

**NORTHERN VIRGINIA  
TRANSPORTATION COMMISSION**

**Financial and Compliance Reports  
Year Ended June 30, 2014**



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ASSURANCE, TAX & ADVISORY SERVICES

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Commission Board Members  
Northern Virginia Transportation Commission  
Arlington, Virginia

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Northern Virginia Transportation Commission (Commission), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Commission, as of June 30, 2014, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-14 and 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and Schedule of Expenditures of Federal Awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia  
November 24, 2014

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2014**

## **NORTHERN VIRGINIA TRANSPORTATION COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of Northern Virginia Transportation Commission's (NVTC) financial performance provides an overview of NVTC's financial activities for the fiscal year ended on June 30, 2014. Please read it in conjunction with the accompanying financial statements which follow this section.

### **FINANCIAL HIGHLIGHTS**

#### **Highlights for Government-wide Financial Statements**

The government-wide financial statements report information about the NVTC reporting entity as a whole using the economic resources measurement focus and accrual basis of accounting.

- NVTC's net position equaled \$109.5 million on a government-wide basis as of June 30, 2014. Of this total, \$109.3 million is for business-type activities with the remaining balance for governmental activities.
- For the fiscal year, grants, contributions and other revenue net of transfers of NVTC's governmental activities amounted to \$54.6 million. Expenses were approximately equal to revenue.
- For the fiscal year, revenues and transfers of NVTC's business-type activities were \$55.9 million. Expenses amounted to \$42.0 million.

#### **Highlights for Fund Financial Statements**

The fund financial statements provide detailed information about NVTC's funds using the current financial resources measurement focus and modified accrual basis of accounting.

- NVTC's governmental funds reported an increase in fund balance of \$96,900 for fiscal year 2014, compared to a decrease of \$81,561 for fiscal year 2013. The governmental funds balance as of June 30, 2014 totaled \$380,696 compared with \$283,796 at the end of the previous fiscal year.
- During the fiscal year, the proprietary fund net position increased by \$12.1 million, from \$97.2 million to \$109.3 million.
- NVTC's fiduciary fund reported an increase of \$34.5 million in net position held in trust for member jurisdictions, from \$152.3 million to \$186.8 million.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements presented include all of the activities which are part of the NVTC reporting entity using the integrated approach as prescribed by the Governmental Accounting Standards Board (GASB).

The government-wide financial statements present the financial picture of NVTC's governmental and business-type activities from the economic resources measurement focus using the accrual basis of accounting. Excluded from these statements are the activities of the jurisdiction trust fund, which is considered a fiduciary fund and, therefore, not part of the primary government.

The fund financial statements include a set of statements for each of the three categories of funds – governmental, proprietary and fiduciary. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary fund and the fiduciary fund are prepared using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements. Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

### **Government-Wide Financial Statements**

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities, with the governmental activities and business-type activities shown separately. The Statement of Net Position presents the assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. The Statement of Activities shows in broad terms how the net position changed during the fiscal year.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the NVTC reporting entity is improving or declining. Net position is one way to measure financial position, but the reader should also consider other indicators, such as for the business-type activities, the rate of growth of operating subsidies, passenger fare levels, ridership, general economic conditions and the age and condition of capital assets.

Revenue is classified as program or general revenues. Program revenues are further classified as charges for services, operating grants and contributions, and capital grants and contributions. Expenses are reported by functions and programs. Transfers between the governmental activities and business-type activities are reported under the general revenues section.

### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The funds of the NVTC reporting entity are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year.

NVTC maintains two governmental funds: the General Fund and the Special Revenue Fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for each of these funds. The General Fund includes the administrative, planning and project activities of NVTC. The Special Revenue Fund reports the intergovernmental revenue received by NVTC and allocated to the member jurisdictions by a formula maintained by NVTC. Once the allocation is determined, the funds are remitted to the fiduciary fund.

**Proprietary Fund.** The proprietary fund is used to account for NVTC's share of the Virginia Railway Express (VRE) joint venture. The fund is used to account for the same functions reported as business-type activities in the government-wide financial statements. The three statements included for the proprietary fund are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

**Fiduciary Fund.** The Fiduciary Fund is used to account for resources held by NVTC for the benefit and restricted use of the programs of other governments. Additions to the fiduciary fund consist of revenue remitted from the Special Revenue Fund, state operating and capital assistance for transit contracted directly with the NVTC WMATA Compact member jurisdictions, and investment income. Deductions from the fiduciary fund are disbursements directed by the individual member jurisdictions for restricted purposes. The accounting methods used for the fiduciary fund are much like that used for proprietary funds. The two statements included for the fiduciary fund are the Statement of Net Position and the Statement of Changes in Net Position.

### **Notes to the Basic Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Required Supplementary Information**

Additional information that is required by accounting principles generally accepted in the United States to be presented as a supplement to the basic financial statements.

### **Supplementary Information**

Additional information is presented as a supplement to the basic financial statements. Although not required to be presented and not part of the basic financial statements, the schedules are included to provide additional information of interest to certain financial statement users.

## **FINANCIAL ANALYSIS OF THE NVTC REPORTING ENTITY AS A WHOLE**

### **Statement of Net Position**

The following table presents a summary of the Statement of Net Position for the NVTC reporting entity as of June 30, 2014 and 2013:

#### **Summary of Net Position As of June 30,**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Assets:</b>						
Current and other assets	\$ 9,096,341	\$ 7,852,662	\$ 37,259,098	\$ 27,219,148	\$ 46,355,439	\$ 35,071,810
Capital assets	39,918	46,483	151,429,294	156,023,517	151,469,212	156,070,000
Total assets	9,136,259	7,899,145	188,688,392	183,242,665	197,824,651	191,141,810
<b>Liabilities:</b>						
Current and other liabilities	8,830,107	7,568,866	4,702,500	2,669,180	13,532,607	10,238,046
Long-term liabilities	100,585	176,898	74,672,996	83,341,333	74,773,581	83,518,231
Total liabilities	8,930,692	7,745,764	79,375,496	86,010,513	88,306,188	93,756,277
<b>Net position:</b>						
Net investment in capital assets	39,918	46,483	76,907,908	72,818,337	76,947,826	72,846,820
Restricted	-	-	11,958,252	11,780,900	11,958,252	11,780,900
Unrestricted	165,649	106,898	20,446,736	12,632,915	20,612,385	12,739,813
Total net position	\$ 205,567	\$ 153,381	\$ 109,312,896	\$ 97,232,152	\$ 109,518,463	\$ 97,385,533

