



Annual Comprehensive Financial Report

For the year ended June 30, 2023

Serving Chesterfield, Henrico, and Richmond, Virginia

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

Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023



Prepared by the Department of Finance

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Introductory Section



901 East Byrd Street, Suite 1120, Richmond, Virginia 23219
Telephone 804-523-3300 – www.rmtaonline.org – Fax 804-523-3335

March 22, 2024

Board of Directors
Richmond Metropolitan Transportation Authority
Richmond, Virginia

Honorable Members of the Board:

The Annual Comprehensive Financial Report (“ACFR”) of the Richmond Metropolitan Transportation Authority (“RMTA” or the “Authority”), as of and for the fiscal year ended June 30, 2023, is hereby submitted. Section 710 of a resolution, adopted October 18, 2011, creating and establishing an issue of revenue bonds of the Authority, requires an annual audit of the Authority’s financial statements by independent certified public accountants.

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

Cherry Bekaert LLP has issued an unmodified (“clean”) audit opinion on the Authority’s financial statements, as of and for the year ended June 30, 2023. 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 sixteen-member Board of Directors.

Transmittal Letter

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

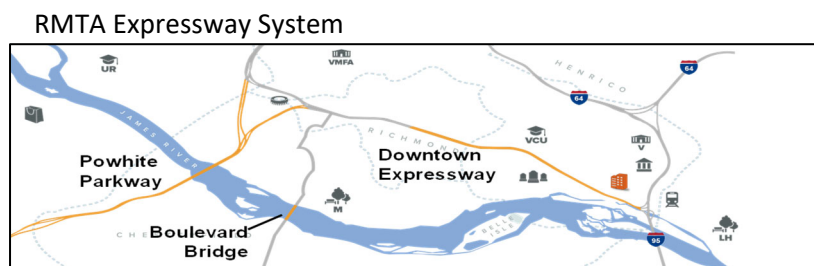
The Authority is a self-supporting entity, depending solely on the revenues derived from operations and proceeds from the issuance of revenue bonds to fund the Expressway System. The resolutions authorizing the issuance of bonds prohibit the commingling of funds between the Authority's different operations (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 fiscal year 1976 to approximately 59 million in fiscal year 2023.

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

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

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

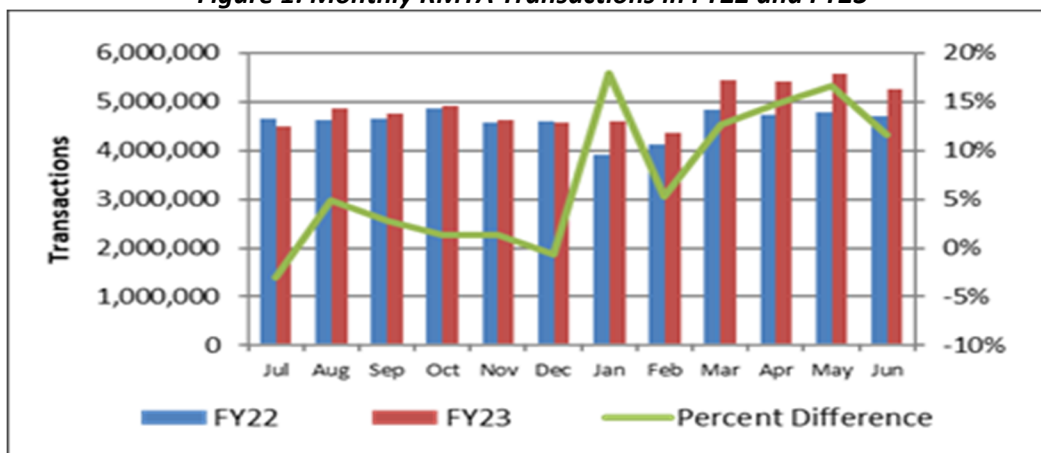


Transmittal Letter

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. During the COVID-19 pandemic, economic conditions deteriorated rapidly and traffic volume decreased significantly for the RMTA Expressway system. The employment levels have steadily increased in FY 2022 and continued to increase in FY 2023. As the recovery from the pandemic continues, it is anticipated that the Richmond area is set on a course of stable growth. As businesses began to re-open, employment levels and traffic volumes continued to increase from the initial COVID impact.

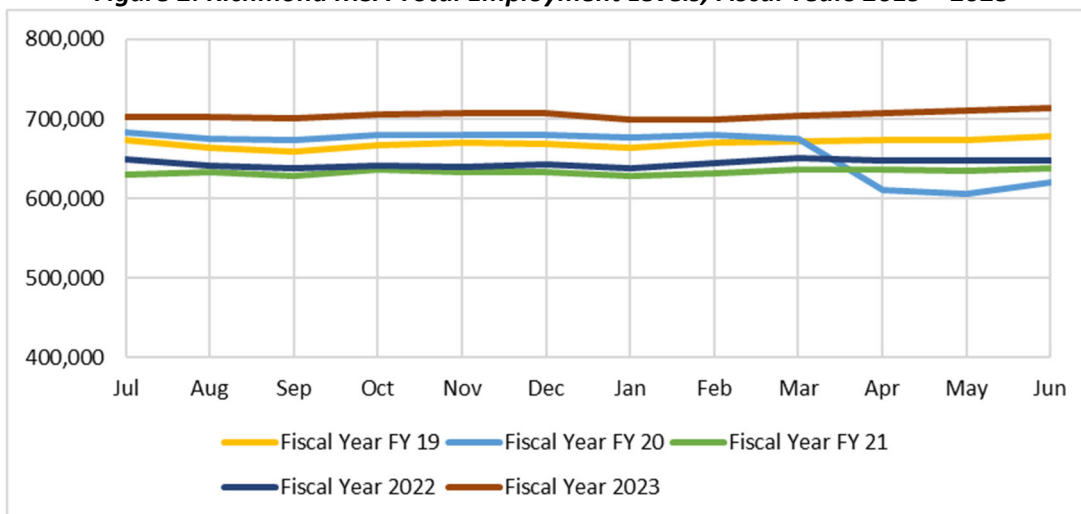
Figure 1: Monthly RMTA Transactions in FY22 and FY23



Source - RMTA

Figure 2 notes the total employment levels for the Richmond MSA for fiscal years 2019 through 2023. The impact of the COVID-19 pandemic is first identified in March and April 2020.

Figure 2: Richmond MSA Total Employment Levels, Fiscal Years 2019 – 2023



Source – Weldon Cooper Center for Public Service, Demographics Research Group
<https://demographics.coopercenter.org>

Transmittal Letter

Fuel price volatility can impact system traffic levels. As of March 2023, gas prices were averaging approximately \$3.40. It should be noted that Richmond gas prices have been generally below those of the United States as a whole.

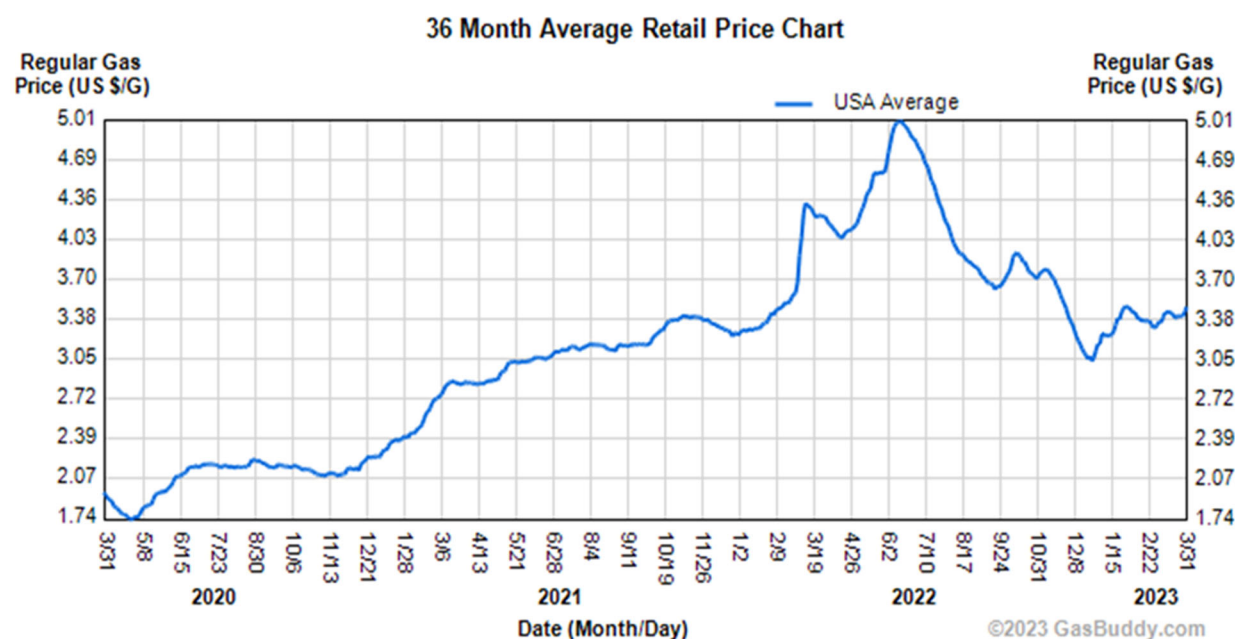


Figure 3 notes average regular gas price per gallon for the previous 36 months for Richmond and the nation.

Revenue for FY2024 is projected to increase to \$44.8 million. This increase is primarily driven by an increase September 1st 2023. The base toll at the main plazas will increase from \$.70 to \$1.00. The Authority anticipates a slight decrease in traffic when compared to fiscal year 2023 traffic as a result of the toll increase.

While the Authority believes the traffic and revenue forecast is conservative, objective, and realistic in light of the current environment, the forecast is stressed to determine how a decline in revenue would impact the Authority's financial position. Even in the event of a 10% loss in budgeted traffic and toll revenue, it is estimated that all debt service coverage requirements would be satisfied during FY2024; in an extreme case of a 20-30% loss in traffic and toll revenue, FY2024 revenue and significant cash reserves would still be sufficient to pay for operations and required debt service.

The Greater Richmond area has benefited from population trends that are shifting across the nation as more individuals leave big cities for mid-sized, more affordable locations. According to recent data from CoStar, the Richmond MSA is the 16th fastest growing Metropolitan Statistical Area among MSAs with more than one million residents. The data points to an increase in both domestic and international migration to the Richmond MSA, meaning Richmond is attracting new members to the local workforce both near and far. According to data from CoStar, Richmond still ranks as one of the fastest growing markets nationally despite the slowing of population gains in metropolitan areas. <https://www.grpva.com/>

Transmittal Letter

Greater Richmond maintained economic momentum in 2023 thanks to the region's ample business advantages such as its low cost of doing business, strategic location and strong education-to-workforce pipeline. For these reasons and more, companies and developers continue investing in Greater Richmond.

- Greater Richmond is a national leader in warehouse employment growth according to research firm Oxford Economics. Since the second quarter of 2022, the Richmond MSA had the biggest gain in warehouse hiring nationwide. Based on an analysis of federal research data, Richmond had the most significant gains of all job markets at 7.3 percent, beating Los Angeles, Calif., at 6.9 percent and Sacramento, Calif., at 4.2 percent.
- The City of Richmond is looking to the future with three redevelopment projects. The Diamond District includes a 67-acre, pedestrian-friendly development connecting to adjacent neighborhoods that will feature a new MiLB baseball stadium, office space, parks, residential options and more. Development proposals have been submitted for Richmond's City Center project, a mixed-use innovation district that will help spur life sciences research and development. Lastly, Richmond Amphitheater LLC announced plans to bring a \$30 million, 7,500-seat amphitheater to downtown's riverfront, home to the wildly popular Richmond Folk Festival.
- The Advanced Pharmaceutical Manufacturing cluster in Richmond, Virginia, was named one of 31 Tech Hubs by the U.S. Department of Commerce Economic Development Administration. The designation is the first phase of the new Tech Hubs program, which is an economic development initiative that identifies burgeoning high-potential regions and aims to drive regional innovation and job creation. www.grpva.com
- With a \$1 billion manufacturing plant still in the offing in Chesterfield, Lego Group recently kicked off operations at a temporary product packaging facility elsewhere in the county. The Danish toymaker is now up and running at 1600 Ruffin Mill Road, where it leases a 264,000-square-foot warehouse that handles the packaging of the company's building-block kits. The temporary center is a precursor to Lego's plans to open a 1.7 million-square-foot manufacturing plant in the nearby Meadowville Technology Park. www.grpva.com
- Virginia Commonwealth University ("VCU"), located in the heart of Richmond with an enrollment in excess of 31,000 students, continues to be a key factor in new development. VCU and its health system plan to invest \$3.5 billion in the region over the next 12 to 15 years.

