In October 2018 the Authority amended the operating lease agreement for its corporate office to include additional space it acquired for office, storage, and conference rooms. Including rent abatement for the expansion space in the initial base year, lease payments are expected to increase approximately \$43,000 for fiscal year 2019 due to the additional office space.

## Required Supplementary Information (Unaudited)

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

	2014	2015	2016	2017
<b>Total Pension Liability</b>				
Service cost	\$ 468,184	\$ 384,956	\$ 379,740	\$ 360,287
Interest	1,040,878	1,108,957	1,095,521	1,136,809
Changes of assumptions	-	-	-	(157,661)
Difference between expected and actual experience	-	(1,092,566)	(228,073)	(342,873)
Benefit payments, including refunds of employee contributions	(521,921)	(551,090)	(635,512)	(679,198)
Net change	987,141	(149,743)	611,676	317,364
Total pension liability, beginning	15,130,651	16,117,792	15,968,049	16,579,725
Total pension liability, ending (a)	<u>\$ 16,117,792</u>	<u>\$ 15,968,049</u>	<u>\$ 16,579,725</u>	<u>\$ 16,897,089</u>
<b>Plan Fiduciary Net Position</b>				
Contributions – employer	\$ 299,893	\$ 286,867	\$ 282,685	\$ 104,434
Contributions – employee	207,869	198,977	195,707	181,946
Net investment income	2,172,443	729,879	288,995	2,013,354
Benefit payments, including refunds of employee contributions	(521,921)	(551,090)	(635,512)	(679,198)
Administrative expense	(11,608)	(9,905)	(10,272)	(11,780)
Other	114	(153)	(122)	(1,785)
Net change	2,146,790	654,575	121,481	1,606,971
Plan fiduciary net position, beginning	13,732,251	15,879,041	15,879,041	16,655,097
Plan fiduciary net position, ending (b)	<u>\$ 15,879,041</u>	<u>\$ 16,533,616</u>	<u>\$ 16,655,097</u>	<u>\$ 18,262,068</u>
<b>Net Pension Liability (Asset) (a)-(b)</b>	\$ 238,751	\$ (565,567)	\$ (75,372)	\$ (1,364,979)
Plan fiduciary net position as a percentage of the total pension liability	98.5%	103.5%	100.5%	108.1%
Covered payroll	\$ 4,065,828	\$ 4,045,032	\$ 3,785,127	\$ 3,696,027
Net pension liability (asset) as a percentage of covered payroll	5.9%	(14.0%)	(2.0%)	(36.9%)

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

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

### Schedule of Pension Contributions

Fiscal Year	Contractually Required Contribution	Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 299,893	\$ 299,893	\$ -	\$ 4,065,828	7.4%
2015	286,867	286,867	-	4,045,032	7.1%
2016	282,685	282,685	-	3,785,127	7.5%
2017	104,434	104,434	-	3,696,027	2.8%
2018	269,104	269,104	-	3,737,557	7.2%

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

## Required Supplementary Information (Unaudited)

---

### Pension Contributions and Actuarial Methods and Assumptions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. The Authority's contractually required contribution rate for the year ended June 30, 2018 was 1.15% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability.

The total pension liability for the Authority was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

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

Largest 10 – Non-LEOS:

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

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

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

## Required Supplementary Information (Unaudited)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

### Schedule of Changes in Net OPEB Liability and Related Ratios

	<u>2017</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ -	\$ 50,139
Interest	-	13,963
Difference between expected and actual experience	832,475	440,581
Benefit payments	(144,000)	(120,000)
Net change	688,475	384,683
Total OPEB liability, beginning	3,041,893	3,730,368
Total OPEB liability, ending (a)	<u>\$ 3,730,368</u>	<u>\$ 4,115,051</u>
<b>Plan Fiduciary Net Position</b>		
Contributions – Employer	\$ 429,000	\$ 420,000
Investment income	(190,307)	334,998
Benefit payments	(144,000)	(120,000)
Net change	94,693	634,998
Plan fiduciary net position, beginning	3,376,200	3,470,893
Plan fiduciary net position, ending (b)	<u>\$ 3,470,893</u>	<u>\$ 4,105,891</u>
<b>Net OPEB Liability (a)-(b)</b>	\$ 259,475	\$ 9,160
Plan fiduciary net position as a percentage of the total OPEB liability	93.04%	99.78%
Covered payroll	\$ 4,522,294	\$ 4,522,294
Net OPEB liability as a percentage of covered payroll	5.7%	0.2%

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

## Required Supplementary Information (Unaudited)

---

### Schedule of OPEB Contributions

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2017	429,000	429,000	-	4,522,294	9.5%
2018	420,000	420,000	-	4,522,294	9.3%

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

### Schedule of OPEB Investment Returns

	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	Over 10%

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

### **OPEB Plan Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Investment return	7.00%
Healthcare cost trend rate	8.0% for 2018, decreasing 0.5% per year to an ultimate rate of 5.0% for 2024 and later years
Projected salary increases	2.5%, average

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

## Required Supplementary Information (Unaudited)

---

**Schedule of Employer's Share of Net OPEB Liability  
Group Life Insurance Program  
For the Year Ended June 30, 2017 \***

	<b>2017</b>
Employer's Proportion of the Net GLI OPEB Liability	0.02061%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$310,000
Employer's Covered Payroll	\$3,802,100
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.15%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

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

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

## Required Supplementary Information (Unaudited)

### Schedule of Employer Contributions GLI Program OPEB For the Years Ended June 30, 2009 through 2018

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2018	\$ 19,517	\$ 19,517	\$ -	\$ 3,753,184	0.52%
2017	19,771	19,771	-	3,802,110	0.52%
2016	21,572	21,572	-	4,070,174	0.53%
2015	21,650	21,650	-	4,084,935	0.53%
2014	22,228	22,228	-	4,193,954	0.53%
2013	23,899	23,899	-	4,509,156	0.53%
2012	18,797	18,797	-	4,272,047	0.44%
2011	18,771	18,771	-	4,266,080	0.44%
2010	15,380	15,380	-	4,272,252	0.36%
2009	15,284	15,284	-	4,245,632	0.36%