As noted earlier, net position may serve as a useful indicator of a government's financial position. As shown above, net position totaled \$109.5 million as of June 30, 2014, an increase of \$12.1 million over the previous fiscal year. The largest portion of net position, \$76.9 million or 70.3 percent, represents the investment in capital assets (e.g., land, building, improvements, rolling stock, equipment and software), less accumulated depreciation and amortization and the related indebtedness outstanding used to acquire those capital assets. These assets are used to provide service to riders; consequently, these assets are not available for future spending. The resources required to repay this debt must be provided annual from operations and federal, state and local support since it is unlikely that the capital assets themselves will be liquidated to pay liabilities.

A portion of the net position, \$12.0 million or 10.9 percent represents resources that are restricted for the commuter rail liability insurance plan, debt service and capital leases.

Current assets consist primarily of grant revenue and motor fuel sales tax due from the Commonwealth of Virginia for governmental activities, and restricted and non-restricted cash, cash equivalents, and investments for the business-type activities. As of June 30, 2014, approximately \$13.8 million was due from the Commonwealth of Virginia, of which \$8.4 million is for motor fuel sales tax, and \$5.4 million for grant revenue. This is a \$2.7 million increase from the previous fiscal year, of which motor fuel sales tax receivables increased \$1.1 million or 14.3 percent, and grant revenue increased \$1.6 million or 42.8 percent. The \$1.1 million in the receivable for motor fuel sales tax is due to an increase in motor fuel revenue due to higher gasoline prices between periods. The \$1.6 million increase in the receivable for grant revenue is due to an increase in capital grant revenue not received at the end of the fiscal year for the business-type activities. As of June 30, 2014, \$5.2 million of the amount due from the Commonwealth was for the commuter rail service, with the balance for the jurisdiction transit function of NVTC, and for general and administrative and projects. Cash, cash equivalents and investments increased approximately \$8.4 million and totaled \$18.0 million as of June 30, 2014, of which all but \$305,920 was for the business-type activities of the commuter rail service.

Net position of the jurisdiction trust fund is not reported in the entity-wide statement of net position, as they are considered fiduciary funds and are held in trust for the NVTC member jurisdictions restricted use.

## Statement of Changes in Net Position

The following table shows the revenues and expenses and the change in net position of the NVTC reporting entity for the fiscal years ended June 30, 2014 and 2013:

### Summary of Changes in Net Position For the Fiscal Years Ended June 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ -	\$ -	\$ 17,608,413	\$ 13,867,223	\$ 17,608,413	\$ 13,867,223
Operating grants and contributions	5,440,463	11,920,437	5,077,476	4,841,056	10,517,939	16,761,493
Capital grants and contributions	-	-	11,454,550	12,696,697	11,454,550	12,696,697
General revenues						
Intergovernmental						
Commuter rail	21,794,733	15,926,744	-	-	21,794,733	15,926,744
Motor vehicle fuel sales tax	49,247,910	47,126,588	-	-	49,247,910	47,126,588
Interest	214	417	13,253	7,751	13,467	8,168
Other	-	899	-	-	-	899
Transfers	(21,794,733)	(15,926,744)	21,794,733	15,926,744	-	-
Total revenues	54,688,587	59,048,341	55,948,425	47,339,471	110,637,012	106,387,812
Expenses:						
General and administration	2,885,561	2,855,238	-	-	2,885,561	2,855,238
Jurisdiction transit	51,750,839	56,254,612	-	-	51,750,839	56,254,612
Commuter rail	-	-	42,037,288	35,956,660	42,037,288	35,956,660
Total expenses	54,636,400	59,109,850	42,037,288	35,956,660	96,673,688	95,066,510
Extraordinary item	-	-	(1,830,393)	-	(1,830,393)	-
Change in net position	52,187	(61,509)	12,080,744	11,382,811	12,132,931	11,321,302
Beginning net position	153,380	214,889	97,232,152	85,849,341	97,385,532	86,064,230
Ending net position	\$ 205,567	\$ 153,380	\$ 109,312,896	\$ 97,232,152	\$ 109,518,463	\$ 97,385,532

For the fiscal year ended June 30, 2014, revenues totaled \$110.6 million, compared to \$106.4 million in the preceding year, a decrease of \$4.2 million or 4.0 percent. Expenses increased \$1.6 million, or 1.7 percent. A discussion of the key components of these revenue and expense changes is included in the funds analysis.

## **FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS**

### **Governmental Funds**

**General Fund.** The General Fund reports the project, planning and administrative activities of NVTC. The unreserved fund balance represents the net resources available for spending at the end of the fiscal year.

NVTC adopts an annual operating budget for the planning and administrative activities of the General Fund for the purpose of determining the annual contributions from the member jurisdictions required to fund these activities. In addition, the various projects included in the General Fund have individual budgets. While certain administrative expenditures such as payroll and payroll related expenses are part of the annual operating budget, they may be included in project costs if they were incurred directly for a project. Since non-administrative project expenditures are generally fully funded from sources other than those for the planning and administrative activities, the unreserved fund balance is mainly the result of the planning and administrative activities of the General Fund.

As of June 30, 2014 the General Fund had a total fund balance of \$380,696 of which \$37,263 was nonspendable and \$343,433 was unassigned. The fund balance increased \$96,900 or 34.1 percent from the preceding year due to a favorable budget variance, partly offset by a budgeted drawdown of surplus funds.

During fiscal year 2014, NVTC's regional projects incurred a total of \$1,677,574 in direct costs. Three of these projects were funded with state and federal sources totaling \$1,315,348. The \$362,226 in other funding sources includes direct local contributions from the NVTC member jurisdictions, local contributions from allocated state assistance, and local contributions from NVTC, which consists primarily of payroll and payroll related costs.