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

Transmittal Letter

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.

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



Steven Owen
Director of Finance

Principal Officials



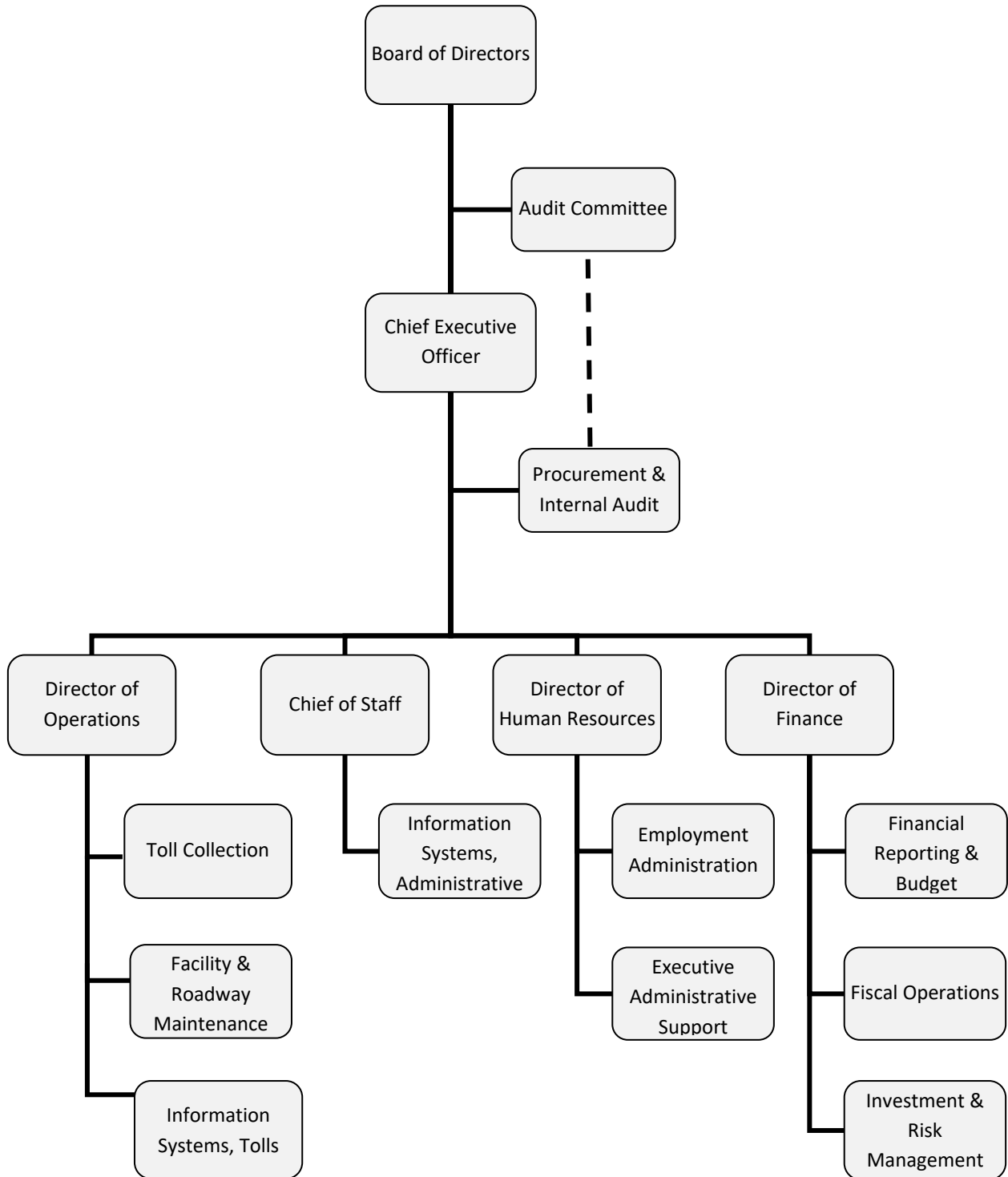
Board of Directors

Marvin Tart, Chairman	Henrico County
Lane Ramsey, Vice-Chairman	Chesterfield County
Carlos M. Brown	Commonwealth Transportation Board
Dironna Clarke	City of Richmond
Dr. Unwana Dabney	City of Richmond
Jane duFrane	Henrico County
Aubrey Fountain	City of Richmond
Barrett Hardiman	City of Richmond
Thomas A. Hawthorne	Henrico County
Dean Lynch	Chesterfield County
Ian Millikan	Chesterfield County
Steven Mulroy	Chesterfield County
Tyrone Nelson	Henrico County
Stephen Story	Henrico County
Marilyn West	City of Richmond
Donald Williams	Chesterfield County

Executive Management

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

Organizational Chart





Financial Section

Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Expressway System major fund and the aggregate remaining fund information of the Richmond Metropolitan Transportation Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Expressway System major fund and the aggregate remaining fund information of the Authority, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"), 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* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and Specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Specifications, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 benefits 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2024, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
March 22, 2024

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, 2023. 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 \$172 million (net position), an increase of \$11.6 million or 7.2%. This increase in net position is primarily due to a 1.2% increase in assets and a 4.9% reduction of liabilities as a result of operations.

Operating revenues of \$36.6 million represent an increase of 7.0% from the prior fiscal year, primarily from a comparable increase in traffic volume due to the recovery from the novel coronavirus ("COVID-19") pandemic that occurred in the second half of the prior fiscal year. Operating expenses of \$20.3 million represent an increase of 8.3% primarily due to the increase in both personnel and operating expense. The increase in personnel and operating expense was a result of operational changes due to increase in traffic as the recovery from the pandemic continued.

Overview of the Financial Statements

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

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

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

Management's Discussion and Analysis

Overall Financial Position Analysis

	<u>FY2023</u>	<u>FY2022</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Current and other assets	\$ 85,444,605	\$ 85,024,900	\$ 419,705	0.5%
Capital assets	216,031,504	213,022,808	3,008,696	1.4%
Total assets	<u>301,476,109</u>	<u>298,047,708</u>	<u>3,428,401</u>	1.2%
Deferred outflows of resources	<u>4,077,356</u>	<u>4,700,947</u>	<u>(623,591)</u>	-13.3%
Total assets and deferred outflows of resources	<u>\$ 305,553,465</u>	<u>\$ 302,748,655</u>	<u>\$ 2,804,810</u>	0.9%
Liabilities				
Current liabilities	\$ 10,114,055	\$ 12,459,184	\$ (2,345,129)	-18.8%
Long-term liabilities	120,754,789	125,098,430	(4,343,641)	-3.5%
Total liabilities	<u>130,868,844</u>	<u>137,557,614</u>	<u>(6,688,770)</u>	-4.9%
Deferred inflows of resources	<u>3,115,813</u>	<u>5,216,998</u>	<u>(2,101,185)</u>	-40.3%
Net position (deficit)				
Net investment in capital assets	137,254,349	126,619,213	10,635,136	8.4%
Restricted	42,770,311	42,884,891	(114,580)	-0.3%
Unrestricted (deficit)	<u>(8,455,852)</u>	<u>(9,530,061)</u>	<u>1,074,209</u>	-11.3%
Total net position	<u>171,568,808</u>	<u>159,974,043</u>	<u>11,594,765</u>	7.2%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 305,553,465</u>	<u>\$ 302,748,655</u>	<u>\$ 2,804,810</u>	0.9%

The table above presents a summary of the Authority's financial position for fiscal years 2023 and 2022, followed by a description of significant changes. See Note 1 to the financial statements for additional information.

- Current and other assets of \$85.5 million increased as a result of operations.
- Capital assets of \$216 million increased due to a \$3.3 million increase in expressway system and other non-depreciable assets.
- Deferred outflows of resources decreased primarily in FY2023 due to amortization of refunding losses (\$135 thousand) and a \$228 thousand decrease related to pensions along with a \$261 thousand decrease related to Other Postemployment Benefits ("OBEP").
- Current liabilities decreased primarily due to a decrease in accounts payable at fiscal year-end as a result of timing and operating activity.
- Long-term liabilities decreased primarily as a result of debt service payments (\$7.7 million).
- Deferred inflows of resources decreased by \$2.1 million primarily as a result of an decrease related to pensions of \$1.6 million, a decrease related to OPEB of \$503 thousand.
- Restricted net position represents resources restricted for the payment of debt service or capital projects (repairs and contingency).
- The net investment in capital assets increased due to a \$7.7 million reduction in debt.
- Net position, unrestricted represents the residual net position that does not meet the definition of "net investment in capital assets" or "restricted" that was offset by the \$11.6 million change in net position for the year.

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 2023 and 2022, followed by a description of significant changes. See Note 1 to the financial statements for additional information.

	FY2023	FY2022	\$ Change	% Change
Tolls	\$ 36,518,252	\$ 34,123,281	\$ 2,394,971	7.0%
Rental	45,279	41,695	3,584	8.6%
Other	910	221	689	311.8%
Total operating revenues	36,564,441	34,165,197	2,399,244	7.0%
Operating expenses	20,334,305	18,769,092	1,565,213	8.3%
Operating income	16,230,136	15,396,105	834,031	5.4%
Nonoperating expenses, net	(4,635,371)	(8,989,238)	4,353,867	-48.4%
Change in net position	11,594,765	6,406,867	5,187,898	81.0%
Beginning net position	159,974,043	153,567,176	6,406,867	4.2%
Ending net position	\$ 171,568,808	\$ 159,974,043	\$ 11,594,765	7.2%

- Operating revenues of \$36.6 million increased from the prior fiscal year primarily due to an increase in traffic volume as a result of the recovery from the COVID-19 pandemic that occurred in the second half of the fiscal year.
- Operating expenses of \$20.3 million increased from the prior fiscal year primarily due to an increase in both personnel and operating expenses due to operational changes as a result of the increase in traffic as the recovery from the pandemic continued.

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, 2023, capital assets net of accumulated depreciation increased from \$213 million to \$216.0 million, primarily due to the addition of the "Construction in Progress" of \$3.3 million. The change in capital assets is summarized by asset type below:

	FY2023	FY2022	\$ Change	% Change
Expressway System	\$ 209,969,531	\$ 209,969,531	\$ -	0.0%
Construction in Progress	3,256,621	-	3,256,621	100.0%
Buildings	1,830,384	1,903,307	(72,923)	-3.8%
Vehicles and equipment	18	13,883	(13,865)	-99.9%
Office Furniture and equipment	84,965	75,804	9,161	12.1%
Right-to-use asset	858,063	1,021,503	(163,440)	-16.0%
Leasehold	31,922	38,780	(6,858)	-17.7%
Total	\$ 216,031,504	\$ 213,022,808	\$ 3,008,696	1.4%

See Note 5 for additional information relative to capital assets.

Management's Discussion and Analysis

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 2023, the Authority spent approximately \$7.2 million to preserve and maintain the Expressway System at or above this level.

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

Debt Administration

At June 30, 2023, outstanding bonds payable of \$120.7 million decreased by \$7.7 million or 6.0% from the prior year, primarily due to scheduled debt service payments. The total outstanding bonds payable is comprised of Expressway System parity debt. Principal in the amount of \$4.0 million is payable on July 15, 2023. See Note 5 for additional detail.