### Notes to Required Supplementary Information for OPEB Group Life Insurance For the Year Ended June 30, 2018

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

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

#### Largest Ten Locality Employers - General Employees

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

## Required Supplementary Information (Unaudited)

---

### Non-Largest Ten Locality Employers - General Employees

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

## Required Supplementary Information (Unaudited)

---

### **Modified Approach for Reporting Infrastructure**

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

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

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

### **Pavement condition assessment, measurement scale, and established condition level**

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

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

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

## Required Supplementary Information (Unaudited)

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

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

### Bridge condition assessment, measurement scale, and established condition level

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

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

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

## Required Supplementary Information (Unaudited)

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

The following table presents the condition level ratings as determined by the Authority's independent certified inspection experts for the major structural elements of each of the Authority's bridges from the most recent inspection cycle (fiscal years 2017/2018):

<b>Bridge Identifier/Name</b>	<b>Deck</b>	<b>Superstructure</b>	<b>Substructure</b>	<b>Culvert</b>
BB, Boulevard Bridge	6	5	6	NA
BR04, Chippenham Parkway	7	6	7	NA
BR05, Norfolk Southern Railroad	7	5	7	NA
BR06, Forest Hill Avenue	7	6	6	NA
BR08NB, Powhite over James River	6	6	6	NA
BR08SB, Powhite over James River	6	6	5	NA
BR09N, CSX Railroad	NA	6	7	NA
BR09S, CSX Railroad	NA	6	6	NA
BR10N, CSX Railroad	NA	6	7	NA
BR10S, CSX Railroad	NA	6	7	NA
BR11, NB Powhite over Route 146	6	6	6	NA
BR12, Douglasdale	6	6	7	NA
BR13, Douglasdale	7	6	7	NA
BR17, Cary Street ramp	7	6	6	NA
BR36, Maplewood Avenue	7	7	6	NA
BR37, Grant Street	7	6	7	NA
BR46, Allen Avenue	7	7	7	NA
BR47, Randolph Street	7	7	6	NA
BR48, Harrison Street	7	7	6	NA
BR49, Cherry Street	6	7	7	NA
BR50, Laurel Street	6	6	7	NA
BR51, Belvidere Street	6	5	7	NA
BR54, 2nd Street	6	6	6	NA
BR55, 3rd Street	7	6	6	NA
BR56, 4th Street	7	7	7	NA
BR57, 5th Street	6	6	6	NA
BR58, 7th Street	6	5	6	NA
BR60, 10th Street	6	5	5	NA
BR61, 12th Street	7	7	6	NA
BR62, Canal Street exit ramp	7	6	6	NA
BR63, Double-decker at I-95 ramp	7	5	6	NA
BR64, I-95 south ramp	7	5	6	NA
BR65, I-95 north ramp	7	5	6	NA
BR66, Double-decker at I-95 ramp	7	6	6	NA
BR67, I-95 north ramp	7	5	5	NA
BR68, I-95 south ramp	7	6	6	NA
C-1827, Powhite Creek at Forest Hill Ave	NA	NA	NA	6
C-1831, Powhite Creek at Powhite Toll plaza	NA	NA	NA	7

NA – not applicable

## Required Supplementary Information (Unaudited)

### Estimated and actual costs, last five fiscal years

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

Fiscal Year	Estimated Spending (Capital Budget)	Actual Spending
2014	\$ 7,699,560	\$ 10,404,690
2015	6,739,145	3,922,463
2016	10,302,123	7,490,020
2017	19,164,852	12,453,153
2018	29,691,701	10,031,464
	<u>\$ 73,597,381</u>	<u>\$ 44,301,790</u>

The budget process and timing of projects results in spending in one fiscal year from budgets that were approved in the previous year(s). This timing difference does not allow a true comparison of amounts budgeted and spent within a given year. As a result, the Authority had approximately \$7.5 million remaining in its capital budget at the end of fiscal year 2018, which will be carried forward to the next fiscal year.

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

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

Group	2014	2015	2016	2017	2018
Maintenance and Repair	\$ 5,227,598	\$ 2,376,188	\$ 5,398,678	\$ 9,571,425	\$ 6,760,426
Protective Coatings	4,237,595	72,900	831,163	1,209,384	174,293
Inspections and Engineering	832,795	850,652	615,784	634,774	1,003,702
Vehicle Replacement	68,900	22,003	97,208	33,524	5,439
Toll System Upgrade	-	-	-	665,059	1,790,328
Other	37,802	600,720	547,187	338,987	297,276
	<u>\$ 10,404,690</u>	<u>\$ 3,922,463</u>	<u>\$ 7,490,020</u>	<u>\$ 12,453,153</u>	<u>\$ 10,031,464</u>



# Statistical Section

---

## Statistical Section

---

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

### **Financial Trends**

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

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

### **Revenue Capacity**

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

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

### **Debt Capacity**

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

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

### **Demographic and Economic Information**

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

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

### **Operating Information**

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

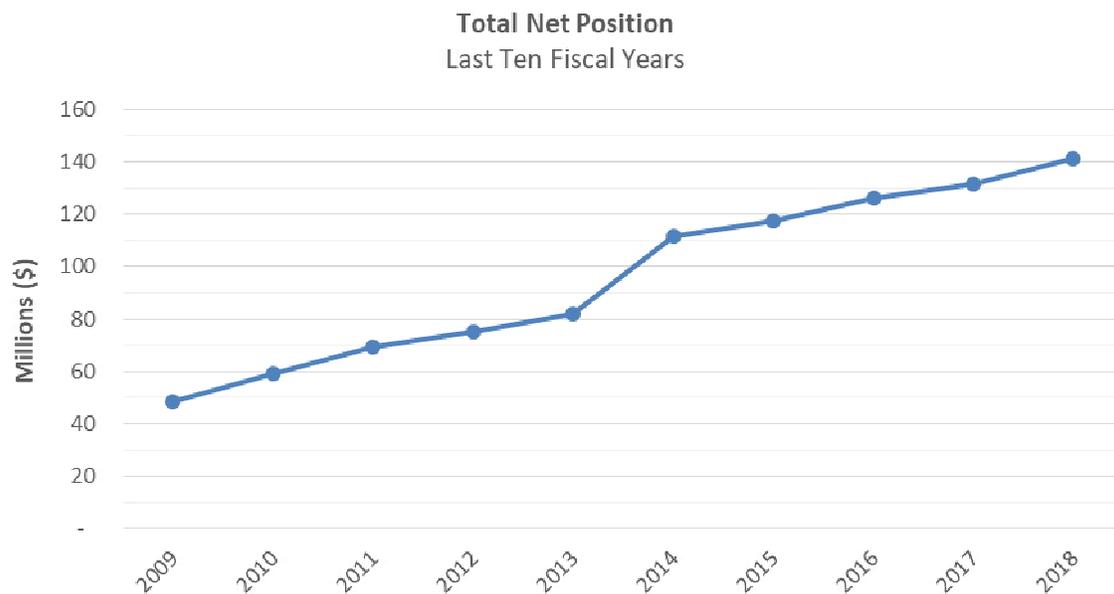
Table 18	Expressway System, Operating Indicators
Table 19	Employees by Identifiable Activity