**Special Revenue Fund.** Prior to fiscal year 2013, the special revenue fund reported intergovernmental revenue for the jurisdictions' transit programs, including local bus systems and the operating and capital subsidies of the Washington Metropolitan Area Transit Authority ("WMATA"). The intergovernmental revenue included state operating assistance, state capital assistance, and the motor vehicle fuel sales tax. In fiscal year 2013 and 2014, the state contracted directly with the NVTC member jurisdictions for the state operating and capital assistance. Accordingly, in fiscal year 2014 the special revenue fund recognized only the capital assistance contracted with NVTC prior to fiscal year 2013, as well as the motor vehicle fuel sales tax.

As the revenue is recognized by the Special Revenue Fund, it is allocated using the Subsidy Allocation Model formula ("SAM"). This formula, which is defined and established by NVTC board resolution and the *Code of Virginia*, is maintained and updated annually by NVTC. After the revenue has been allocated by the SAM and each jurisdiction's share has been identified, the funds are remitted to the Jurisdiction Trust Fund for the restricted use by the member jurisdictions individually to support the programs of their respective locality.

Intergovernmental revenues decreased approximately \$4.5 million or 8.0 percent from the previous fiscal year. The decrease is caused by a \$6.6 million decrease in state assistance due to less activity in the capital assistance contracts prior to fiscal year 2013, offset by a \$2.1 million increase in gas tax revenue of state transit assistance in fiscal year 2014.

## **Proprietary Fund**

The proprietary fund captures NVTC's portion of the financial activity of the joint venture Virginia Railway Express (VRE) commuter rail service. Assets owned by NVTC and the Potomac and Rappahannock Transportation Commission (PRTC) for the VRE operations have been funded by a variety of sources including federal assistance with PRTC as grantee, Commonwealth of Virginia assistance with NVTC-VRE as grantee, local contributions, and various loans and other financing arrangements for which one or both Commissions have served as issuer, borrower, or in other related capacities. For financial statement reporting purposes, assets, liabilities and operations are assigned and allocated to NVTC and PRTC based on asset ownership, named entity on debt instruments, and sources of funding.

NVTC's share of operating revenue increased approximately \$3.7 million or 27.0 percent, while operating expenses increased approximately \$6.0 million or 17.0 percent. While the total revenue and expenses of the VRE operations increased between years, most of the increase to the NVTC reporting entity is caused by an increase in NVTC's share of the activity. Capital contributions and transfers increased \$4.6 million or 16.2 percent.

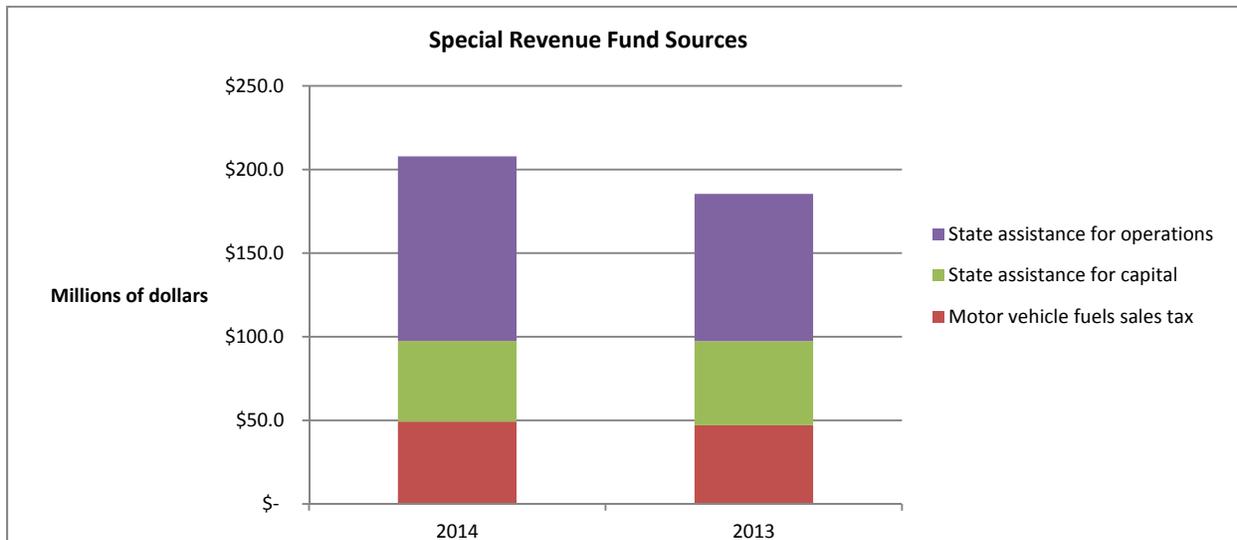
In order to present a full and accurate picture of VRE operations, all financial transaction related to the commuter rail program reported separately in the financial statements of NVTC and PRTC are combined in a separate set of financial statements. These audited financial statements can be obtained from the Director of Finance and Administration of NVTC at 2300 Wilson Blvd., Suite 620, Arlington, VA 22201.

## **Fiduciary Fund**

The fiduciary fund is a private purpose trust fund, which is titled the Jurisdiction Trust Fund.

**Jurisdiction Trust Fund.** The Jurisdiction Trust Fund holds the assets that were remitted from the special revenue fund (contributions from government), as well as fiscal year 2013 and fiscal year 2014 operating and capital assistance contracted directly with the NVTC member jurisdictions and received directly from the state (intergovernmental revenues). These funds are accounted for on an individual jurisdiction basis. As with the revenue from the Special Revenue Fund, the direct fiscal year 2013 and 2014 receipts are allocated using the SAM. The funds are invested in the Virginia Local Government Investment Pool, and are available for disbursement for restricted purposes by instructions of the member jurisdictions. The change in the fund balance from year to year is dependent upon the remittances from the special revenue fund, the direct operating and capital received by the fund, investment income and the amount each member jurisdiction instructs NVTC to disburse from the Fund.

The total additions to the Trust Fund, excluding investment income, increased by \$22.4 million, or 12.0 percent from the previous year. An analysis of this change is shown below.



State assistance for operations is revenue from the state operating formula assistance program. Operating assistance increased approximately \$22.4 million, or 25.5 percent from the previous fiscal year, while the state-wide available operating assistance increased by 28.8 percent. The operating assistance program is funded at the statutory fixed rate of 73.5% of projected Mass Transit Trust Fund (MTTF) revenue up to \$160 million. Since fiscal year 2009, the operating program receives directly a portion of the state recordation tax to help fund the operating program. Beginning in fiscal year 2014, MTTF revenues above \$160 million are allocated using a performance based formula for operations.