Economic Factors and Next Year's Budget

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

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.

Richmond Metropolitan Transport Authority
Statement of Net Position
As of June 30, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$ 7,368,763
Restricted cash	6,673,794
Accrued interest receivable	120,005
Lease receivable	31,600
Receivables	27,322
Prepaid expenses	139,470

Total current assets	<u>14,360,954</u>
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Noncurrent assets:

Restricted cash	17,369,468
Restricted long-term investments	21,192,804
Other long-term investments	25,327,300
Lease receivable	341,331
Escrow asset	33,886
Net pension asset	3,614,413
Net OPEB asset	3,204,449

Capital assets:

Expressway system and other non-depreciable assets	213,226,152
Buildings, systems, and equipment (net)	1,947,289
Right-to-use lease assets (net)	858,063

Capital assets, net	<u>216,031,504</u>
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Total noncurrent assets	<u>287,115,155</u>
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Total assets	<u>301,476,109</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on refunding	2,556,084
Deferred outflows related to pensions	405,584
Deferred outflows related to OPEB	1,115,688

Total deferred outflows of resources	<u>4,077,356</u>
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Total assets and deferred outflows of resources	<u>\$ 305,553,465</u>
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The accompanying notes are an integral part of these statements.

Richmond Metropolitan Transport Authority
Statement of Net Position (continued)
As of June 30, 2023

LIABILITIES

Current liabilities:

Accounts payable	\$ 2,387,788
Accounts payable from restricted cash	375,865
Accrued interest payable	2,618,538
Unearned revenues	11,000
Compensated absences, current	130,508
Lease payable, current	151,737
Bonds payable, current	4,438,619
Total current liabilities	<u>10,114,055</u>

Noncurrent liabilities:

Compensated absences	340,946
Lease payable	752,234
Bonds payable	119,489,784
Net OPEB liability	171,825
Total noncurrent liabilities	<u>120,754,789</u>

Total liabilities	<u>130,868,844</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	1,302,224
Deferred inflows related to OPEB	1,451,808
Deferred inflows related to leases	361,781
Total deferred inflows of resources	<u>3,115,813</u>

NET POSITION

Net investment in capital assets	137,254,349
Restricted for repairs and contingency	19,183,003
Restricted for debt service	23,587,308
Unrestricted (deficit)	(8,455,852)
Total net position	<u>171,568,808</u>

Total liabilities, deferred inflows of resources, and net position	<u>\$ 305,553,465</u>
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The accompanying notes are an integral part of these statements

Richmond Metropolitan Transport Authority
Statement of Revenues, Expenses, and Change in Net Position
For the Fiscal Year Ended June 30, 2023

Operating revenues:	
Tolls	\$ 36,518,252
Rentals	45,279
Other	910
Total operating revenues	<u>36,564,441</u>
Operating expenses:	
Salaries and benefits	3,627,790
Operations	8,319,393
Preservation and capital maintenance	8,116,030
Depreciation and amortization	271,092
Total operating expenses	<u>20,334,305</u>
Operating income	<u>16,230,136</u>
Nonoperating revenues (expenses):	
Investment gain	956,916
Lease interest revenue	13,816
Interest expense	(5,606,103)
Total nonoperating expenses, net	<u>(4,635,371)</u>
Change in net position	<u>11,594,765</u>
Net position - beginning	<u>159,974,043</u>
Net position - ending	<u>\$ 171,568,808</u>

The accompanying notes are an integral part of these statements

Richmond Metropolitan Transport Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 36,547,937
Payments to suppliers and service providers	(14,852,536)
Payments to employees for salaries and benefits	(5,017,969)
Net cash provided by operating activities	<u>16,677,432</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest paid on revenue bonds and notes	(5,910,663)
Principal paid on revenue bonds and notes	(7,650,000)
Interest paid on leases	(39,602)
Principal paid on leases	(142,930)
Payment for capital assets	(3,279,788)
Net cash used for capital and related financing activities	<u>(17,022,983)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(6,752,864)
Proceeds from sale and maturities of investments	27,850,025
Interest on investments	422,891
Lease interest revenue	13,816
Net cash provided by investing activities	<u>21,533,868</u>
Net increase in cash and cash equivalents	21,188,317
Cash and cash equivalents and restricted cash - July 1	10,223,706
Cash and cash equivalents and restricted cash - June 30	<u>\$ 31,412,025</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income	\$ 16,230,136
Depreciation/amortization expense	271,092
Increase in deferred outflows	489,061
Increase in accounts receivable	19,675
Increase in prepaid expenses	8,555
Decrease in accounts payable and accrued liabilities	1,549,815
Increase in net pension asset	510,635
Increase in net OPEB asset and liability	(300,351)
Increase in deferred inflows	(2,101,186)
Net cash provided by operating activities	<u>\$ 16,677,432</u>
Non-cash Investing Activities:	
Net change in fair value of investments	<u>\$ (2,421,779)</u>

The accompanying notes are an integral part of these statements

Richmond Metropolitan Transport Authority
Statement of Fiduciary Net Position - Fiduciary Fund
As of June 30, 2023

Assets

Cash and investments held by trustees	\$ 6,599,555
Total Assets	<u>6,599,555</u>

Net Position

Restricted for other postemployment benefits	6,599,555
Total net position	<u>\$ 6,599,555</u>

The accompanying notes are an integral part of these statements

Richmond Metropolitan Transport Authority
Statement of Changes in Fiduciary Net Position - Fiduciary Fund
For the Fiscal Year Ended June 30, 2023

Additions:	
Employer contributions	\$ 153,739
Net gain in fair value of investments	<u>459,414</u>
Total additions	<u>613,153</u>
Deductions:	
Benefit payments	<u>103,739</u>
Total deductions	<u>103,739</u>
Change in net position	<u>509,414</u>
Net position - beginning	<u>6,090,141</u>
Net position - ending	<u>\$ 6,599,555</u>

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. 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.

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

The Authority participates as a single employer other postemployment benefit plan (“OPEB”) which qualifies as a fiduciary component unit and is reported as an OPEB Trust fund.

Basis of presentation

The Authority administers one enterprise fund, Expressway System. The bond indenture requires that the Authority maintain a Repairs and Contingency (“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. Qualifying expenses are capitalized in accordance with established policy, while the remaining expenses are reflected in the Expressway System fund as “Preservation and capital maintenance”.

Measurement focus and basis of accounting

The fund of the Authority is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

Investments – 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.

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

Notes to Basic Financial Statements

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

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

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

Lease receivables - The Authority's lease receivable consists of a parking and dumpster license and is measured at the present value of lease payments expected to be received during the lease term. The deferred inflows of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable.

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.

The Authority has recorded right-to-use lease assets. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

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 (“Expressway System”) maintained by the Authority are accounted for using the modified approach.

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.

Notes to Basic Financial Statements

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 assets 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 for loss on debt refunding, deferred outflows of resources related to pensions, deferred outflows of resources related OBEP.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. The Authority has items qualifying for reporting in this category including items related to pensions, OBEP and lease receivable.

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

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

GLI 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 operations. The principal operating revenues of the Authority are charges to customers for tolls and facility rentals. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

New Governmental Accounting Standards Board ("GASB") Pronouncements

The GASB has issued the following statements with effective implementation dates later than the fiscal year ending June 30, 2023. The statements deemed to have a potential future impact on the Authority are:

- GASB Statement No. 99, *Omnibus 2022* – This Statement amends provisions related to financial guarantees and the classification and reporting of certain derivative instruments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
- GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.
- GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to better meet the information needs of financial statement users by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Notes to Basic Financial Statements

Note 2 – Cash and cash equivalents

At June 30, 2023, the carrying amount of deposits with banks was \$14,024,557 with \$6,673,794 being restricted for repairs and contingency. The bank balance of these deposits at June 30, 2023 was \$13,509,252. 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 \$110,299.

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, 2023, the Authority had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Credit Rating (Moody's, S&P)	% of Total Portfolio	Fair Value Measurement
US Treasuries	\$24,458,543	0.67	AAA, NA	53%	Level 2
Federal National Mortgage Association	7,341,366	0.27	AAA, AA+	16%	Level 2
Federal Home Loan Mortgage	4,305,045	0.08	AAA, AA+	9%	Level 2
Federal Home Loan Bank	8,957,550	0.33	AAA, AA+	19%	Level 2
Federal Farm Credit Bureau	1,457,600	0.02	AAA, AA+	3%	Level 2
	<u>\$46,520,104</u>	<u>1.37</u>			

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

Purpose	Investments	Cash	Total
Debt service reserves	\$ 7,371,436	\$ 17,369,468	\$ 24,740,904
Restricted for Repair and Contingency	13,821,368	6,673,794	20,495,162
	<u>\$ 21,192,804</u>	<u>\$ 24,043,262</u>	<u>\$ 45,236,066</u>

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.

Notes to Basic Financial Statements

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

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

Note 4 – Capital Assets

Capital assets activity for the year ended June 30, 2023 was as follows:

Type	July 1, 2022	Additions	Deletions	June 30, 2023
Non-depreciable:				
Expressway System	\$ 209,969,531	\$ -	\$ -	\$ 209,969,531
Construction in Progress	-	3,256,621	-	3,256,621
Total Non-depreciable	209,969,531	3,256,621	-	213,226,152
Depreciable and amortizable:				
Buildings	2,925,621	-	-	2,925,621
Vehicles & Equipment	801,846	-	-	801,846
Office Furniture & Equipment	142,657	23,167	-	165,824
Toll Systems	8,508,652	-	-	8,508,652
Right-to-use - Building	1,184,943	-	-	1,184,943
Leasehold	68,578	-	-	68,578
Total depreciable and amortizable	13,632,297	23,167	-	13,655,464
Less accumulated depreciation and amortization:				
Buildings	(1,022,096)	(73,141)	-	(1,095,237)
Vehicles & Equipment	(787,963)	(13,865)	-	(801,828)
Office Furniture & Equipment	(67,071)	(13,788)	-	(80,859)
Toll Systems	(8,508,652)	-	-	(8,508,652)
Right-to-use asset - Building	(163,440)	(163,440)	-	(326,880)
Leasehold	(29,798)	(6,858)	-	(36,656)
Total accumulated depreciation and amortization	(10,579,020)	(271,092)	-	(10,850,112)
Total depreciable and amortizable, net	3,053,277	(247,925)	-	2,805,352
Total capital assets, net	\$ 213,022,808	\$ 3,008,696	\$ -	\$ 216,031,504

Notes to Basic Financial Statements

Note 5 – Long-term liabilities

Long-term liabilities at June 30, 2023 for the Authority consisted of:

Type	June 30, 2022	Additions	Reductions	June 30, 2023	Due Within One Year
Bonds payable	\$ 128,370,000	\$ -	\$ (7,650,000)	\$ 120,720,000	\$ 4,050,000
Issuance premiums	3,502,308	-	(293,905)	3,208,403	388,619
Total bonds payable	131,872,308	-	(7,943,905)	123,928,403	4,438,619
Lease payable	1,046,901	-	(142,930)	903,971	151,737
Net OPEB liability	189,776	27,805	(45,756)	171,825	-
Compensated absences	434,599	471,454	(434,599)	471,454	130,508
Total long-term liabilities, net	<u>\$ 133,543,584</u>	<u>\$ 499,259</u>	<u>\$ (8,567,190)</u>	<u>\$ 125,475,653</u>	<u>\$ 4,720,864</u>

Bonds payable

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

As of June 30, 2023							
Series	Sale Date	Original Borrowing	Interest Rate to Maturity	Final Maturity	Outstanding Balance	Unamortized Premium	Deferred Loss on Refunding
2011 - A,B,C	Nov. 2011	77,490,000	4.62-4.75%	July 2041	39,660,000	-	841,148
2011 - D	Nov. 2011	43,875,000	4.29%	July 2041	43,875,000	-	-
2017	Aug. 2017	19,735,000	4.50%	July 2041	19,200,000	1,247,272	1,265,570
2019	Aug. 2019	17,985,000	4.30%	July 2041	17,985,000	1,961,131	449,366
					<u>\$ 120,720,000</u>	<u>\$ 3,208,403</u>	<u>\$ 2,556,084</u>

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. The Authority did not have any principal payments due in fiscal year ended June 30, 2023.