## Statistical Section

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

Fiscal Year	Net Investment in			Total
	Capital Assets	Restricted (1)	Unrestricted	
2009	\$ 43,958,577	\$ 13,967,331	\$ (9,212,380)	\$ 48,713,528
2010	50,278,485	18,224,463	(9,168,140)	59,334,808
2011	58,876,924	22,529,329	(11,848,617)	69,557,636
2012	88,262,025	28,481,179	(41,660,745)	75,082,459
2013	85,344,801	38,700,689	(42,037,780)	82,007,710
2014	101,416,492	31,380,545	(21,106,185)	111,690,852
2015	97,560,342	37,907,088	(18,170,506)	117,296,924
2016	98,530,597	44,904,103	(17,081,471)	126,353,229
2017	99,747,709	47,978,503	(16,996,606)	130,729,606
2018	102,313,753	53,905,169	(15,234,170)	140,984,752

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



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

## Statistical Section

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expressway System</b>										
Net inv. in cap. assets	\$ 47,868,001	\$ 54,310,568	\$ 63,641,630	\$ 93,759,354	\$ 92,553,786	\$ 97,465,173	\$ 97,560,342	\$ 98,530,597	\$ 99,747,709	\$102,313,753
Restricted	13,665,129	17,625,439	21,765,287	27,821,271	37,880,382	31,252,379	37,907,088	44,904,103	47,978,503	53,905,169
Unrestricted	1,427,221	2,205,574	1,760,711	(27,320,318)	(27,178,061)	(21,482,949)	(18,170,506)	(17,081,471)	(16,996,606)	(15,234,170)
	<u>\$ 62,960,351</u>	<u>\$ 74,141,581</u>	<u>\$ 87,167,628</u>	<u>\$ 94,260,307</u>	<u>\$103,256,17</u>	<u>\$107,234,63</u>	<u>\$117,296,94</u>	<u>\$126,353,29</u>	<u>\$130,729,606</u>	<u>\$140,984,752</u>
<b>Stadium (1)</b>										
Net inv. in cap. assets	\$ 5,129,497	\$ 5,390,527	\$ 5,030,725	\$ 4,670,923	\$ 4,311,121	\$ 3,951,319	\$ -	\$ -	\$ -	\$ -
Restricted	-	126,372	190,589	144,100	242,386	128,166	-	-	-	-
Unrestricted	(25,969)	140,307	134,446	172,989	208,722	376,764	-	-	-	-
	<u>\$ 5,103,528</u>	<u>\$ 5,657,206</u>	<u>\$ 5,355,760</u>	<u>\$ 4,988,012</u>	<u>\$ 4,762,229</u>	<u>\$ 4,456,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Main Street Station (2)</b>										
Unrestricted	\$ 166,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	<u>\$ 166,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expressway Parking Deck (3)</b>										
Net inv. in cap. assets	\$ (9,870,563)	(10,266,797)	(10,662,163)	(11,057,529)	(11,452,481)	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	261,198	431,500	532,000	368,000	333,000	-	-	-	-	-
Unrestricted	(10,026,566)	(12,983,133)	(12,983,133)	(13,596,543)	(14,127,260)	-	-	-	-	-
	<u>\$(19,635,93)</u>	<u>\$(20,572,84)</u>	<u>\$(23,113,29)</u>	<u>\$(24,286,07)</u>	<u>\$(25,246,74)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other Non-Major Funds (3)</b>										
Net inv. in cap. assets	\$ 831,642	\$ 844,187	\$ 866,732	\$ 889,277	\$ (67,625)	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	41,004	41,152	41,153	147,808	244,921	-	-	-	-	-
Unrestricted	(753,566)	(776,477)	(760,641)	(916,873)	(941,181)	-	-	-	-	-
	<u>\$ 119,080</u>	<u>\$ 108,862</u>	<u>\$ 147,544</u>	<u>\$ 120,212</u>	<u>\$ (763,885)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- (1) Stadium facility was transferred to the City in fiscal year 2015.
- (2) Main Street Station net position was revised in fiscal year 2009 to more accurately reflect the Authority's operation of the facility.
- (3) Parking facilities were transferred to the City in fiscal years 2013 (Carytown Parking Facilities) and 2014 (Expressway Parking Deck and Second Street Parking Facility).