State assistance for capital expenditures recognized by the special revenue fund during fiscal year 2014 decreased by \$2.1 million or 4.3 percent from the previous fiscal year. This decrease is primarily the result of less eligible capital expenses invoiced during the fiscal year, combined with various state participation rates for different classes of assets and fluctuating rates from year to year. State assistance for capital expenditures during the fiscal year includes revenue from the Mass Transit Trust Fund and the Mass Transit Capital program. The state-wide capital program is funded at the statutory fixed rate of 25 percent of projected Mass Transit Trust Fund revenues. The fiscal year 2014 program allocated an additional \$57.7 million from the Mass Transit Capital program for state-wide needs.

Effective January 1, 2010, the Motor Vehicle Fuel Sales tax is levied on distributors of gasoline and diesel fuel for deliveries within NVTC's jurisdictions at the rate of 2.1 percent. Prior to this, the tax was levied on the retail sales at the rate of 2 percent. Motor Vehicle Fuel Sales tax revenue increased by \$2.1 million or 4.5 percent from the previous fiscal year. Factors that influence the gas tax revenue includes price, overall demand, price elasticity impacting demand, grade mix, and taxpayer compliance.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

The details of capital assets as of June 30, 2014 and 2013 are as follows:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Rolling stock	\$ -	\$ -	\$ 114,468,417	\$ 114,468,417	\$ 114,468,417	\$ 114,468,417
Vehicles	-	-	39,332	49,916	39,332	49,916
Facilities	-	-	51,224,981	50,954,533	51,224,981	50,954,533
Track and signal improvements	-	-	26,342,184	26,342,184	26,342,184	26,342,184
Equipment and software	-	-	5,171,422	4,466,999	5,171,422	4,466,999
Construction in progress	-	-	6,819,428	5,062,565	6,819,428	5,062,565
Equity in properties of others	-	-	2,893,644	2,893,644	2,893,644	2,893,644
Furniture, equipment and software	98,051	94,137	2,757,273	2,730,751	2,855,324	2,824,888
	98,051	94,137	209,716,681	206,969,009	209,814,732	207,063,146
Less accumulated depreciation and amortization	58,133	47,654	58,287,387	50,945,492	58,345,520	50,993,146
<b>Total capital assets, net</b>	<b>\$ 39,918</b>	<b>\$ 46,483</b>	<b>\$ 151,429,294</b>	<b>\$ 156,023,517</b>	<b>\$ 151,469,212</b>	<b>\$ 156,070,000</b>

NVTC's investment in capital assets as of June 30, 2014 amounted to \$151.5 million (net of accumulated depreciation and amortization) which represents a decrease of \$4.6 million or 2.9 percent over last year from the result of annual depreciation and amortization recognized, offset in part by an increase in assets. Completed projects totaling approximately \$0.95 million were closed from construction in progress to their respective capital accounts and an additional \$0.035 million was charged directly to the capital accounts.

The major completed projects were: the fare system upgrade project (\$.45 million); the lighting upgrade project at Franconia and Backlick stations (\$.2 million); and the installations of security cameras at various stations (\$.15 million). The major additions to construction in progress during the fiscal year were for the construction of a third track between Hamilton and Crossroads in Spotsylvania County (\$4.7 million); the construction of 15 replacement railcars (\$.3 million); and the development of a mobile ticketing system (\$.1 million).

### **Debt Administration**

At June 30, 2014, the commissions had total debt outstanding of \$82.8 million for the VRE commuter rail service, of which \$74.5 million is reported by NVTC. The revenue bond debt is issued under the name of the NVTC. The bonds are secured by a pledge of VRE operations revenue. A debt service insurance policy guarantees payment of each bond series.

The NVTC and PRTC are co-lessees of the capital lease for rolling stock, which is secured by the related equipment. The promissory note with the Federal Railroad Administration for the purchase of 60 Gallery railcars is issued by NVTC, but both NVTC and PRTC are signatories. The note is secured by the revenues of VRE operations and the rolling stock.

	2014	2013
Revenue bonds	\$ 6,555,000	\$ 12,775,000
Capital leases	8,267,806	8,834,413
Notes payable (includes RRIF)	59,698,580	61,595,766
<b>Total</b>	<b>\$ 74,521,386</b>	<b>\$ 83,205,179</b>

Prior to March 1, 2014, VRE operations had access to a line of credit in NVTC's name of up to \$1 million with SunTrust Bank; a new line will be established with PNC Bank during fiscal year 2015. The line was not utilized during 2014.

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

State assistance recognized by the Special Revenue fund will increase significantly due to the Commonwealth of Virginia's decision to contract with NVTC for state assistance related to the jurisdictions subsidy requirements to WMATA, as was done prior to fiscal year 2013. NVTC will continue as an agent for the receipt, investment and disbursement of the state assistance related to the jurisdiction's local systems as was done in fiscal year 2013 and 2014, and such activity will continue to be recognized by the Jurisdiction Trust Fund. Prior to fiscal year 2013, NVTC was the grantee for the assistance related to the jurisdiction's local systems.

The U.S. Energy Information Administration forecasts a 2.9 percent decrease in the average price of gasoline nationwide for fiscal year 2015. If that forecast holds true for the NVTC region, and the historical relationship between gas prices and motor fuel sales tax collections continue, a similar percentage decrease in gas tax revenue for the Special Revenue fund would be realized.

Population growth in Northern Virginia, especially in the outer suburbs, continues to remain robust. In combination with the congestion on major highways and on-going highway construction projects, this growth will continue to increase demand for VRE's service. The constraining factors to VRE growth are station parking, availability of seats, storage capacity, and the availability of subsidy funds.

For VRE operations, no general fare increase was budgeted for fiscal year 2015. The total local subsidy for fiscal year 2015 was held constant at \$16,428,800.

Additional sources of funding will be available in fiscal year 2015 from federal, state and regional sources, although the amounts received will continue to be variable from year to year.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of NVTC's finances for all those interested. If you have any questions about this report or need additional financial information, contact the Director of Finance and Administration, Northern Virginia Transportation Commission, 2300 Wilson Boulevard, Suite 620, Arlington, Virginia 22201, or by email to [scott@nvtcd.org](mailto:scott@nvtcd.org).