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. These subordinate notes are considered to be non-capital related.

Series 2017

In August 2017, the Authority participated in the Virginia Pooled Financing Program ("VPPF") 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.

Notes to Basic Financial Statements

Series 2019

In August 2019, the Authority participated in the VFPF of VRA to issue Series 2019 bonds to advance refund \$19.0 million of the Series 2011-A and Series 2011-B bonds. The refunding lowers total debt service over \$4.2 million. The Net Present Value Savings of the transaction was \$3.1 million at a 2.64% effective interest rate. The authority did not have any principal payments due in fiscal year ended June 30, 2023.

Defeased bonds

At June 30, 2023, outstanding bonds in the amount of \$2,224,593 are considered defeased. Investments and cash are held in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liabilities for defeased bonds are not included in the accompanying financial statements.

Escrow asset

The escrow receivable for the year ended June 30, 2023 is \$33,886 and was created by funds transferred from the Expressway System revenue account for the early retirement of defeased bonds, as required by the 1992 bond resolution. The Authority has directed the trustee, to the extent possible, to purchase Series 1998 bonds in the open market from these funds. No purchases were made during the fiscal year. As a result of the Series 2011 refunding, no additional transfers to escrow will occur.

Debt service requirements

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,050,000	\$ 5,606,562	\$ 9,656,562
2025	4,245,000	5,408,217	9,653,217
2026	4,455,000	5,199,891	9,654,891
2027	4,660,000	4,981,438	9,641,438
2028	4,875,000	4,747,645	9,622,645
2029-2033	28,180,000	19,879,043	48,059,043
2034-2039	35,460,000	12,360,224	47,820,224
2040-2042	34,795,000	3,267,237	38,062,237
	<u>\$ 120,720,000</u>	<u>\$ 61,450,257</u>	<u>\$ 182,170,257</u>

Lease Liability

The Authority entered into a lease as a lessee for the use of a building with an initial lease liability of \$1,184,943. As of June 30, 2023, the reported lease liability was \$903,971. The Authority is required to make monthly fixed payments of \$14,329 with an incremental increase of 2% with the start of each new year. An interest rate in the lease agreement was not readily determinable. The Authority used an estimated incremental borrowing rate of 3.57% as the discount rate for the lease.

Notes to Basic Financial Statements

Principal and interest payments to maturity for leases payable are as follows:

Fiscal Year	Principal	Interest	Total
FY2024	\$ 151,737	\$ 29,817	\$ 181,554
FY2025	160,944	24,251	185,195
FY2026	170,575	18,349	188,924
FY2027	180,582	12,096	192,678
FY2028	191,050	5,480	196,530
FY2029 - FY 2032	49,083	292	49,375
Totals	\$ 903,971	\$ 90,285	\$ 994,256

Note 6 – 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 System along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Notes to Basic Financial Statements

		<ul style="list-style-type: none"> • 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>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.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014 <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>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.</p>

Notes to Basic Financial Statements

<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Same as Plan 1.</p>	<p>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.</p>
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Notes to Basic Financial Statements

<p>Service credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member’s total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Service credit Same as Plan 1.</p>	<p>Service credit <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member’s total service credit is one of the factors used to determine their eligibility for 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.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1</p>

Notes to Basic Financial Statements

<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>		<p>or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u></p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p> <ul style="list-style-type: none"> • 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 <p>withdraw 75% of employer contributions.</p> <ul style="list-style-type: none"> • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p>
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Notes to Basic Financial Statements

<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> 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.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p>

Notes to Basic Financial Statements

<p>Normal Retirement Age VRS: Age 65.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of service credit or when their age plus service credit equals 90.</p>	<p>Earliest Unreduced Retirement Eligibility Defined Benefit Component: VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit.</p>	<p>Earliest Reduced Retirement Eligibility Defined Benefit Component: VRS: Age 60 with at least five years (60 months) of service credit.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Notes to Basic Financial Statements

<p>Cost-of-Living Adjustment (“COLA”) in Retirement The COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct 	<p>Cost-of-Living Adjustment (“COLA”) in Retirement The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (“COLA”) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
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Notes to Basic Financial Statements

<p>and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</p> <ul style="list-style-type: none"> • 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. 		
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.</p>	<p>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.</p>	<p>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.</p> <p>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.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <p><u>Defined Contribution Component:</u> Not applicable.</p>

Notes to Basic Financial Statements

Employees covered by benefit terms

As of the June 30, 2021, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members:	
Inactive members or their beneficiaries currently receiving benefits	60
Vested inactive members	13
Non-vested inactive members	67
Inactive members active elsewhere in the System	<u>12</u>
Total inactive members	152
Active members	<u>70</u>
Total covered employees	<u>222</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.

The Authority's contractually required contribution rate for the year ended June 30, 2023 was 1.28% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan from the Authority were \$232,285 and \$229,245 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net pension asset

The Authority's net pension asset was measured as of June 30, 2022. The total pension asset used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Actuarial methods and assumptions

The total pension liability for the Authority was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expense, including Inflation

Notes to Basic Financial Statements

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Notes to Basic Financial Statements

Discount Rate	No change
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Long-term expected rate of return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return	Weighted Average Long-Term Expected Real Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS – Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP – Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
Inflation			2.50%
Expected arithmetic nominal return**			7.83%

* The above allocation provides a one-year expected return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive

Notes to Basic Financial Statements

employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balance at June 30, 2021	\$ 19,940,182	\$ 24,065,230	\$ (4,125,048)
Changes for the year:			
Service cost	231,149	-	231,149
Interest	1,330,950	-	1,330,950
Difference between expected and actual experience	(914,303)	-	(914,303)
Contributions – employer	-	24,563	(24,563)
Contributions – employee	-	143,265	(143,265)
Net investment income	-	(16,094)	16,094
Benefit payments, including refunds of employee contributions	(907,105)	(907,105)	-
Administrative expenses	-	(15,120)	15,120
Other changes	-	547	(547)
Net changes	(259,309)	(769,944)	510,635
Balance at June 30, 2022	<u>\$ 19,680,873</u>	<u>\$ 23,295,286</u>	<u>\$ (3,614,413)</u>

Notes to Basic Financial Statements

Sensitivity of the Net Pension Asset to changes in the discount rate

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

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net pension asset	\$ (1,145,237)	\$ (3,614,413)	\$ (5,638,560)

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

For the year ended June 30, 2023, the Authority recognized pension expense of \$795,483. At June 30, 2023, 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	\$ 232,285	\$ -
Differences between expected and actual experience	-	594,547
Changes of assumptions	173,299	-
Net difference between projected and actual earnings on pension plan investments	-	707,677
	<u>\$ 405,584</u>	<u>\$ 1,302,224</u>

Deferred outflows of resources related to pensions of \$232,285 resulting from the Authority's contributions subsequent to the measurement date will be recognized as an increase of the Net Pension Asset in the year ended June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2024	\$ (607,496)
2025	(371,654)
2026	(472,786)
2027	323,011
2028	-
Thereafter	-
	<u>\$ (1,128,925)</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Notes to Basic Financial Statements

Note 7 – Other Postemployment Benefits

Plan Description

The Authority provides OPEB for retired employees through a single-employer defined benefit plan (“Plan”). The benefit levels, employee contributions and employer contributions are governed by the Authority and can be amended by the Authority with approval of the Authority’s Board.

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

Plan Membership

Total active and retired membership count in the plan at June 30, 2023 was 88.

The number of retiree participants and active employees currently eligible for immediate retirement benefits at June 30, 2023 were:

Retirees	27
Active Employees	61
Total	<u>88</u>

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:

Notes to Basic Financial Statements

<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, 2023, the Authority's average contribution rate was 4.5% of covered employee payroll. Contributions were \$153,739 and \$155,549 for the years ended June 30, 2023 and June 30, 2022, respectively.

Financial Statements

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

Plan Actuarial Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the Authority are subject to continual revision as actual results are compared with expectations and new estimates are made about the future. The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay
Asset valuation method	Market Value
Investment return	7.00%
Healthcare cost trend rate	8.0% for 2022, decreasing 0.5% per year to an ultimate rate of 5.0% for 2028 and later years
Projected salary increases	3%, average

Mortality rates were based on the PUB-2010 Mortality Table with MP-2021 projection for Males or Females, as appropriate.

Notes to Basic Financial Statements

Investments

The Authority participates in the Trust Fund, an agent multiple-employer external investment pool that operates an irrevocable trust established for the purpose of accumulating assets to fund postemployment health care benefits. Trust Fund assets are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which contributions to the plan are irrevocable. At June 30, 2023, the actuarial value of the Plan assets was \$6,599,555. Historically the rate of return has averaged over 7.0%. The annual money-weighted rate of return, net of investment expense, is 7.5%.

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

Weighted Average Rate of Return

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return	Weighted Average Long- Term Expected Real Rate of Return
VACO/VML Pooled OPEB Trust Portfolio I	100.00%	7.00%	7.00%
Total	100.00%		7.00%
Inflation			3.00%
Expected arithmetic nominal return			10.00%

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 asset

The components of the Plan's net OPEB asset at June 30, 2023, were as follows:

Plan total OPEB Liability	\$ 3,395,106
Plan fiduciary net position	<u>6,599,555</u>
Plan net OPEB Asset	<u>\$ (3,204,449)</u>
 Plan fiduciary net position as a percentage of total OPEB liability	 194.38%

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

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

	<u>1% Decrease (6.0%)</u>	<u>Current Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Net OPEB asset	\$ (2,764,456)	\$ (3,204,449)	\$ (3,570,377)

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

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

	<u>1% Decrease (7.0% decreasing to 4.0%)</u>	<u>Current Rate (8.0% decreasing to 5.0%)</u>	<u>1% Increase (9.0% decreasing to 6.0%)</u>
Net OPEB asset	\$ (3,571,245)	\$ (3,204,449)	\$ (2,766,995)

Notes to Basic Financial Statements

Schedule of Changes in Net OPEB Asset

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Asset</u>
Beginning Balance June 30, 2022	\$ 3,168,092	\$ 6,090,141	\$ (2,922,049)
Changes for the Year:			
Service cost	15,326	-	15,326
Interest	218,136	-	218,136
Difference between expected & actual experien	97,291	-	97,291
Changes in assumptions	-	-	
Contributions - employer	-	153,739	153,739
Investment Income	-	459,414	(459,414)
Benefit payments	(103,739)	(103,739)	-
Net Changes	<u>227,014</u>	<u>509,414</u>	<u>(282,400)</u>
Ending Balance June 30, 2023	<u>\$ 3,395,106</u>	<u>\$ 6,599,555</u>	<u>\$ (3,204,449)</u>

OPEB Expense for Year Ending June 30, 2023

<u>OPEB Expense</u>	
Service Cost	\$ 15,326
Interest Cost	(208,174)
Experience & Assumption Amortization	(156,676)
	<u>\$ (349,524)</u>

Deferred Outflows and Deferred Inflows Summary

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 377,777	\$ 860,803
Changes of assumptions	5,136	-
Net difference between projected and actual earnings of Plan investments	691,185	493,207
Total	<u>\$ 1,074,098</u>	<u>\$ 1,354,010</u>

Notes to Basic Financial Statements

Schedule of Deferred Resources

<u>Year Ended June 30:</u>	
2024	\$ (152,702)
2025	(188,160)
2026	45,201
2027	(36,801)
2028	12,499
2029	40,051
	<u>\$ (279,912)</u>

Note 7 – 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 System, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

Notes to Basic Financial Statements

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the GLI Program have several components.</p> <ul style="list-style-type: none">• <u>Natural Death Benefit</u> – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.• <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit.• <u>Other Benefit Provisions</u> – 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">○ Accidental dismemberment benefit○ Safety belt benefit○ Repatriation benefit○ Felonious assault benefit○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</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>Minimum Benefit Amount and Cost-of-Living Adjustment (“COLA”)</p> <p>For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute in 2015. This amount is increased annually based on the VRS Plan 2 COLA calculation. The minimum benefit adjustment for the COLA was \$8,722 as of June 30, 2023.</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 GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$21,107 and \$18,178 for the years ended June 30, 2023 and June 30, 2022, 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, 2023, the Authority reported a liability of \$171,825 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was 0.01427% as compared to 0.01630% at June 30, 2021.