## Statistical Section

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Operating revenues</b>										
Tolls	\$ 33,114,311	\$ 34,476,969	\$ 35,391,965	\$ 36,111,774	\$ 36,585,702	\$37,714,962	\$ 38,799,387	\$ 41,040,930	\$ 42,440,008	\$ 42,782,772
Parking	2,093,770	1,941,725	2,262,483	2,313,737	1,566,154				-	-
Rentals	193,419	96,942	177,705	183,449	514,207	551,123	453,521	236,622	239,218	613,744
Other	13,831	15,504	33,038	19,577	18,188	31,253	23,117	61,267	19,019	21,727
	<u>35,415,331</u>	<u>36,531,140</u>	<u>37,865,191</u>	<u>38,628,537</u>	<u>38,684,251</u>	<u>39,189,172</u>	<u>39,276,025</u>	<u>41,338,819</u>	<u>42,698,245</u>	<u>43,418,243</u>
<b>Operating expenses</b>										
Salaries and benefits	6,838,818	6,874,119	6,921,337	7,234,307	7,504,865	7,138,845	6,676,149	6,360,143	6,204,591	5,527,699
Operations	7,619,090	7,852,053	7,368,484	7,006,658	6,108,233	6,931,250	7,587,476	7,796,755	8,336,967	8,540,120
Preservation and capital maintenance	8,973,845	3,560,850	2,435,040	4,362,817	5,703,506	10,450,097	3,922,463	7,490,020	12,453,153	10,031,464
Depreciation	839,421	868,744	976,684	964,974	981,402	1,370,558	2,464,345	2,288,578	2,262,193	928,660
	<u>24,271,174</u>	<u>19,155,766</u>	<u>17,701,545</u>	<u>19,568,756</u>	<u>20,298,006</u>	<u>25,890,750</u>	<u>20,650,433</u>	<u>23,935,496</u>	<u>29,256,904</u>	<u>25,027,943</u>
Operating income	<u>11,144,157</u>	<u>17,375,374</u>	<u>20,163,646</u>	<u>19,059,781</u>	<u>18,386,245</u>	<u>13,298,422</u>	<u>18,625,592</u>	<u>17,403,323</u>	<u>13,441,341</u>	<u>18,390,300</u>
<b>Nonoperating revenues (expenses)</b>										
Investment earnings	2,342,855	1,139,023	563,070	233,663	(423,520)	800,816	602,642	493,966	202,040	430,534
Support from localities	513,077	1,004,403	383,026	469,793	1,029,990	792,568	694,114	610,242	638,398	567,324
Gain (loss)	-	-	-	-	-	40,598	-	-	46,025	-
Interest expense	(10,172,499)	(9,545,237)	(9,046,050)	(11,587,208)	(11,045,529)	(10,698,738)	(9,326,625)	(9,451,226)	(9,294,182)	(9,133,012)
Other contributions	-	647,717	-	-	-	-	-	-	-	-
Nonoperating expenses, net	<u>(7,316,567)</u>	<u>(6,754,094)</u>	<u>(8,099,954)</u>	<u>(10,883,752)</u>	<u>(10,439,059)</u>	<u>(9,064,756)</u>	<u>(8,029,869)</u>	<u>(8,347,018)</u>	<u>(8,407,718)</u>	<u>(8,135,154)</u>
Capital contributions	-	-	-	25,000	-	-	-	-	-	-
Transfer of facilities	-	-	-	-	(1,021,935)	26,547,983	(4,388,092)	-	-	-
Capital asset write-down	-	-	-	-	-	-	(601,559)	-	-	-
<b>Change in net position</b>	<u>3,827,590</u>	<u>10,621,280</u>	<u>12,063,692</u>	<u>8,201,029</u>	<u>6,925,251</u>	<u>30,781,649</u>	<u>5,606,072</u>	<u>9,056,305</u>	<u>4,376,377</u>	<u>10,255,146</u>
Net position, beginning	44,885,938	48,713,528	59,334,808	69,557,636	75,082,459	82,007,710	111,690,852	117,296,924	126,353,229	130,729,606
Restatement	-	-	(1,840,864)	(2,676,206)	-	(1,098,507)	-	-	-	-
<b>Net position, ending</b>	<u>\$48,713,528</u>	<u>\$59,334,808</u>	<u>\$69,557,636</u>	<u>\$75,082,459</u>	<u>\$82,007,710</u>	<u>111,690,852</u>	<u>\$117,296,924</u>	<u>\$126,353,229</u>	<u>\$130,729,606</u>	<u>\$140,984,752</u>

## Statistical Section

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

<b>Fiscal Year</b>	<b>Operating Revenue</b>	<b>Operating Expense</b>	<b>Operating Income</b>	<b>Nonoperating Revenue (Expense), Net</b>	<b>Change in Net Position</b>
2009	\$ 33,190,599	\$ 21,283,027	\$ 11,907,572	\$ (6,719,943)	\$ 5,187,629
2010	34,542,171	16,016,550	18,525,621	(7,344,391)	11,181,230
2011	35,465,389	14,947,006	20,518,383	(7,492,336)	13,026,047
2012	36,161,884	16,580,138	19,581,746	(9,812,861)	9,768,885
2013	36,631,858	17,484,942	19,146,916	(10,151,116)	8,995,800
2014	37,771,511	23,455,821	14,315,690	(9,238,687)	5,077,003
2015	38,855,549	19,467,390	19,388,159	(9,325,838)	10,062,321
2016	41,131,444	23,117,830	18,013,614	(8,957,309)	9,056,305
2017	42,491,774	28,412,035	14,079,739	(9,046,116)	5,033,623
2018	42,834,933	23,877,309	18,957,624	(8,702,478)	10,255,146

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

<b>Fiscal Year</b>	<b>Operating Revenue</b>	<b>Operating Expense</b>	<b>Operating Income</b>	<b>Nonoperating Revenue (Expense), Net</b>	<b>Facility Transfer Gain, Net (1)</b>	<b>Change in Net Position</b>
2009	\$ 1,104,723	1,033,594	\$ 71,129	\$ (1,136,790)	\$ -	\$ 5,187,629
2010	1,132,417	1,022,728	109,689	(1,046,599)	-	11,181,230
2011	1,298,980	962,565	336,415	(1,036,006)	-	13,026,047
2012	1,320,113	988,798	331,315	(1,504,091)	-	9,768,885
2013	1,283,788	964,879	318,909	(1,279,578)	-	8,995,800
2014	794,573	694,583	99,990	(615,429)	25,762,180	25,246,741
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-

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

## Statistical Section

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

<b>Fiscal Year</b>	<b>Operating Revenue</b>	<b>Operating Expense</b>	<b>Operating Loss</b>	<b>Nonoperating Revenue</b>	<b>Facility Transfer Loss (1)</b>	<b>Change in Net Position</b>
2009	\$ 265,688	\$ 756,416	\$ (490,728)	\$ 96,694	\$ -	\$ (394,034)
2010	177,762	877,693	(699,931)	1,253,609	-	553,678
2011	291,128	593,186	(302,058)	612	-	(301,446)
2012	286,801	775,812	(489,011)	121,263	-	(367,748)
2013	284,760	631,792	(347,032)	121,249	-	(225,783)
2014	313,129	735,364	(422,235)	116,255	-	(305,980)
2015	140,159	320,512	(180,353)	196	(4,388,092)	(4,456,249)
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-