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF NET POSITION**  
June 30, 2014

<b>ASSETS</b>	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Primary Government</b>
Cash and cash equivalents	\$ 305,920	\$ 17,647,693	\$ 17,953,613
Due from other governments:			
Commonwealth of Virginia	13,788,376	-	13,788,376
Federal	33,173	-	33,173
Local	1,078	-	1,078
Trade accounts receivable, net	-	772,645	772,645
Other receivables	-	11,428	11,428
Inventory	-	1,718,445	1,718,445
Deposits and prepaid items	37,263	81,166	118,429
Restricted cash, cash equivalents and investments	-	11,958,252	11,958,252
Internal balances	(5,069,469)	5,069,469	-
Capital assets:			
Rolling stock	-	114,468,417	114,468,417
Vehicles	-	39,332	39,332
Facilities	-	51,224,981	51,224,981
Track and signal improvements	-	26,342,184	26,342,184
Equipment and software	-	5,171,422	5,171,422
Construction in progress	-	6,819,428	6,819,428
Equity in property of others	-	2,893,644	2,893,644
Furniture, equipment and software	98,051	2,757,273	2,855,324
Less accumulated depreciation and amortization	(58,133)	(58,287,387)	(58,345,520)
Total assets	9,136,259	188,688,392	197,824,651

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF NET POSITION**  
June 30, 2014

<b>LIABILITIES</b>	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Primary Government</b>
Accounts payable	\$ 150,170	\$ 1,393,407	\$ 1,543,577
Accrued expenses	31,310	2,020,702	2,052,012
Accrued interest	-	358,288	358,288
Due to fiduciary fund	8,534,165	-	8,534,165
Deferred revenue	-	837,114	837,114
Lease liability	114,462	-	114,462
Contract retainage	-	92,989	92,989
Noncurrent liabilities:			
Due within one year:			
Compensated absences	31,060	21,704	52,764
Notes payable	-	1,988,724	1,988,724
Capital lease obligation	-	592,913	592,913
Bonds payable, net	-	6,555,000	6,555,000
Due in more than one year:			
Compensated absences	69,525	129,906	199,431
Notes payable	-	57,709,856	57,709,856
Capital lease obligation	-	7,674,893	7,674,893
Total liabilities	8,930,692	79,375,496	88,306,188
<b>NET POSITION</b>			
Net investment in capital assets	39,918	76,907,908	76,947,826
Restricted for liability insurance plan	-	5,227,086	5,227,086
Restricted for debt service and capital lease	-	6,731,166	6,731,166
Unrestricted	165,649	20,446,736	20,612,385
Total net position	\$ 205,567	\$ 109,312,896	\$ 109,518,463

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2014

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>
<b>Primary government:</b>							
Governmental activities:							
General and administration	\$ 2,885,561	\$ -	\$ 2,937,534	\$ -	\$ 51,973	\$ -	\$ 51,973
Jurisdiction transit	51,750,839	-	2,502,929	-	(49,247,910)	-	(49,247,910)
Total governmental activities	<u>54,636,400</u>	<u>-</u>	<u>5,440,463</u>	<u>-</u>	<u>(49,195,937)</u>	<u>-</u>	<u>(49,195,937)</u>
Business-type activities:							
Commuter rail	42,037,288	17,608,413	5,077,476	11,454,550	-	(7,896,849)	(7,896,849)
Total business-type activities	<u>42,037,288</u>	<u>17,608,413</u>	<u>5,077,476</u>	<u>11,454,550</u>	<u>-</u>	<u>(7,896,849)</u>	<u>(7,896,849)</u>
Total primary government	<u>\$ 96,673,688</u>	<u>\$ 17,608,413</u>	<u>\$ 10,517,939</u>	<u>\$ 11,454,550</u>	<u>(49,195,937)</u>	<u>(7,896,849)</u>	<u>(57,092,786)</u>
<b>General revenues:</b>							
Intergovernmental revenue - commuter rail					21,794,733	-	21,794,733
Intergovernmental revenue - motor vehicle fuel sales tax					49,247,910	-	49,247,910
Interest income					214	13,253	13,467
Transfers					(21,794,733)	21,794,733	-
Total general revenues					<u>49,248,124</u>	<u>21,807,986</u>	<u>71,056,110</u>
Extraordinary item (Note 4)					-	(1,830,393)	(1,830,393)
<b>Change in net position</b>					52,187	12,080,744	12,132,931
Net position, beginning of year					153,380	97,232,152	97,385,532
Net position, end of year					<u>\$ 205,567</u>	<u>\$ 109,312,896</u>	<u>\$ 109,518,463</u>

The accompanying notes are an integral part of the financial statements.

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2014

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 305,920	\$ -	\$ 305,920
Due from other governments:			
Commonwealth of Virginia	5,191,969	8,534,165	13,726,134
Federal	33,173	-	33,173
Local jurisdictions	1,078	-	1,078
Due from fiduciary fund	62,242	-	62,242
Due from proprietary fund	98,916	-	98,916
Deposits and prepaid items	37,263	-	37,263
	<u>\$ 5,730,561</u>	<u>\$ 8,534,165</u>	<u>\$ 14,264,726</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 150,170	\$ -	\$ 150,170
Accrued salaries	31,310	-	31,310
Due to proprietary fund	5,168,385	-	5,168,385
Due to fiduciary fund	-	8,534,165	8,534,165
Total liabilities	<u>5,349,865</u>	<u>8,534,165</u>	<u>13,884,030</u>
<b>FUND BALANCES</b>			
Nonspendable			
Deposits and prepaid items	37,263	-	37,263
Unassigned	343,433	-	343,433
Total fund balance	<u>380,696</u>	<u>-</u>	<u>380,696</u>
	<u>\$ 5,730,561</u>	<u>\$ 8,534,165</u>	<u>\$ 14,264,726</u>

Reconciliation of fund balance on the Balance Sheet for the governmental funds to the net position of the governmental activities on the Statement of Net Position:

Fund balances - governmental funds		\$ 380,696
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$98,051 and the accumulated depreciation and amortization is \$58,133.		39,918
Lease liability only recognized in the government-wide financial statements.		(114,462)
Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(100,585)</u>
Net position - governmental activities		<u>\$ 205,567</u>

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2014

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
Revenues:			
Intergovernmental revenues:			
Grants and contributions:			
Commonwealth of Virginia	\$ 22,048,088	\$ 2,502,929	\$ 24,551,017
Local jurisdictions	1,542,186	-	1,542,186
Federal	1,061,993	-	1,061,993
Motor vehicle fuel sales tax	-	49,247,910	49,247,910
Project chargebacks	80,000	-	80,000
Interest income	214	-	214
Total revenues	24,732,481	51,750,839	76,483,320
Expenditures:			
Current:			
General and administration	1,159,360	-	1,159,360
Project costs	1,677,574	-	1,677,574
Payments to fiduciary fund	-	51,750,839	51,750,839
Capital outlay	3,914	-	3,914
Total expenditures	2,840,848	51,750,839	54,591,687
Other financing uses:			
Transfer out	(21,794,733)	-	(21,794,733)
<b>Change in fund balances</b>	96,900	-	96,900
Fund balances, beginning of year	283,796	-	283,796
Fund balances, end of year	\$ 380,696	\$ -	\$ 380,696
Change in fund balances - total governmental funds			\$ 96,900
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.			
Add - capital outlay			3,914
Deduct - depreciation and amortization expense			(10,479)
Amortization of lease liability is only recognized in the government-wide financial statements.			(6,320)
The change in compensated absences included in the expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.			(31,828)
Change in net position of governmental activities			\$ 52,187

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2014

**ASSETS**

Current Assets:		
Cash and cash equivalents	\$	17,647,693
Accounts receivable:		
Due from general fund		5,168,385
Trade receivables, net of allowance for doubtful accounts		772,645
Other receivables		11,428
Inventory		1,718,445
Deposits and prepaid items		81,166
Restricted cash, cash equivalents and investments		<u>11,958,252</u>
<b>Total current assets</b>		<u>37,358,014</u>
Capital assets:		
Rolling stock		114,468,417
Vehicles		39,332
Facilities		51,224,981
Track and signal improvements		26,342,184
Equipment and software		5,171,422
Construction in progress		6,819,428
Equity in property of others		2,893,644
Furniture, equipment and software		<u>2,757,273</u>
		209,716,681
Less accumulated depreciation and amortization		<u>(58,287,387)</u>
<b>Total capital assets, net</b>		<u>151,429,294</u>
<b>Total assets</b>	<b>\$</b>	<b><u><u>188,787,308</u></u></b>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2014

**LIABILITIES AND NET POSITION**

Current Liabilities:	
Accounts payable	\$ 1,393,407
Due to general fund	98,916
Compensated absences	21,704
Accrued expenses	2,020,702
Accrued interest	358,288
Deferred revenue	837,114
Contract retainage	92,989
Notes payable	1,988,724
Current portion of capital lease obligations	592,913
Current portion of bonds payable	6,555,000
<b>Total current liabilities</b>	<b>13,959,757</b>
Noncurrent Liabilities:	
Compensated absences	129,906
Capital lease obligations	7,674,893
Notes payable	57,709,856
<b>Total noncurrent liabilities</b>	<b>65,514,655</b>
<b>Total liabilities</b>	<b>79,474,412</b>
Net Position:	
Net investment in capital assets	76,907,908
Restricted for liability insurance plan	5,227,086
Restricted for debt service and capital lease	6,731,166
Unrestricted	20,446,736
<b>Total net position</b>	<b>109,312,896</b>
<b>Total liabilities and net position</b>	<b>\$ 188,787,308</b>

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
Year Ended June 30, 2014

Operating Revenues:	
Passenger revenue	\$ 17,514,961
Equipment rentals and other	93,452
	<hr/>
<b>Total operating revenues</b>	<b>17,608,413</b>
	<hr/>
Operating Expenses:	
Contract operations and maintenance	10,931,698
Other operations and maintenance	7,031,535
Property leases and access fees	6,574,704
Insurance	1,884,946
Marketing and sales	950,187
General and administrative	3,679,752
	<hr/>
<b>Total operating expenses</b>	<b>31,052,822</b>
	<hr/>
Operating loss before depreciation and amortization	(13,444,409)
Depreciation and amortization	(7,353,229)
	<hr/>
<b>Operating loss</b>	<b>(20,797,638)</b>
	<hr/>
Nonoperating Revenues (Expenses):	
Subsidies:	
Jurisdictional contributions	5,077,476
Interest income:	
Operating funds	13,155
Other restricted funds	98
Gain on disposal of asset	750
Interest, amortization and other nonoperating expenses, net	(3,631,987)
	<hr/>
<b>Total nonoperating revenues, net</b>	<b>1,459,492</b>
	<hr/>
<b>Loss before capital contributions, transfers and extraordinary item</b>	<b>(19,338,146)</b>
	<hr/>
Capital contributions and transfers:	
Other local contributions	1,291,614
Contribution from PRTC	10,162,936
Transfers in	21,794,733
	<hr/>
<b>Total capital contributions and transfers</b>	<b>33,249,283</b>
	<hr/>
Extraordinary item	(1,830,393)
	<hr/>
Change in net position	12,080,744
	<hr/>
Net position, beginning	97,232,152
	<hr/>
Net position, ending	<b>\$ 109,312,896</b>
	<hr/> <hr/>

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**Year Ended June 30, 2014**