For the year ended June 30, 2023, the participating employer recognized GLI OPEB expense of (\$15,277). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes.

At June 30, 2023, 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
Employer contributions subsequent to the measurement date	\$ 21,107	\$ -
Differences between expected and actual experience	13,606	6,893
Changes of assumptions	6,409	16,736
Changes in proportion	468	63,432
Net difference between projected and actual earnings of Plan investments	-	10,737
	<u>\$ 41,590</u>	<u>\$ 97,798</u>

Notes to Basic Financial Statements

\$21,107 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, 2024. 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:

<u>Year Ended June 30:</u>	
2024	\$ (20,811)
2025	(16,921)
2026	(22,066)
2027	(11,534)
2028	(5,983)
Thereafter	-
	<u>\$ (77,315)</u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

Inflation	2.5 percent
Salary increases, including inflation –	
General state employees	3.5 percent – 5.35 percent
Teachers	3.5 percent – 5.95 percent
SPORS employees	3.5 percent – 4.75 percent
VaLORS employees	3.5 percent – 4.75 percent
JRS employees	4.5 percent
Locality – General employees	3.5 percent – 5.35 percent
Locality – Hazardous Duty employees	3.5 percent – 4.75 percent
Investment rate of return	6.75 Percent, net of investment expenses, including inflation*

Notes to Basic Financial Statements

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

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

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Notes to Basic Financial Statements

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

Net GLI OPEB Liability

The net OPEB liability (“NOL”) for the GLI Program represents the program’s total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,672,085
Plan Fiduciary Net Position	<u>2,467,989</u>
Employers’ Net GLI OPEB Liability	<u>\$ 1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

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

Long-Term Expected Rate of Return

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

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Real Rate of Return</u>	<u>Weighted Average Long-Term Expected Real Rate of Return*</u>
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS – Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP – Private Investment Partnership	3.00%	6.55%	0.20%
Total	<u>100.00%</u>		<u>5.33%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return**			<u>7.83%</u>

* The above allocation provides a one-year return of 7.83%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

** On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, 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, 2022 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the Net GLI OPEB Liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the Net GLI OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

Notes to Basic Financial Statements

	<u>1% Decrease</u> <u>(5.75%)</u>	<u>Current Rate</u> <u>(6.75%)</u>	<u>1% Increase</u> <u>(7.75%)</u>
Employer's proportionate share of the GLI Program			
Net OPEB Liability	\$ 250,025	\$ 171,825	\$ 108,628

Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2021 Comprehensive Annual Financial Report. A copy of the 2022 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 8 – Risk management

The Authority is exposed to the risk of loss due to the wide range of services provided by its employees. Auto fleet coverage, general liability, property damage, building and contents, bridge, inland marine, boiler and machinery, dishonesty bond (crime), workers' compensation, and public officials' and employee's legal liability coverage is obtained through membership in the VRSA Insurance Program. Members are liable for any and all unpaid claims in the event the association is in a deficit position. No settlements have exceeded coverage limits during the three years ended June 30, 2023.

Note 9 – 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, 2023, 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	\$ 21,884,866	\$ 6,401,313	\$ 15,483,553
Maintenance/Repairs	Expressway	1,120,088	853,313	266,775

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 10 – Subsequent Events

At the May 2023 Board meeting, the Board adopted the fiscal year 2024 operating and capital budget. The budget included a toll rate increase effective September 1, 2023. The toll rates increased from .70 cents to .90 cents for EZ-pass transactions and \$1.00 for cash transactions for 2 axle vehicles. The ramps and other rates were also adjusted proportionally. The Authority estimates that the toll increase will add an estimated \$9.2 million to the fiscal year 2024 toll revenue when compared to the projected fiscal year 2023 toll revenue.



Required Supplementary Information (Unaudited)

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability									
Service cost	\$ 468,184	\$ 384,956	\$ 379,740	\$ 360,287	\$ 310,874	\$ 298,399	\$ 334,229	\$ 329,966	\$ 231,149
Interest	1,040,878	1,108,957	1,095,521	1,136,809	1,155,612	1,193,021	1,211,289	1,249,816	1,330,950
Changes of assumptions	-	-	-	(157,661)	-	510,868	-	606,545	-
Difference between expected and actual experience	-	(1,092,566)	(228,073)	(342,873)	(177,228)	(296,050)	(103,784)	(328,848)	(914,303)
Benefit payments, including refund of employee contributions	(521,921)	(551,090)	(635,512)	(679,198)	(776,698)	(732,983)	(875,768)	(866,167)	(907,105)
Net change	987,141	(149,743)	611,676	317,364	512,560	973,255	565,966	991,312	(259,309)
Total pension liability, beginning	15,130,651	16,117,792	15,968,049	16,579,725	16,897,089	17,409,649	18,382,904	18,948,870	19,940,182
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>	<u>\$ 17,409,649</u>	<u>\$ 18,382,904</u>	<u>\$ 18,948,870</u>	<u>\$ 19,940,182</u>	<u>\$ 19,680,873</u>
Plan Fiduciary Net Position									
Contributions – employer	\$ 299,893	\$ 286,867	\$ 282,685	\$ 104,434	\$ 95,897	\$ 29,746	\$ 26,766	\$ 26,833	\$ 24,563
Contributions – employee	207,869	198,977	195,707	181,946	175,898	180,784	172,704	153,324	143,265
Net investment income	2,172,443	729,879	288,995	2,013,354	1,314,814	1,259,019	373,785	5,271,166	(16,094)
Benefit payments, including refund of employee contributions	(521,921)	(551,090)	(635,512)	(679,198)	(776,698)	(732,983)	(875,768)	(866,167)	(907,105)
Administrative expense	(11,608)	(9,905)	(10,272)	(11,780)	(11,781)	(12,705)	(13,122)	(13,428)	(15,120)
Other	114	(153)	(122)	(1,785)	(1,185)	(791)	(440)	494	547
Net change	2,146,790	654,575	121,481	1,606,971	796,945	723,070	(316,075)	4,572,222	(769,944)
Plan fiduciary net position, beginning	13,732,251	15,879,041	15,879,041	16,655,097	18,262,068	19,086,013	19,809,083	19,493,008	24,065,230
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>	<u>\$ 19,086,013</u>	<u>\$ 19,809,083</u>	<u>\$ 19,493,008</u>	<u>\$ 24,065,230</u>	<u>\$ 23,295,286</u>
Net Pension Liability (Asset) (a)-(b)	\$ 238,751	\$ (565,567)	\$ (75,372)	\$ (1,364,979)	\$ (1,676,364)	\$ (1,426,179)	\$ (544,138)	\$ (4,125,048)	\$ (3,614,413)
Plan fiduciary net position as a percentage of the total pension liability	98.5%	(103.50%)	(100.50%)	(108.10%)	(109.60%)	(107.80%)	(102.87%)	(120.69%)	(118.37%)
Covered payroll	\$ 4,065,828	\$ 4,045,032	\$ 3,785,127	\$ 3,696,027	\$ 3,762,069	\$ 3,912,549	\$ 3,814,514	\$ 3,279,568	\$ 3,183,955
Net pension liability (asset) as a percentage of covered payroll	5.90%	(14.00%)	(2.00%)	(36.90%)	(44.60%)	(36.50%)	(13.70%)	(104.90%)	(116.70%)

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

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

Required Supplementary Information (Unaudited)

Schedule of Pension Contributions

Fiscal Year	Contractually Required Contribution	Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 299,893	\$ 299,893	-	\$ 4,065,828	7.4%
2015	286,867	286,867	-	4,045,032	7.1%
2016	282,685	282,685	-	3,785,127	7.5%
2017	104,434	104,434	-	3,696,027	2.8%
2018	269,104	269,104	-	3,762,069	7.2%
2019	281,704	281,704	-	3,912,549	7.2%
2020	274,645	274,645	-	3,814,514	7.2%
2021	236,129	236,129	-	3,279,568	7.2%
2022	229,245	229,245	-	3,183,955	7.2%
2023	232,285	232,285	-	3,097,271	7.5%

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

Notes to Required Supplementary Information for Pension For the Year Ended June 30, 2023

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age.
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Required Supplementary Information (Unaudited)

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

	2017	2018	2019	2020	2021	2022	2023
Total OPEB Liability							
Service cost	\$ -	\$ 50,139	\$ 50,549	\$ 55,696	\$ 48,458	\$ 49,245	\$ 15,326
Interest	-	13,963	283,905	308,009	282,220	(183,956)	218,136
Difference between expected and actual experience	832,475	440,581	134,163	(616,368)	(220,432)	(691,415)	97,291
Changes in assumptions	-	-	-	-	-	8,560	-
Benefit payments	(144,000)	(120,000)	(118,533)	(130,008)	(101,503)	(105,549)	(103,739)
Net change	688,475	384,683	350,084	(382,671)	8,743	(923,115)	227,014
Total OPEB liability, beginning	3,041,893	3,730,368	4,115,051	4,465,135	4,082,464	4,091,207	3,168,092
Total OPEB liability, ending (a)	<u>\$3,730,368</u>	<u>\$4,115,051</u>	<u>\$4,465,135</u>	<u>\$4,082,464</u>	<u>\$ 4,091,207</u>	<u>\$ 3,168,092</u>	<u>\$ 3,395,106</u>
Plan Fiduciary Net Position							
Contributions – Employer	\$ 429,000	\$ 420,000	\$ 418,533	\$ 430,008	\$ 201,503	\$ 155,549	\$ 153,739
Investment income	(190,307)	334,998	195,615	144,809	1,520,055	(626,229)	459,414
Benefit payments	(144,000)	(120,000)	(118,533)	(130,008)	(101,503)	(105,549)	(103,739)
Net change	94,693	634,998	495,615	444,809	1,620,055	(576,229)	509,414
Plan fiduciary net position, beginning	3,376,200	3,470,893	4,105,891	4,601,506	5,046,315	6,666,370	6,090,141
Plan fiduciary net position, ending (b)	<u>3,470,893</u>	<u>4,105,891</u>	<u>4,601,506</u>	<u>5,046,315</u>	<u>6,666,370</u>	<u>6,090,141</u>	<u>6,599,555</u>
Net OPEB Liability (Asset) (a)-(b)	\$ 259,475	\$ 9,160	\$ (136,371)	\$ (963,851)	\$(2,575,163)	\$(2,922,049)	\$(3,204,449)
Plan fiduciary net position as percentage of the total OPEB Liability	93.04%	99.78%	103.05%	123.61%	162.94%	192.20%	194.38%
Covered payroll	\$4,522,294	\$4,522,294	\$4,868,716	\$4,594,069	\$ 3,711,895	\$ 3,531,213	\$ 3,431,225
Net OPEB Liability (Asset) as a percentage of covered payroll	5.74%	0.20%	(2.80%)	(20.98%)	(69.38%)	(82.70%)	(93.39%)

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

Fiscal Year	Contractually Required Contribution	Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 429,000	\$ 429,008	-	\$ 4,522,294	9.5%
2018	420,000	420,000	-	4,522,294	9.3%
2019	419,000	419,000	-	4,868,716	8.6%
2020	430,008	430,008	-	4,594,069	8.4%
2021	201,503	201,503	-	3,711,895	5.4%
2022	155,549	155,549	-	3,531,213	4.4%
2023	153,739	153,739	-	3,431,225	4.5%

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

Schedule of OPEB Investment Returns

	2018	2019	2020	2021	2022	2023
Annual money-weighted rate of return, net of investment expense	Over 10%	4.7%	3.1%	30.1%	-9.4%	7.5%