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

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

<b>Fiscal Year</b>	<b>Operating Revenue</b>	<b>Operating Expense</b>	<b>Operating Loss</b>	<b>Nonoperating Revenue (Expense), Net</b>	<b>Reimbursement from City of Richmond</b>	<b>Change in Net Position (2)</b>
2009	\$ 635,085	\$ 936,552	\$ (301,467)	\$ 1,195	\$ 418,077	\$ 117,805
2010	456,231	1,022,555	(566,324)	421	399,403	(166,500)
2011	603,600	986,968	(383,368)	342	383,026	-
2012	653,580	1,002,498	(348,918)	125	348,793	-
2013	283,120	972,205	(689,085)	95	688,990	-
2014	286,462	963,139	(676,677)	109	676,568	-
2015	280,317	862,531	(582,214)	100	582,114	-
2016	207,375	817,666	(610,291)	49	610,242	-
2017	206,471	844,869	(638,398)	-	638,398	-
2018	583,310	1,150,634	(567,324)	-	567,324	-

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

## Statistical Section

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

<b>Fiscal Year</b>	<b>Operating Revenue</b>	<b>Operating Expense</b>	<b>Operating Loss</b>	<b>Nonoperating Revenue</b>	<b>Facility Transfer Gain, Net (1)</b>	<b>Change in Net Position</b>
2009	\$ 148,977	\$ 136,257	\$ 12,720	\$ 353,434	\$ -	\$ 36,470
2010	151,033	123,297	27,736	23,750	-	11,025
2011	140,658	120,376	20,282	(16,711)	-	64,581
2012	142,684	129,596	13,088	44,299	-	1,072
2013	137,300	137,202	98	(12,016)	-	181,353
2014	23,497	36,543	(13,046)	(3,577)	785,803	769,180
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-

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

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

<b>Fiscal Year</b>	<b>Operating Revenue</b>	<b>Operating Expense</b>	<b>Operating Loss</b>	<b>Nonoperating Revenue</b>	<b>Facility Transfer Loss (2)</b>	<b>Change in Net Position</b>
2009	\$ 70,259	\$125,328	\$ (55,069)	\$ 450	\$ -	\$ (54,619)
2010	71,526	92,943	(21,417)	174	-	(21,243)
2011	65,436	91,444	(26,008)	109	-	(25,899)
2012	63,475	91,914	(28,439)	35	-	(28,404)
2013	63,425	106,986	(43,561)	46	(1,021,935)	(1,065,450)
2014	-	5,300	(5,300)	5	-	(5,295)
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-

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

## Statistical Section

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

<b>Fiscal Year</b>	<b>Expressway System</b>	<b>Expressway Parking Deck</b>	<b>Stadium Facility</b>	<b>Main Street Station</b>	<b>Second Street Facility</b>	<b>Carytown Parking Facility</b>	<b>Total</b>
2009	\$ 33,190,599	\$ 1,104,723	\$ 265,688	\$ 635,085	\$ 148,977	\$ 70,259	\$ 35,415,331
2010	34,542,171	1,132,417	177,762	456,231	151,033	71,526	36,531,140
2011	35,465,389	1,298,980	291,128	603,600	140,658	65,436	37,865,191
2012	36,161,884	1,320,113	286,801	653,580	142,684	63,475	38,628,537
2013	36,631,858	1,283,788	284,760	283,120	137,300	63,425	38,684,251
2014	37,771,511	794,573	313,129	286,462	23,497	-	39,189,172
2015	38,855,549	-	140,159	280,317	-	-	39,276,025
2016	41,131,444	-	-	207,375	-	-	41,338,819
2017	42,491,774	-	-	206,471	-	-	42,698,245
2018	42,834,933	-	-	583,310	-	-	43,418,243

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

<b>Fiscal Year</b>	<b>Expressway System</b>	<b>Expressway Parking Deck</b>	<b>Stadium Facility</b>	<b>Main Street Station</b>	<b>Second Street Facility</b>	<b>Carytown Parking Facility</b>	<b>Total</b>
2009	\$ 21,283,027	\$ 1,033,594	\$ 756,416	\$ 936,552	\$ 136,257	125,328	\$24,271,174
2010	16,016,550	1,022,728	877,693	1,022,555	123,297	92,943	19,155,766
2011	14,947,006	962,565	593,186	986,968	120,376	91,444	17,701,545
2012	16,580,138	988,798	775,812	1,002,498	129,596	91,914	19,568,756
2013	17,484,942	964,879	631,792	972,205	137,202	106,986	20,298,006
2014	23,455,821	694,583	735,364	963,139	36,543	5,300	25,890,750
2015	19,467,390	-	320,512	862,531	-	-	20,650,433
2016	23,117,830	-	-	817,666	-	-	23,935,496
2017	28,412,035	-	-	844,869	-	-	29,256,904
2018	23,877,309	-	-	1,150,634	-	-	25,027,943

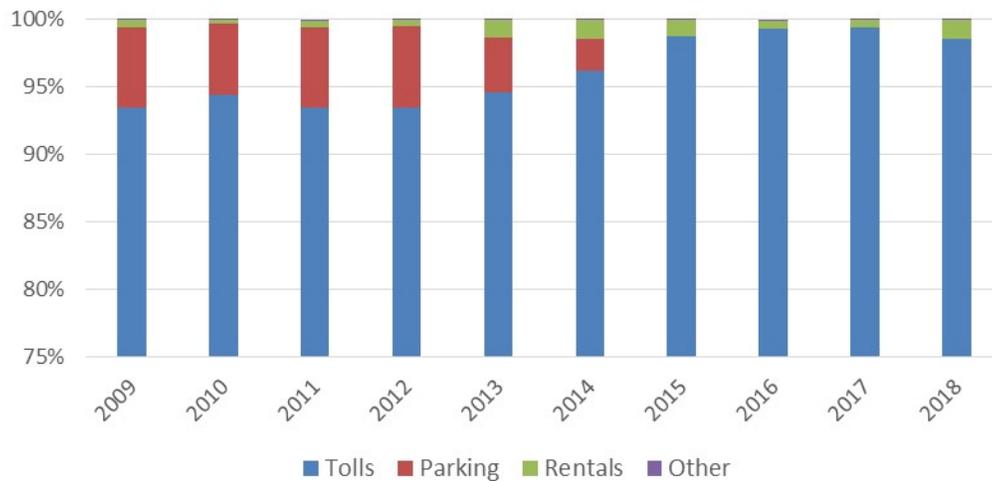
## Statistical Section

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

<u>Fiscal Year</u>	<u>Tolls (1)</u>	<u>Parking (2)</u>	<u>Rentals (3)</u>	<u>Other</u>	<u>Total</u>
2009	\$ 33,114,311	\$ 2,093,770	\$ 193,419	\$ 13,831	\$ 35,415,331
2010	34,476,969	1,941,725	96,942	15,504	36,531,140
2011	35,391,965	2,262,483	177,705	33,038	37,865,191
2012	36,111,774	2,313,737	183,449	19,577	38,628,537
2013	36,585,702	1,566,154	514,207	18,188	38,684,251
2014	37,714,962	891,834	551,123	31,253	39,189,172
2015	38,799,387	-	453,521	23,117	39,276,025
2016	41,040,930	-	236,622	61,267	41,338,819
2017	42,440,008	-	239,218	19,019	42,698,245
2018	42,782,772	-	613,744	21,727	43,418,243