Cash Flows From Operating Activities:	
Receipts from customers	\$ 16,535,137
Payments to suppliers	(27,408,300)
Payments to employees	(2,200,602)
Net cash used in operating activities	<u>(13,073,765)</u>
Cash Flows From Noncapital Financing Activities:	
Governmental subsidies	<u>20,808,596</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(2,874,438)
Capital grants and assistance	519,938
Principal paid on capital lease obligations	(566,607)
Principal paid on notes	(1,897,186)
Principal paid on bonds	(6,220,000)
Interest paid on capital lease obligation	(399,071)
Interest paid on bonds and notes	(3,408,190)
Contribution from PRTC	15,653,215
Net provided in capital and related financing activities	<u>807,661</u>
Cash Flows From Investing Activities:	
Interest received on investments	<u>13,248</u>
Increase in cash and cash equivalents	8,555,740
Cash and Cash Equivalents, beginning	<u>21,050,205</u>
Cash and Cash Equivalents, ending	<u>\$ 29,605,945</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
Operating loss	\$ (20,797,638)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	7,353,229
(Increase) decrease in:	
Accounts receivable	(33,538)
Other receivables	(2,292)
Inventory	(29,676)
Prepaid expenses and other	126,516
Increase (decrease) in:	
Accounts payable and accrued expenses	232,365
Unearned revenue	77,269
Net cash used in operating activities	<u>\$ (13,073,765)</u>
Schedule of Noncash Capital Activities	
Capital assets acquired through accounts payable	\$ 574,765
Capital assets acquired through notes payable	1,096,839
Capital assets acquired through accrued liabilities	1,250,000
Capital assets acquired through in-kind contributions	30,488
	<u>\$ 2,952,092</u>

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUND**  
June 30, 2014

	<u><b>Jurisdiction Trust Fund</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 178,246,708
Due from special revenue fund - Commonwealth of Virginia grants	113,907
Due from special revenue fund - Motor vehicle fuel sales tax	8,420,258
Due from other governments - Commonwealth of Virginia grants	<u>107,196</u>
Total assets	<u>186,888,069</u>
<b>LIABILITIES</b>	
Due to General Fund	<u>62,242</u>
Total liabilities	<u>62,242</u>
<b>NET POSITION</b>	
Net position held in trust for member jurisdictions	<u><u>\$ 186,825,827</u></u>

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUND**  
Year Ended June 30, 2014

	<u>Jurisdiction Trust Fund</u>
<b>Additions:</b>	
Contributions from government	\$ 51,750,839
Intergovernmental revenues	156,117,080
Interest income	123,757
Total additions	<u>207,991,676</u>
<b>Deductions:</b>	
Funds disbursed to WMATA:	
Capital improvement program	10,850,984
Project development	822,980
Metrorail operating	43,183,147
Metrobus operating	71,852,036
MetroAccess operating	13,200,095
Metro debt service	3,228,865
Other funds disbursed:	
Other capital disbursements	12,793,880
Other operating disbursements	17,537,936
Total deductions	<u>173,469,923</u>
Change in net position	34,521,753
<b>Net position held in trust for member jurisdictions</b>	
Beginning of year	<u>152,304,074</u>
End of year	<u><u>\$ 186,825,827</u></u>

*The accompanying notes are an integral part of the financial statements.*

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

## **NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **Note 1. Summary of Significant Accounting Policies**

The financial statements of the Northern Virginia Transportation Commission ("NVTC") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

##### **A. Reporting Entity**

The Northern Virginia Transportation District (the "District") was created by the 1964 Acts of Assembly of the Commonwealth of Virginia, Chapter 630, to assume the powers and purposes of transportation districts under the Act. The transportation district comprises the cities of Alexandria, Fairfax, and Falls Church, and the counties of Arlington, Fairfax and Loudoun, and has all the powers granted transportation districts in the Act. The Act was created for the purpose of developing transportation systems necessary to the orderly growth and development of urban areas of the Commonwealth of Virginia for the safety, comfort, and convenience of its citizens and for the economical utilization of public funds. The District has no taxing power, although a tax imposed by the Virginia General Assembly is collected within the District's boundaries for its benefit. The Northern Virginia Transportation Commission is the governing body of the District, and was created pursuant to the Authorizing Legislation to manage and control the functions, affairs, and property of the District.

The NVTC and Potomac and Rappahannock Transportation Commission (PRTC) reporting entities each include a portion of the financial activity of the joint venture Virginia Railway Express (VRE) commuter rail service. Pursuant to a Master Agreement signed in 1989, NVTC and PRTC jointly (as the "Commissions") own and operate VRE. Assets for VRE operations have been purchased in the name of the Commissions and funded primarily by grants, loans or other financing arrangements for which one or both Commissions have served as grantee, issuer, borrower, or in other related capacities. VRE provides commuter rail service on two railroad lines originating in Fredericksburg and Manassas, Virginia and terminating at Union Station, Washington, D.C. The service uses existing tracks of the CSX Transportation Corporation ("CSX"), and the Norfolk Southern Railway Company, under respective operating access agreements. Trains are operated and maintained pursuant to an agreement between the Commissions and Keolis Rail Services Virginia, LLC, and Amtrak provides the Commissions with access to storage and other services at Union Station.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of NVTC. Governmental activities, which are supported by intergovernmental revenues, are reported separately from the business-type activities of the VRE joint venture, which rely to a significant extent on charges for services.

The government-wide Statement of Activities is designed to report the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include charges to customers who use services provided by a given function, and grants and contributions are restricted to meeting the operational or capital requirements of a particular function.

The government-wide Statement of Net Position reports net position as restricted when externally imposed constraints on those net positions are in effect. Internally imposed designations of resources are not presented as restricted net position.

Separate fund financial statements are provided for governmental funds, proprietary fund, and fiduciary fund. The governmental funds are reported on a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances (fund equity). The proprietary fund is reported on a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. The fiduciary fund is reported on a Statement of Net Position and a Statement of Changes in Net Position. The fiduciary fund is not included in the government-wide statements. Eliminations have been made to minimize the double counting of internal activities.

#### C. Measurement Focus and Basis of Accounting

**Government-wide Financial Statements** – Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues, consisting primarily of Federal and Commonwealth of Virginia grants, designated for payment of specific expenditures, are recognized at the time the expenditures are incurred. Any excess of revenues or expenditures at year-end are recorded as deferred revenue or accounts receivable, respectively. Derived tax revenues are recognized when the underlying transactions have occurred.