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, 2021, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay
Asset valuation method	Market Value
Investment return	7.00%
Healthcare cost trend rate	8.0% for 2022, decreasing 0.5% per year to an ultimate rate of 5.0% for 2028 and later years
Projected salary increases	3%, average

Mortality rates were based on the PUB-2010 Mortality Table with MP-2021 projection 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*

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Employer's Proportion of the Net GLI OPEB Liability	0.02061%	0.01974%	0.01982%	0.01949%	0.01630%	0.01427%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$310,000	\$300,000	\$322,524	\$325,257	\$189,776	\$171,825
Employer's Covered Payroll	\$3,802,100	\$3,753,184	\$3,585,896	\$4,012,194	\$3,366,348	\$3,104,299
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.15%	7.36%	8.04%	8.11%	5.64%	5.54%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%	52.00%	52.64%	67.45%	67.21%

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, 2013 through 2023

Date	Contractually Required Contribution (1)	Employer Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a Percentage of Covered Payroll (5)
2013	\$ 23,899	\$ 23,899	\$ -	\$ 4,509,156	0.53%
2014	22,228	22,228	-	4,193,954	0.53%
2015	21,650	21,650	-	4,084,935	0.53%
2016	21,572	21,572	-	4,070,174	0.53%
2017	19,771	19,771	-	3,802,110	0.52%
2018	19,517	19,517	-	3,753,184	0.52%
2019	20,207	20,207	-	3,885,894	0.52%
2020	20,863	20,863	-	4,012,194	0.52%
2021	20,901	20,901	-	3,366,348	0.54%
2022	18,178	18,178	-	3,104,299	0.59%
2023	21,107	21,107	-	3,551,906	0.59%

Required Supplementary Information (Unaudited)

Notes to Required Supplementary Information for OPEB Group Life Insurance For the Year Ended June 30, 2023

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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:

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

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

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
2018	89.8%	10.1%	0.0%	0.0%
2019	89.8%	10.1%	0.0%	0.0%
2020	84.0%	16.0%	0.0%	0.0%
2021	85.0%	15.0%	0.0%	0.0%
2022	85.0%	15.0%	0.0%	0.0%

Bridge condition assessment, measurement scale, and established condition level

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

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

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

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 2022/2023):

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

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
2019	\$ 18,858,173	\$ 14,713,339
2020	10,572,067	11,064,694
2021	5,595,300	8,138,947
2022	4,200,242	8,096,588
2023	13,018,000	10,351,045
	<u>\$ 52,243,782</u>	<u>\$ 52,364,613</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 \$4.2 million remaining in its capital budget at the end of fiscal year 2023, which will be carried forward to the next fiscal year.



Statistical Section

Table of Contents

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

Financial Trends

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

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.

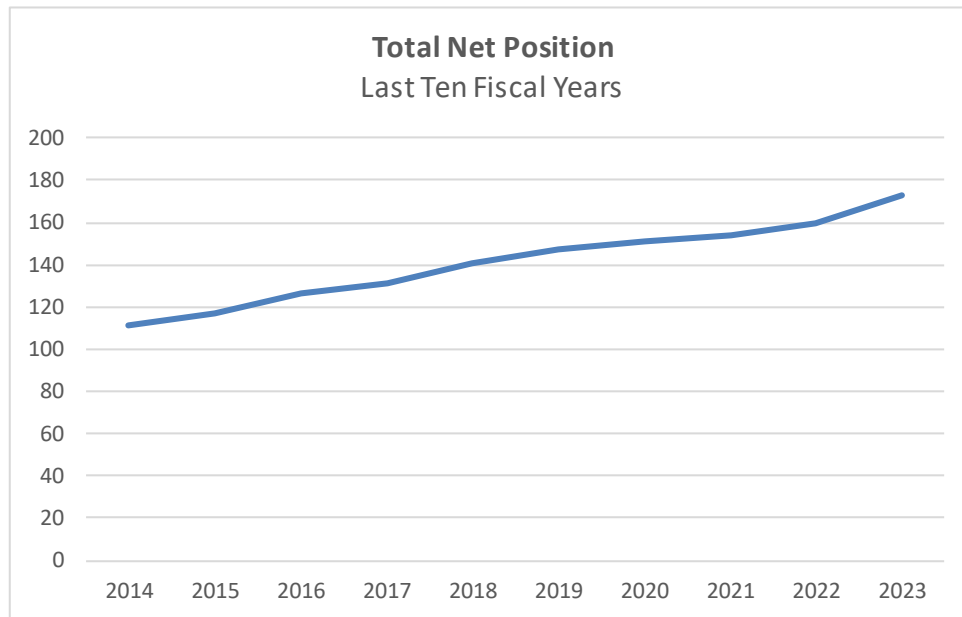
Table 18	Expressway System, Operating Indicators
Table 19	Employees by Identifiable Activity

Statistical Section

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

Fiscal Year	Net Investment in Capital Assets	Restricted (1)	Unrestricted	Total
2014	101,416,492	31,380,545	(21,106,185)	111,690,852
2015	97,560,342	37,907,088	(18,170,506)	117,296,924
2016	98,530,597	44,904,103	(17,081,471)	126,353,229
2017	99,747,709	47,978,503	(16,996,606)	130,729,606
2018	102,313,753	53,905,169	(15,234,170)	140,984,752
2019	107,301,010	52,681,124	(13,068,110)	146,914,024
2020	113,156,510	51,225,587	(12,929,719)	151,452,378
2021	123,588,695	43,344,595	(13,366,114)	153,567,176
2022	126,669,213	42,834,891	(9,530,061)	159,974,043
2023	137,254,349	42,770,311	(8,455,852)	171,568,808

- (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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expressway System										
Net inv. in cap. assets	\$ 97,465,173	\$ 97,560,342	\$ 98,530,597	\$ 99,747,709	\$102,313,753	\$107,301,010	\$113,156,510	\$123,588,695	\$126,669,213	\$137,254,349
Restricted	31,252,379	37,907,088	44,904,103	47,978,503	53,905,169	52,681,124	51,225,587	43,344,595	42,834,891	42,770,311
Unrestricted	(20,384,442)	(18,170,506)	(17,081,471)	(16,339,360)	(15,234,170)	(13,068,110)	(12,929,719)	(13,366,114)	(9,530,061)	(8,455,852)
	<u>\$108,333,110</u>	<u>\$117,296,924</u>	<u>\$126,353,229</u>	<u>\$131,386,852</u>	<u>\$140,984,752</u>	<u>\$146,914,024</u>	<u>\$151,452,378</u>	<u>\$153,567,176</u>	<u>\$159,974,043</u>	<u>\$171,568,808</u>
Stadium (1)										
Net inv. in cap. assets	\$ 3,951,319	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	128,166	-	-	-	-	-	-	-	-	-
Unrestricted	376,764	-	-	-	-	-	-	-	-	-
	<u>\$ 4,456,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Statistical Section

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating revenues										
Tolls	\$ 37,714,962	\$ 38,799,387	\$ 41,040,930	\$ 42,440,008	\$ 42,782,772	\$ 42,876,941	\$ 37,004,506	\$ 29,571,562	\$ 34,123,281	\$ 36,518,252
Parking	891,834	-	-	-	-	-	-	-	-	-
Rentals	551,123	453,521	236,622	239,218	613,744	816,515	53,722	52,493	41,695	45,279
Other	31,253	23,117	61,267	19,019	21,727	23,669	1,132	296	221	910
	<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>	<u>43,717,125</u>	<u>37,059,360</u>	<u>29,624,351</u>	<u>34,165,197</u>	<u>36,564,441</u>
Operating expenses										
Salaries and benefits	7,138,845	6,676,149	6,360,143	6,204,591	5,527,699	5,941,725	6,133,649	4,900,182	3,249,286	3,627,790
Operations	6,931,250	7,587,476	7,796,755	8,336,967	8,540,120	10,021,195	8,659,576	6,953,490	7,142,115	8,319,393
Preservation and capital mainte	10,450,097	3,922,463	7,490,020	12,453,153	10,031,464	14,713,339	11,064,694	8,138,949	8,096,588	8,116,030
Depreciation	1,370,558	2,464,345	2,288,578	2,262,193	928,660	941,091	160,761	146,054	117,663	271,092
Amortization	-	-	-	-	-	-	-	-	163,440	-
Total operating expenses	<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>	<u>31,617,351</u>	<u>26,018,680</u>	<u>20,138,675</u>	<u>18,769,092</u>	<u>20,334,305</u>
Operating income	<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>	<u>12,099,774</u>	<u>11,040,680</u>	<u>9,485,676</u>	<u>15,396,105</u>	<u>16,230,136</u>
Nonoperating revenues (expenses)										
Investment earnings	800,816	602,642	493,966	202,040	430,534	1,925,242	1,414,002	64,420	(1,880,385)	956,916
Lease interest revenue	-	-	-	-	-	-	-	-	14,887	13,816
Support from localities	792,568	694,114	610,242	638,398	567,324	469,892	-	-	-	-
Gain	40,598	-	-	46,025	-	-	-	-	-	-
Interest expense	(10,698,738)	(9,326,625)	(9,451,226)	(9,294,181)	(9,133,012)	(8,565,636)	(7,916,328)	(7,482,208)	(7,123,740)	(5,606,103)
Nonoperating expenses, net	<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>	<u>(6,170,502)</u>	<u>(6,502,326)</u>	<u>(7,417,788)</u>	<u>(8,989,238)</u>	<u>(4,635,371)</u>
Transfer of facilities	26,547,983	(4,388,092)	-	-	-	-	-	-	-	-
Capital asset write-down	-	(601,559)	-	-	-	-	-	-	-	-
Change in net position	<u>30,781,649</u>	<u>5,606,072</u>	<u>9,056,305</u>	<u>5,033,623</u>	<u>10,255,146</u>	<u>5,929,272</u>	<u>4,538,354</u>	<u>2,067,888</u>	<u>6,406,867</u>	<u>11,594,765</u>
Net position, beginning	82,007,710	111,690,852	117,296,924	126,353,229	130,729,606	140,984,752	146,914,024	151,499,288	153,567,176	159,974,043
Restatement	(1,098,507)	-	-	(657,246)	-	-	-	-	-	-
Net position, ending	<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>	<u>\$146,914,024</u>	<u>\$151,499,288</u>	<u>\$153,567,176</u>	<u>\$159,974,043</u>	<u>\$171,568,808</u>

Statistical Section

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

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Nonoperating Revenues (Expenses), Net	Change in Net Position
2014	37,771,511	23,455,821	14,315,690	(9,238,687)	5,077,003
2015	38,855,549	19,467,390	19,388,159	(9,325,838)	10,062,321
2016	41,131,444	23,117,830	18,013,614	(8,957,309)	9,056,305
2017	42,491,774	28,412,035	14,079,739	(9,046,116)	5,033,623
2018	42,834,933	23,877,309	18,957,624	(8,702,478)	10,255,146
2019	42,927,955	30,358,289	12,569,666	(6,640,394)	5,929,272
2020	37,059,360	26,018,680	11,040,680	(6,502,326)	4,538,354
2021	29,624,351	20,138,675	9,485,676	(7,417,788)	2,067,888
2022	34,165,197	18,769,092	15,396,105	(8,989,238)	6,406,867
2023	36,564,441	20,334,305	16,230,136	(4,635,371)	11,594,765

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

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Nonoperating Revenues (Expenses), Net	Facility Transfer Gain, Net (1)	Change in Net Position
2014	\$ 794,573	\$ 694,583	\$ 99,990	\$ 615,429	\$ 25,762,180	\$ 25,246,741
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-

(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

Fiscal Year	Operating Revenues	Operating Expenses	Operating Loss	Nonoperating Revenues	Facility Transfer Loss (1)	Change in Net Position
2014	\$ 313,129	\$ 735,364	\$ (422,235)	\$ 116,255	\$ -	\$ (305,980)
2015	140,159	320,512	(180,353)	196	(4,388,092)	(4,456,249)
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-