- (1) A toll increase was implemented in September 2008 (fiscal year 2009).
- (2) Main Street Station parking revenue collection was transferred to the City of Richmond in fiscal year 2012. The Second Street Parking and Expressway Parking Deck facilities were transferred to the City of Richmond in fiscal year 2014.
- (3) The Stadium facility was transferred to the City of Richmond in fiscal year 2015.

**Operating Revenues by Source**  
Last Ten Fiscal Years



## Statistical Section

**Table 13 – Expressway System Toll Rates, Current and Historical**

	Effective Date					
	Opening (1)	July 1978	Nov. 1986	April 1988	January 1998	Sept. 2008
<b>Two-Axle Vehicles</b>						
Powhite Parkway Mainline	\$ 0.20	\$ 0.25	\$ 0.30	\$ 0.35	\$ 0.50	\$ 0.70
Forest Hill Ramps	0.20	0.25	0.30	0.35	0.50	0.70
Douglasdale Ramps	0.10	0.10	0.10	0.10	0.15	0.20
Downtown Expressway Mainline	0.15	0.25	0.30	0.35	0.50	0.70
Second Street Ramps	0.10	0.10	0.10	0.20	0.25	0.35
Eleventh Street Ramps	0.10	0.10	0.10	0.15	0.20	0.30
Boulevard Bridge	0.10	0.10	0.10	0.20	0.25	0.35
	Effective Date					
	Opening (1)	July 1978	Nov. 1986	April 1988	January 1998	Sept. 2008
<b>Three-Axle Vehicles</b>						
Powhite Parkway Mainline	\$ 0.30	\$ 0.35	\$ 0.40	\$ 0.45	\$ 0.60	\$ 0.80
Forest Hill Ramps	0.30	0.35	0.40	0.45	0.60	0.80
Douglasdale Ramps	0.20	0.10	0.10	0.20	0.25	0.40
Downtown Expressway Mainline	0.25	0.35	0.40	0.45	0.60	0.80
Second Street Ramps	0.15	0.20	0.20	0.40	0.50	0.70
Eleventh Street Ramps	0.15	0.20	0.20	0.30	0.40	0.60
Boulevard Bridge	0.20	0.20	0.20	0.40	0.50	0.70
	Effective Date					
	Opening (1)	July 1978	Nov. 1986	April 1988	January 1998	Sept. 2008
<b>Four-Axle Vehicles</b>						
Powhite Parkway Mainline	\$ 0.40	\$ 0.45	\$ 0.50	\$ 0.55	\$ 0.70	\$ 0.90
Forest Hill Ramps	0.40	0.45	0.50	0.55	0.70	0.90
Douglasdale Ramps	0.20	0.10	0.10	0.20	0.25	0.40
Downtown Expressway Mainline	0.30	0.45	0.50	0.55	0.70	0.90
Second Street Ramps	0.20	0.20	0.20	0.40	0.50	0.70
Eleventh Street Ramps	0.20	0.20	0.20	0.30	0.40	0.60
Boulevard Bridge	0.20	0.20	0.20	0.40	N/A (2)	N/A (2)
	Effective Date					
	Opening (1)	July 1978	Nov. 1986	April 1988	January 1998	Sept. 2008
<b>Five or More-Axle Vehicles</b>						
Powhite Parkway Mainline	\$ 0.50	\$ 0.55	\$ 0.60	\$ 0.65	\$ 0.80	\$ 1.00
Forest Hill Ramps	0.50	0.55	0.60	0.65	0.80	1.00
Douglasdale Ramps	0.20	0.10	0.10	0.20	0.25	0.40
Downtown Expressway Mainline	0.35	0.55	0.60	0.65	0.80	1.00
Second Street Ramps	0.25	0.20	0.20	0.40	0.50	0.70
Eleventh Street Ramps	0.25	0.20	0.20	0.30	0.40	0.60
Boulevard Bridge	0.20	0.20	0.20	0.40	N/A (2)	N/A (2)

(1) Opening dates for Authority's Expressway System facilities: Boulevard Bridge in 1969, Powhite Parkway in 1973, and Downtown Expressway in 1976.

(2) Vehicles over three axles are no longer permitted on the Boulevard Bridge.

## Statistical Section

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

Fiscal Year	Revenues	Direct Operating Expenses (1)	Net Revenue Available for Debt Service	Principal (2)	Interest	Total Required Debt Service	DSCR (3)
2009	34,409,168	11,866,709	22,542,459	6,810,000	6,860,225	13,670,225	1.65
2010	35,433,491	11,865,436	23,568,055	7,234,000	6,442,811	13,676,811	1.72
2011	36,291,178	12,360,824	23,930,354	7,590,000	6,071,349	13,661,349	1.75
2012	36,819,240	12,077,889	24,741,351	3,510,000	8,392,478	11,902,478	2.08
2013	37,203,037	11,752,204	25,450,833	3,725,000	9,130,096	12,855,096	1.98
2014	38,176,186	12,293,218	25,882,968	3,960,000	8,895,357	12,855,357	2.01
2015	39,270,422	13,247,175	26,023,247	4,170,000	8,696,482	12,866,482	2.02
2016	41,530,698	13,339,232	28,191,466	4,390,000	8,444,913	12,834,913	2.20
2017	43,024,426	13,696,689	29,327,737	4,615,000	8,280,606	12,895,606	2.27
2018	43,588,346	12,917,185	30,671,161	6,905,000	7,833,846	14,738,846	2.08

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

**Expressway System Revenue Bond Coverage Ratio**  
Last Ten Fiscal Years



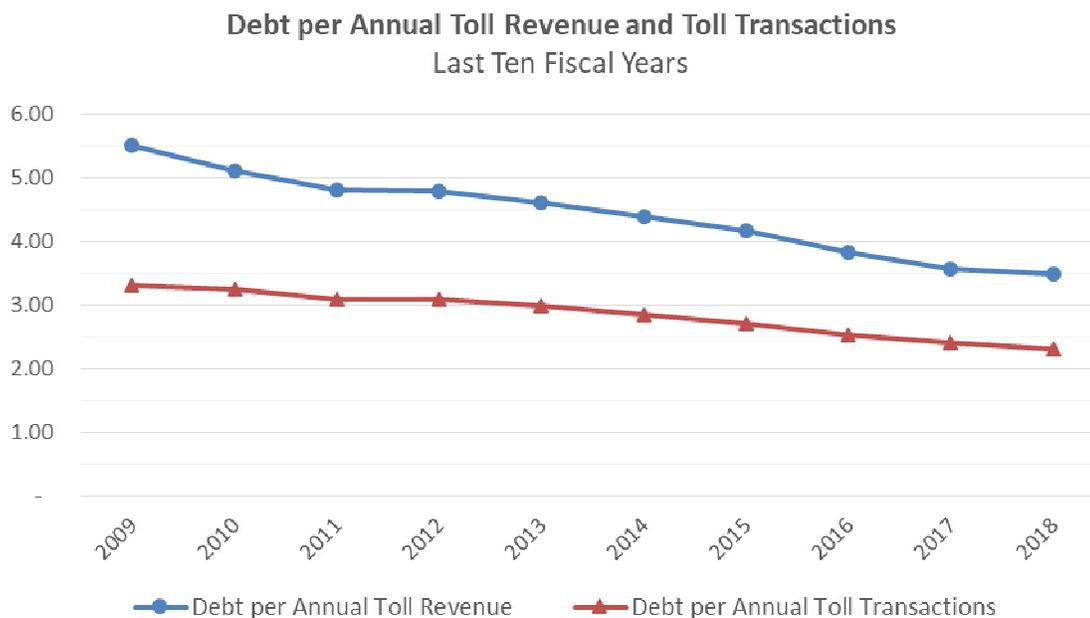
## Statistical Section

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

Fiscal Year	Outstanding Bonds	Outstanding Subordinate Notes and Accrued Interest	Less: Debt Service Reserves	Total Debt, Net of Resources	Debt per Annual Toll Revenues (1)	Debt per Annual Toll Transactions (2)
2009	137,595,243	59,102,305	(14,352,025)	182,345,523	5.51	3.31
2010	130,566,720	60,333,919	(14,848,238)	176,052,401	5.11	3.26
2011	123,127,124	61,561,294	(14,530,282)	170,158,136	4.81	3.08
2012	187,875,953	-	(14,680,321)	173,195,632	4.80	3.08
2013	183,648,902	-	(14,570,022)	169,078,880	4.62	2.99
2014	179,636,975	-	(14,364,494)	165,272,481	4.38	2.85
2015	175,380,940	-	(13,827,237)	161,553,703	4.16	2.72
2016	170,935,852	-	(13,977,119)	156,958,733	3.82	2.52
2017	166,278,027	-	(13,821,483)	152,456,544	3.59	2.40
2018	162,776,986	-	(13,740,086)	149,036,900	3.48	2.32

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

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



## Statistical Section

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Employer Ranking (1, 2)</b>										
Virginia Commonwealth University	1	1	1	1	2	2	2	1	1	1
Capital One Bank	4	4	4	2	1	1	1	2	2	3
Henrico County School Board	3	3	2	3	4	4	3	3	3	7
Chesterfield County School Board	2	2	3	4	3	3	4	4	5	6
MCV Hospital	5	5	5	5	6	6	5	5	4	2
Bon Secours Health System	7	6	7	6	9	8	7	6	7	4
HCA Virginia Health System	-	-	-	-	5	5	6	7	6	5
US Department of Defense	8	8	6	7	8	9	8	8	9	8
Wal-Mart	6	7	8	8	7	7	9	9	8	9
Amazon	-	-	-	-	-	-	-	-	10	10
Integrity Staffing Solutions	-	-	-	-	-	10	10	10	-	-
Richmond City Public Schools	9	9	9	9	10	-	-	-	-	-
County of Henrico	-	-	-	10	-	-	-	-	-	-
City of Richmond	10	10	10	-	-	-	-	-	-	-
<b>Richmond Area Employment (3)</b>	603,549	575,851	578,495	590,551	600,337	608,250	621,411	631,095	636,068	689,437

- (1) Final quarter data for the top ten employers shown based on the most recent calendar year (2007-2018).
- (2) The Virginia Employment Commission does not disclose the actual number of employees, due to the Confidential Information Protection and Statistical Efficiency Act – Title V of Public Law 107-347. All employers have over 1,000 individuals employed.
- (3) Annual amounts based on the most recent calendar year (2007-2016). Total employment data obtained from the Bureau of Labor Statistics. Employment numbers are not seasonally adjusted. Historical employment data was updated in fiscal year 2017 based on revised employment estimates.