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

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

Fiscal Year	Operating Revenues	Operating Expenses	Operating Loss	Nonoperating Revenues (Expenses), Net	Reimbursement from City of Richmond	Change in Net Position
2014	\$ 286,462	\$ 963,139	\$ 676,677	\$ 109	\$ 676,568	\$ -
2015	280,317	862,531	582,214	100	582,114	-
2016	207,375	817,666	610,291	49	610,242	-
2017	206,471	844,869	638,398	-	638,398	-
2018	583,310	1,150,634	567,324	-	567,324	-
2019	789,170	1,259,062	469,892	-	469,892	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-

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

Statistical Section

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

Fiscal Year	Operating Revenues	Operating Expenses	Operating (Loss)	Nonoperating Revenues	Facility Transfer Gain, Net (1)	Change in Net Position
2014	\$ 23,497	\$ 36,543	\$ (13,046)	\$ (3,577)	\$ 785,803	\$ 769,180
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-

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

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

Fiscal Year	Operating Revenues	Operating Expenses	Operating (Loss)	Nonoperating Revenues	Facility Transfer Loss (2)	Change in Net Position
2014	-	\$ 5,300	\$ (5,300)	\$ 5	-	\$ (5,295)
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-

(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

Fiscal Year	Expressway System	Expressway Parking Deck	Stadium Facility	Main Street Station	Second Street Facility	Carytown Parking Facility	Total
2014	\$37,771,511	\$ 794,573	\$313,129	\$ 286,462	\$ 23,497	\$ -	\$39,189,172
2015	38,855,549	-	140,159	280,317	-	-	39,276,025
2016	41,131,444	-	-	207,375	-	-	41,338,819
2017	42,491,774	-	-	206,471	-	-	42,698,245
2018	42,834,933	-	-	583,310	-	-	43,418,243
2019	42,927,955	-	-	789,170	-	-	43,717,125
2020	37,059,360	-	-	-	-	-	37,059,360
2021	29,624,351	-	-	-	-	-	29,624,351
2022	34,165,197	-	-	-	-	-	34,165,197
2023	36,564,441	-	-	-	-	-	36,564,441

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

Fiscal Year	Expressway System	Expressway Parking Deck	Stadium Facility	Main Street Station	Second Street Facility	Carytown Parking Facility	Total
2014	\$23,455,821	\$ 694,583	\$735,364	\$ 963,139	\$ 36,543	\$ 5,300	\$25,890,750
2015	19,467,390	-	320,512	862,531	-	-	20,650,433
2016	23,117,830	-	-	817,666	-	-	23,935,496
2017	28,412,035	-	-	844,869	-	-	29,256,904
2018	23,877,309	-	-	1,150,634	-	-	25,027,943
2019	30,358,289	-	-	1,259,062	-	-	31,617,351
2020	26,018,680	-	-	-	-	-	26,018,680
2021	20,138,675	-	-	-	-	-	20,138,675
2022	18,769,092	-	-	-	-	-	18,769,092
2023	20,334,305	-	-	-	-	-	20,334,305

Statistical Section

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

Fiscal Year	Tolls	Parking (1)	Rentals (2)	Other	Total
2014	\$ 37,714,962	\$ 891,834	\$ 551,123	\$ 31,253	\$ 39,189,172
2015	38,799,387	-	453,521	23,117	39,276,025
2016	41,040,930	-	236,622	61,267	41,338,819
2017	42,440,008	-	239,218	19,019	42,698,245
2018	42,782,772	-	613,744	21,727	43,418,243
2019	42,876,941	-	816,515	23,669	42,717,125
2020	37,004,506	-	53,722	1,132	37,059,360
2021	29,571,562	-	52,493	296	29,624,351
2022	34,123,281	-	41,695	221	34,165,197
2023	36,518,252	-	45,279	910	36,564,441

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

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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
Two-Axle Vehicles						
Powhite Parkway Mainline	\$ 0.20	\$ 0.25	\$ 0.30	\$ 0.35	\$ 0.50	\$ 0.70
Forest Hill Ramps	0.20	0.25	0.30	0.35	0.50	0.70
Douglasdale Ramps	0.10	0.10	0.10	0.10	0.15	0.20
Downtown Expressway Mainline	0.15	0.25	0.30	0.35	0.50	0.70
Second Street Ramps	0.10	0.10	0.10	0.20	0.25	0.35
Eleventh Street Ramps	0.10	0.10	0.10	0.15	0.20	0.30
Boulevard Bridge	0.10	0.10	0.10	0.20	0.25	0.35
Three-Axle Vehicles						
Powhite Parkway Mainline	\$ 0.30	\$ 0.35	\$ 0.40	\$ 0.45	\$ 0.60	\$ 0.80
Forest Hill Ramps	0.30	0.35	0.40	0.45	0.60	0.80
Douglasdale Ramps	0.20	0.10	0.10	0.20	0.25	0.40
Downtown Expressway Mainline	0.25	0.35	0.40	0.45	0.60	0.80
Second Street Ramps	0.15	0.20	0.20	0.40	0.50	0.70
Eleventh Street Ramps	0.15	0.20	0.20	0.30	0.40	0.60
Boulevard Bridge	0.20	0.20	0.20	0.40	0.50	0.70
Four-Axle Vehicles						
Powhite Parkway Mainline	\$ 0.40	\$ 0.45	\$ 0.50	\$ 0.55	\$ 0.70	\$ 0.90
Forest Hill Ramps	0.40	0.45	0.50	0.55	0.70	0.90
Douglasdale Ramps	0.20	0.10	0.10	0.20	0.25	0.40
Downtown Expressway Mainline	0.30	0.45	0.50	0.55	0.70	0.90
Second Street Ramps	0.20	0.20	0.20	0.40	0.50	0.70
Eleventh Street Ramps	0.20	0.20	0.20	0.30	0.40	0.60
Boulevard Bridge	0.20	0.20	0.20	0.40	N/A (2)	N/A (2)
Five or More-Axle Vehicles						
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.

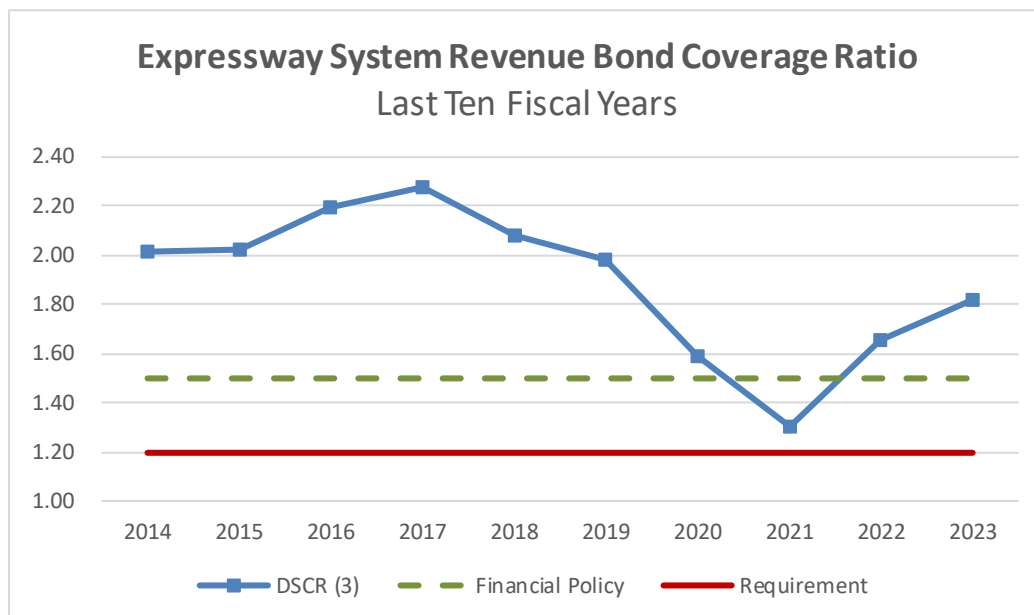
(2) Vehicles over three axles are no longer permitted on the Boulevard Bridge.

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)
2014	\$ 38,176,186	\$ 12,293,218	\$ 25,882,968	\$ 3,960,000	\$ 8,895,357	\$ 12,855,357	2.01
2015	39,270,422	13,247,175	26,023,247	4,170,000	8,696,482	12,866,482	2.02
2016	41,530,698	13,339,232	28,191,466	4,390,000	8,444,913	12,834,913	2.20
2017	43,024,426	13,696,689	29,327,737	4,615,000	8,280,606	12,895,606	2.27
2018	43,588,346	12,917,185	30,671,161	6,905,000	7,833,846	14,738,846	2.08
2019	43,919,109	14,703,859	29,215,250	7,265,000	7,472,389	14,737,389	1.98
2020	37,918,746	14,793,225	23,125,521	7,650,000	6,877,702	14,527,702	1.59
2021	30,380,370	11,170,652	19,209,718	8,050,000	6,725,745	14,775,745	1.30
2022	34,664,675	10,391,401	24,273,274	8,188,041	6,501,972	14,690,013	1.65
2023	36,564,441	11,947,183	24,617,258	7,650,000	5,902,548	13,552,548	1.82

- (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.

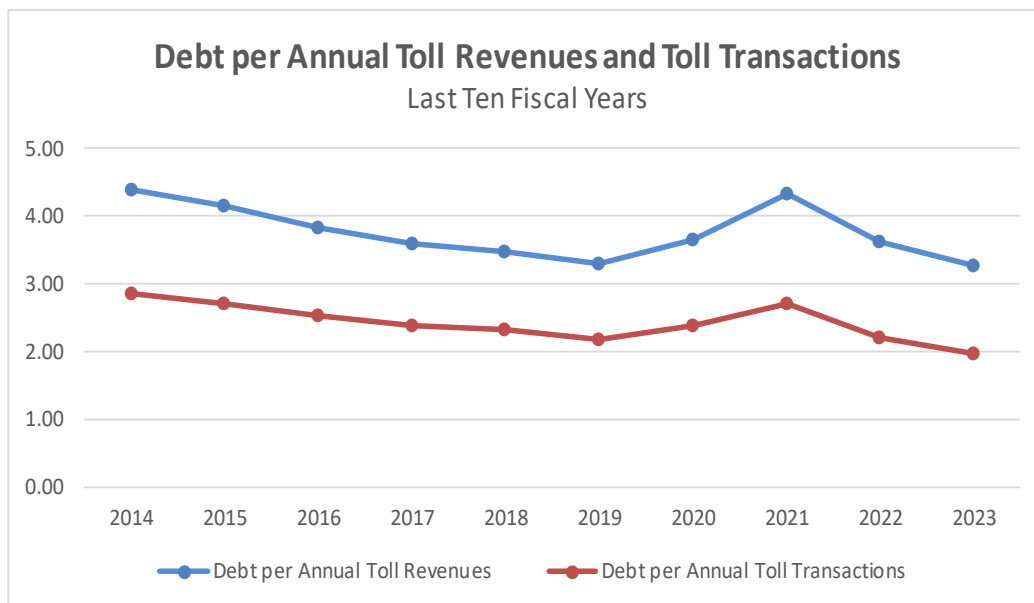


Statistical Section

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

Fiscal Year	Outstanding Bonds	Outstanding Subordinate Notes and Accrued Interest	Less: Debt Service Reserves	Total Debt, Net of Resources	Debt per Annual Toll Revenues	Debt per Annual Toll Transactions
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	2.4
2018	162,776,986	-	(13,740,086)	149,036,900	3.48	2.32
2019	155,626,507	-	(13,889,343)	141,737,164	3.31	2.18
2020	148,314,552	-	(13,659,911)	134,654,641	3.64	2.38
2021	140,282,683	-	(12,780,969)	127,501,714	4.33	2.7
2022	131,872,308	-	(10,678,336)	121,197,900	3.61	2.20
2023	123,928,403	-	(7,371,378)	116,557,025	3.28	1.98

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



Statistical Section

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Employer Ranking (1, 2)										
Amazon	-	-	-	10	10	10	10	-	1	1
VCA Hospital	6	5	5	4	2	3	3	5	2	2
Chesterfield County School Board	3	4	4	5	6	6	6	3	3	3
Bon Secours Health System	8	7	6	7	4	4	5	6	4	4
Henrico County School Board	4	3	3	3	7	7	4	2	5	6
Virginia Commonwealth University	2	2	1	1	1	1	1	1	6	5
HCA Virginia Health System	5	6	7	6	5	5	7	-	7	7
US Department of Defense	9	8	8	9	8	9	8	7	8	8
Wal-Mart	7	9	9	8	9	8	9	9	9	9
Capital One Bank	1	1	2	2	3	2	2	4	10	10
CarMax	-	-	-	-	-	-	-	8	-	-
Richmond City Public Schools	-	-	-	-	-	-	-	10	-	-
Integrity Staffing Solutions	10	10	10	-	-	-	-	-	-	-
Richmond City Public Schools	-	-	-	-	-	-	-	-	-	-
Richmond Area Employment (3)	608,250	621,411	-	636,068	689,437	685,100	686,632	647,057	665,184	712,073

- (1) Final quarter data for the top ten employers shown based on the most recent calendar year (2014-2023).
- (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 (2014-2023). Total employment data obtained from the Bureau of Labor Statistics. Employment numbers are not seasonally adjusted. Historical employment data was updated in fiscal year 2023 based on revised employment estimates.