*Source: Virginia Employment Commission, Bureau of Labor Statistics*

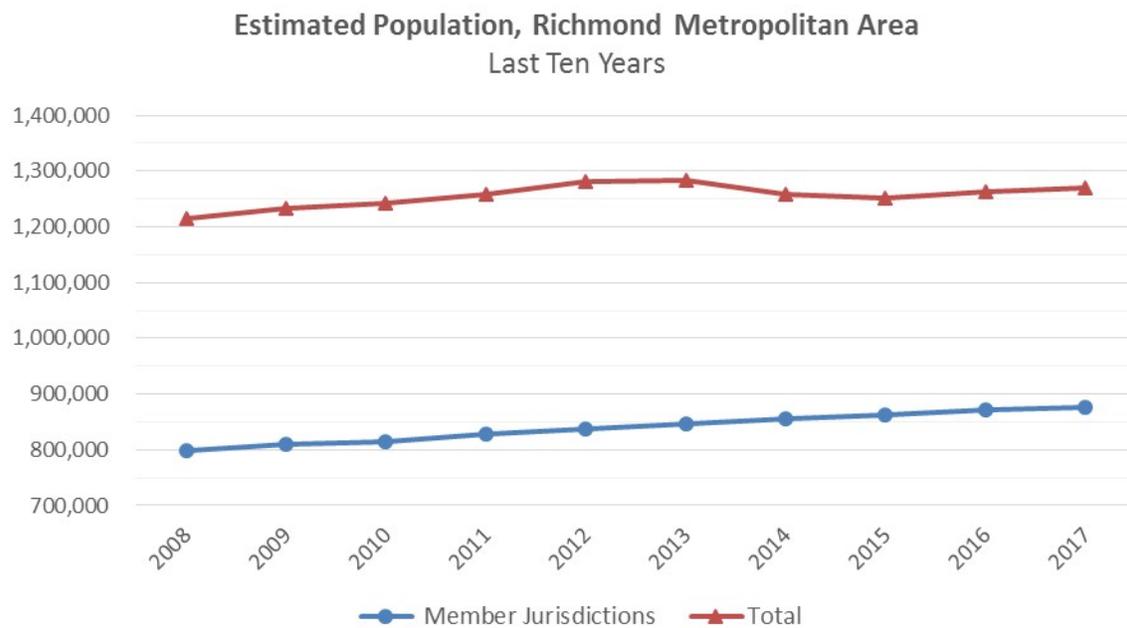
## Statistical Section

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

Year	City of Richmond	Chesterfield County	Henrico County	Total RMTA Member Jurisdictions	Other Service Area	Total
2009	201,300	308,400	300,200	809,900	424,300	1,234,200
2010	198,200	311,600	304,600	814,400	426,900	1,241,300
2011	204,200	316,200	306,900	827,300	430,900	1,258,200
2012	206,200	319,600	310,700	836,500	443,800	1,280,300
2013	208,800	322,400	314,900	846,100	436,400	1,282,500
2014	211,172	326,950	316,973	855,095	404,171	1,259,266
2015	213,504	330,043	318,019	861,566	389,477	1,251,043
2016	217,938	333,450	320,717	872,105	391,512	1,263,617
2017	221,679	333,963	321,233	876,875	392,254	1,269,129
2018	226,919	346,357	326,993	900,269	399,001	1,299,270

(1) Population estimates as of July 1 of the previous year (2007-2018).

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



## Statistical Section

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenue (1):										
Powhite Parkway	\$19,975,538	\$21,182,480	\$21,650,023	\$22,197,895	\$22,399,507	\$22,868,671	\$23,606,375	\$24,796,353	\$25,470,997	\$25,721,280
Downtown Expressway	11,009,880	11,421,500	11,791,817	11,900,320	12,210,502	12,823,395	13,061,678	13,674,656	13,979,051	14,216,747
Boulevard Bridge	1,583,822	1,610,910	1,607,330	1,583,026	1,555,089	1,515,723	1,492,920	1,523,353	1,510,119	1,448,157
<b>Total</b>	<u>\$32,569,240</u>	<u>\$34,214,890</u>	<u>\$35,049,170</u>	<u>\$35,681,241</u>	<u>\$36,165,098</u>	<u>\$37,207,789</u>	<u>\$38,160,973</u>	<u>\$39,994,362</u>	<u>\$40,960,167</u>	<u>\$41,386,184</u>
Traffic:										
Powhite Parkway	31,381,386	31,057,461	31,787,393	32,666,065	32,842,238	33,554,196	34,579,728	36,350,428	37,354,162	37,689,222
Downtown Expressway	18,857,745	18,326,751	18,838,516	19,002,222	19,344,609	20,225,578	20,623,336	21,561,269	21,863,219	22,460,081
Boulevard Bridge	4,800,726	4,619,608	4,575,223	4,562,253	4,426,225	4,312,318	4,262,366	4,343,172	4,332,640	4,206,077
<b>Total</b>	<u>55,039,857</u>	<u>54,003,820</u>	<u>55,201,132</u>	<u>56,230,540</u>	<u>56,613,072</u>	<u>58,092,092</u>	<u>59,465,430</u>	<u>62,254,869</u>	<u>63,550,021</u>	<u>64,355,380</u>
Avg. Toll (2)	\$0.59	\$0.63	\$0.63	\$0.63	\$0.64	\$0.64	\$0.64	\$0.64	\$0.64	\$0.64
E-ZPass % (3)	55.5%	58.1%	59.6%	60.6%	62.0%	63.0%	64.9%	66.5%	68.6%	70.6%
Lane Miles	45.91	49.90	49.90	49.90	50.15	50.15	50.15	50.15	50.15	50.15

(1) Toll revenue excludes violation enforcement revenue. Toll rates were last increased in September 2008 (fiscal year 2009).

(2) Average toll is determined by dividing toll revenue by traffic volumes.

(3) Transactions paid via E-ZPass as a percentage of total traffic.

## Statistical Section

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expressway System										
Full time	89	89	89	89	87	87	90	84	84	82
Part time	26	27	26	29	28	32	34	37	36	31
	<u>115</u>	<u>116</u>	<u>115</u>	<u>118</u>	<u>115</u>	<u>119</u>	<u>124</u>	<u>121</u>	<u>120</u>	<u>113</u>
Central Administration										
Full time	17	17	17	17	17	12	12	13	12	10
Part time	1	1	1	1	1	1	1	1	1	1
	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>13</u>	<u>13</u>	<u>14</u>	<u>13</u>	<u>11</u>
Parking Operations										
Full time	2	2	2	2	2	-	-	-	-	-
Part time	5	6	6	6	5	-	-	-	-	-
	<u>7</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Main Street Station										
Full time	2	2	2	2	2	2	2	2	2	1
Part time	-	-	-	-	-	-	-	-	-	11
	<u>2</u>	<u>12</u>								
Total										
Full time	110	110	110	110	108	101	104	99	98	93
Part time	32	34	33	36	34	33	35	38	37	43
	<u>142</u>	<u>144</u>	<u>143</u>	<u>146</u>	<u>142</u>	<u>134</u>	<u>139</u>	<u>137</u>	<u>135</u>	<u>136</u>



# Compliance Section

---

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of each major fund of the Richmond Metropolitan Transportation Authority (the "Authority"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 25, 2019. Our report indicates that the Authority implemented a new accounting standard effective July 1, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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.

Handwritten signature in blue ink that reads "Cheryl Behrnt CP".

Richmond, Virginia  
June 25, 2019