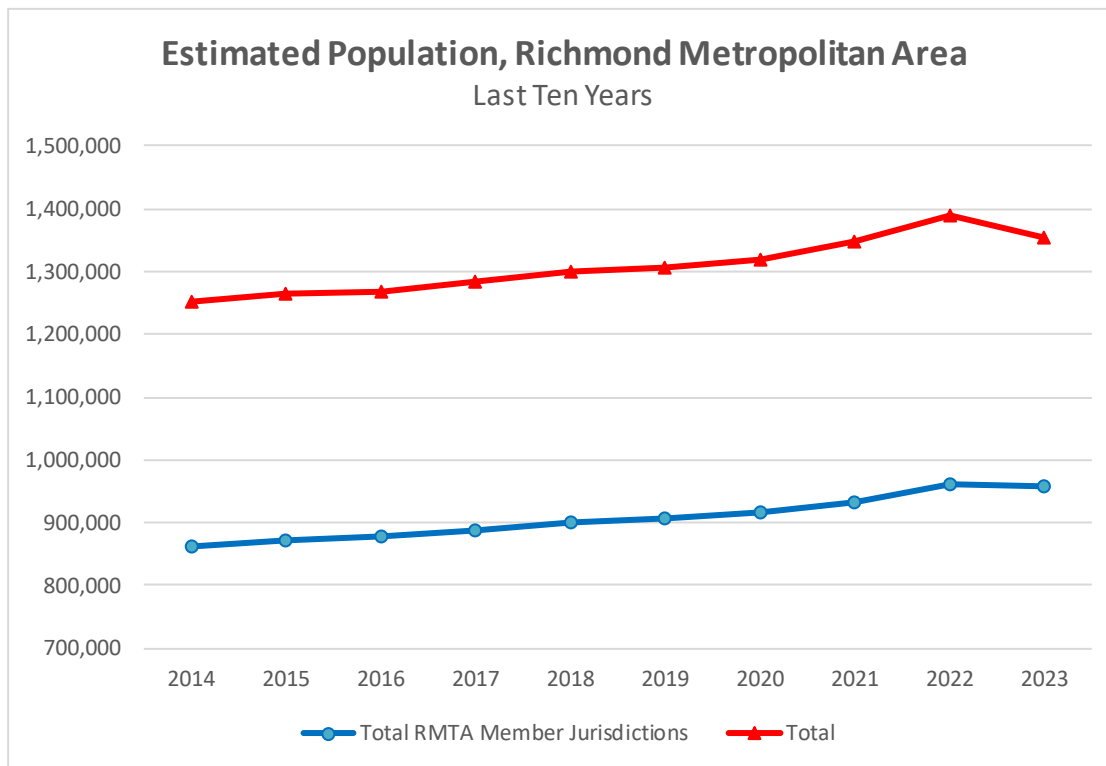
Source: Virginia Employment Commission, Bureau of Labor Statistics

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
2014	213,504	330,043	318,019	861,566	389,477	1,251,043
2015	217,938	333,450	320,717	872,105	391,512	1,263,617
2016	221,679	333,963	321,233	876,875	392,254	1,269,129
2017	222,853	340,020	324,395	887,268	395,693	1,282,961
2018	226,919	346,357	326,993	900,269	399,001	1,299,270
2019	226,841	350,760	328,999	906,600	400,661	1,307,261
2020	229,074	355,079	331,219	915,372	404,086	1,319,458
2021	226,632	369,943	336,226	932,792	415,191	1,347,983
2022	238,691	368,583	352,541	959,815	429,492	1,389,308
2023	229,035	387,703	339,918	956,656	397,964	1,354,620

(1) Population estimates as of April 21 of the previous year (2013-2022).
 Source: Weldon Cooper Center for Public Service, University of Virginia



Statistical Section

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Revenues (1):										
Powwhite Parkway	\$22,868,671	\$23,606,375	\$24,796,353	\$25,470,997	\$25,721,280	\$25,892,404	\$22,700,737	\$19,661,256	\$21,869,496	\$23,062,566
Downtown Expressway	12,823,395	13,061,678	13,674,656	13,979,051	14,216,747	14,359,468	11,738,154	8,487,473	10,828,719	12,019,282
Boulevard Bridge	1,515,723	1,492,920	1,523,353	1,510,119	1,448,157	1,419,349	1,285,439	958,446	947,914	960,748
Total	<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>	<u>\$41,671,221</u>	<u>\$35,769,331</u>	<u>\$29,107,175</u>	<u>\$33,646,129</u>	<u>\$36,042,596</u>
Vehicle Traffic Volume:										
Powwhite Parkway	33,554,196	34,579,728	36,350,428	37,354,162	37,689,222	38,172,792	34,058,075	30,315,116	33,804,764	35,764,143
Downtown Expressway	20,225,578	20,623,336	21,561,269	21,863,219	22,460,081	22,701,568	18,820,763	14,236,125	18,103,616	19,881,654
Boulevard Bridge	4,312,318	4,262,366	4,343,172	4,332,640	4,206,077	4,046,748	3,660,223	2,892,141	3,101,684	3,268,183
Total	<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>	<u>64,921,108</u>	<u>56,539,061</u>	<u>47,443,382</u>	<u>55,010,064</u>	<u>58,913,980</u>
Avg. Toll (2)	\$ 0.64	\$ 0.64	\$ 0.64	\$ 0.64	\$ 0.64	\$ 0.64	\$ 0.63	\$ 0.61	\$ 0.62	\$ 0.61
E-ZPass % (3)	63.00%	64.90%	66.50%	68.60%	70.60%	72.00%	73.50%	74.60%	76.90%	76.70%
Lane Miles	50.15	50.15	50.15	50.15	50.15	50.15	50.15	50.15	50.15	50.15

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

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

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

Statistical Section

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expressway System										
Full time	87	90	84	84	82	89	84	53	49	49
Part time	32	34	37	36	31	27	30	8	13	11
	<u>119</u>	<u>124</u>	<u>121</u>	<u>120</u>	<u>113</u>	<u>116</u>	<u>114</u>	<u>61</u>	<u>62</u>	<u>60</u>
Central Administration										
Full time	12	12	13	12	10	17	16	12	11	12
Part time	1	1	1	1	1	1	2	1	1	1
	<u>13</u>	<u>13</u>	<u>14</u>	<u>13</u>	<u>11</u>	<u>18</u>	<u>18</u>	<u>13</u>	<u>12</u>	<u>13</u>
Main Street Station										
Full time	2	2	2	2	1	2	-	-	-	-
Part time	-	-	-	-	11	-	-	-	-	-
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>12</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total										
Full time	101	104	99	98	93	108	100	65	60	61
Part time	33	35	38	37	43	28	32	9	14	12
	<u>134</u>	<u>139</u>	<u>137</u>	<u>135</u>	<u>136</u>	<u>136</u>	<u>132</u>	<u>74</u>	<u>74</u>	<u>73</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* (the "Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Expressway System major fund and the aggregate remaining fund information of the Richmond Metropolitan Transportation Authority (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 22, 2024.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2023-001 and 2023-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2023-003 to be a significant deficiency.

Report on Compliance and Other Matters

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

Authority's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Authority's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Cherry Bekaert LLP

Richmond, Virginia
March 22, 2024

Schedule of Findings and Responses

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

2023-001: Material Weakness – Internal Control over Financial Reporting – Proper Review and Authorization of Journal Entries Prior to Posting to the General Ledger

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

Condition: Throughout the fiscal year, Authority Finance personnel oversee the preparation, processing, and recordation of thousands of financial transactions that are compiled and provided to Authority management by way of reports used to run the Authority and ultimately used in the year-end publication of the Annual Comprehensive Financial Report. To ensure transactions are fairly represented, procedures must be in place and functioning effectively to produce complete and accurate financial information. During the fiscal year and the financial close process, journal entries are commonly created to adjust accounts based on supporting schedules and recorded in the general ledger. Per discussion with Authority Finance management, and through our inspection of journal entry support, we noted the Authority has no formal supporting documentation that entries were properly reviewed and approved prior to making changes in the general ledger.

Cause: Documented approval controls designed to ensure the completeness, accuracy, and acknowledgement by management that changes to the general ledger are appropriate did not exist.

Effect: Lack of approval controls increases the potential for material misstatements in the Authority's financial reporting.

Recommendation: The Authority should implement procedures that document the required approval of journal entries.

Views of Responsible Officials and Planned Corrective Actions:

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

- Hired a Controller with the prerequisite knowledge and background.
- Hired a Director of Finance with the prerequisite experience.
- Hired an Accountant II with considerable knowledge and experience.

This will enable the Finance Department to reinstate the existing control structure that will mitigate the cause of this finding.

2023-002: Material Weakness – Internal Control over Financial Reporting – Accuracy of Account Balances

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

Condition: The Authority improperly did not record approximately \$920,000 in expenses paid after year-end back to fiscal year 2023.

Cause: Due to the lack of management oversight, internal controls were not operating effectively to ensure proper recording of the transactions for financial reporting purposes in the proper fiscal period.

Effect: Although the amounts identified above were corrected, the absence of managerial oversight in account record management exposes the Authority to potential errors, misstatements, or fraud due to insufficient checks and balances, thereby compromising the integrity of financial reporting.

Recommendation: Authority Finance management should review, and as needed, modify monthly procedures to ensure the accurate and complete recording of activities in the proper fiscal period.

Views of Responsible Officials and Planned Corrective Actions:

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

- Hired a Controller with the prerequisite knowledge and background.
- Hired a Director of Finance with the prerequisite experience.
- Hired an Accountant II with considerable knowledge and experience.

This will enable the Finance Department to reinstate the existing control structure that will mitigate the cause of this finding.

2023-003: Significant Deficiency – Internal Control over Financial Reporting – Proper Review of Monthly Revenue Reconciliations

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

Condition: During the audit, we noted instances of a lack of evidence of proper review and approval of revenue reconciliations during the fiscal year ended June 30, 2023.

Cause: Monthly revenue reconciliation procedures were not performed effectively and timely.

Effect: Without evidence of proper review and approval, misstatements could be recorded in the general ledger.

Recommendation: Authority Finance management should review, and as needed, modify monthly procedures to ensure the timely and complete reconciliation of revenues.

Views of Responsible Officials and Planned Corrective Actions:

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

- Hired a Controller with the prerequisite knowledge and background.
- Hired a Director of Finance with the prerequisite experience.
- Hired an Accountant II with considerable knowledge and experience.

This will enable the Finance Department to reinstate the existing control structure that will mitigate the cause of this finding.