**Governmental Fund Financial Statements** – The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, NVTC considers revenues to be available if they are collected within 90 days after year end. Revenues from grants that are expenditure based are recognized if the expenditure has been made and invoiced to the grant. Expenditures are recorded when a liability is incurred, as under the full accrual method of accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting (Continued)

**Proprietary Fund** – The financial statements of the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses are those that result from providing services in connection with the principal ongoing operation. The principal operating revenues are charges to customers which result in passenger revenues. Passenger revenues are recorded as revenue at the time services are performed. Cash received for services in advance is deferred until earned. Operating revenues and expenses also include all revenues and expenses not associated with capital and related financing, noncapital financing, subsidies, or investing activities. Intergovernmental revenues, consisting primarily of Commonwealth of Virginia grants, designated for payment of specific expenses, are recognized at the time the expenses are incurred. Capital grants and assistance are recognized as additions are made to capital assets and other contributions are included in the Statements of Revenues, Expenses and Changes in Net Position when expended. Monetary and in-kind contributions are recorded as matching obligations to the jurisdictions or other construction partners as assessed. Any excess of grant revenues or expenses at year end are recorded as unearned revenue or accounts receivable, respectively.

NVTC reports the following major enterprise fund:

#### Commuter Rail Service Fund

The Commuter Rail Service Fund accounts for NVTC's portion of operation and maintenance costs for commuter rail service, financed by charges for services, jurisdictional contributions, and operating and capital received from the Commonwealth of Virginia.

**Fiduciary Fund** – The financial statements of the fiduciary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

#### D. Budgeting

Although not statutorily required, NVTC adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables NVTC to determine the annual contributions required from the member jurisdictions to fund its planning and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets.

#### E. Other Significant Accounting Policies

##### 1. Cash and cash equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less. Investments in U.S. government securities and commercial paper are carried at fair value based on quoted market prices. The investment in the Local Government Investment Pool (LGIP or Pool), a 2a7-like pool, is reported at the Pool's share price.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Other Significant Accounting Policies (Continued)

##### 2. Restricted cash, cash equivalents and investments

Restricted cash, cash equivalents, and investments as reported in the Statement of Net Position are comprised of funds related to bond compliance requirements, the balance in the Liability Insurance Plan, proceeds from the sale of rolling stock, and a small liability claims account.

Restricted cash and cash equivalents as reported by the Trust fund are funds restricted for use by the member jurisdictions for certain transit purposes.

##### 3. Allowance for uncollectible accounts

The allowance for uncollectible accounts is calculated by using historical collection data and specific account analysis. The allowance was \$87,826 at June 30, 2014 for the proprietary fund.

##### 4. Inventory

An inventory of spare parts for rolling stock has been purchased and is maintained and managed at the Commissions' warehouse located at the Crossroads yard. Inventory is stated at cost, which approximates market, and is valued using the first-in-first-out method.

##### 5. Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements using the consumption method.

##### 6. Capital assets

For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. Asset costs include allocation of certain common construction costs based on the relationship of associated direct costs. Assets constructed directly by jurisdictions in satisfaction of system financial responsibilities have been capitalized at the estimated fair market value as of the date of donation.

When assets are substantially complete and ready for use, these costs are transferred from construction in progress to property and equipment and depreciated or amortized. Major improvements and replacements of property are capitalized. Maintenance, repairs and minor improvements and replacements are expensed.

Costs of improvements to track, stations and signal facilities owned by the railroads have been capitalized in recognition of the increased efficiency afforded VRE operations over their useful lives. The Commissions retain a residual interest in these assets such the net salvage value will be reimbursed by the railroads upon cessation of commuter rail service. Similarly, shared investments in jurisdictional facilities ("equity in property of others") recognize the right of access for commuter rail patrons granted to the Commissions. This category also represents investment in Amtrak infrastructure and facilities that provides primary benefit to the commuter rail service and for which VRE has an expectation of continued use.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Other Significant Accounting Policies (Continued)

##### 6. Capital assets (Continued)

Interest is capitalized on qualifying construction in progress projects until they reached the point of substantial completion. For those projects financed with tax-exempt debt, the amount of capitalized interest equals the difference between the interest cost associated with the borrowing to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized using the straight-line method over the useful life of the asset.

Depreciation and amortization of all exhaustible equipment, buildings and intangibles is charged as an expense against operations using the straight-line method over the following estimated useful lives:

Rolling stock	8-25 years
Vehicles	5 years
Facilities	30-40 years
Track and signal improvements	30 years
Equipment and software	5 years
Equity in properties of others	3-35 years
Furniture, equipment and software	3-10 years

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2014.

##### 7. Compensated absences

Vacation leave for NVTC employees is granted to all full and part-time employees and is earned based upon the length of employment. Employees with zero through 9 years of service may carryover a maximum of 240 hours of accumulated leave while employees with 10 to 15 complete years of service may carryover a maximum of 320 hours of leave. For greater than 15 years of service, the maximum carryover is 360 hours of leave. The allowed accumulated leave earned, yet not paid has been recorded as a liability since the leave vests and an obligation to make payment exists if an employee terminates. The Executive Director may authorize the conversion of excess vacation leave to sick leave.

Sick leave for NVTC employees may also be accumulated. After five years of service, NVTC employees are eligible to receive 25% of their accumulated sick leave at the then current wage rate for hours in excess of 450, without limit. Employees hired prior to January 3, 2008 have the option of receiving a payment for 25% of accrued hours of sick leave with a maximum of \$5,000. The calculation producing the largest amount for each eligible employee has been recorded as a liability. In prior years, the General Fund was responsible for paying the liability for compensated absences for general government employees.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Other Significant Accounting Policies (Continued)

##### 7. Compensated absences (Continued)

The employees of the VRE joint venture are employees of PRTC and are subject to PRTC's leave policies. VRE employees are granted vacation leave based on length of employment. Employees with less than ten years of service may carry over a total of 225 hours of leave from year to year, while those with more than ten years may carry over 300 hours. Excess leave may convert to sick leave or may be paid out with the approval of the Chief Executive Officer.

VRE employees may accumulate sick leave without limitation. Employees who separate in good standing after five or more years of service will be paid for 25 percent of their sick leave credit in excess of 450 hours. Certain employees may accumulate compensatory leave for overtime worked. Compensated absences are accrued when incurred.

##### 8. Fund equity

In the fund financial statements, the governmental fund reports classifications of fund balance as follows:

*Nonspendable fund balance* – amounts that are not in a spendable form or are required to be maintained intact (such as prepaid items, inventory, and the principal of a permanent fund that is legally or contractually required to be maintained intact).

*Unassigned fund balance* – residual balance of the General Fund that has not been restricted, committed, or assigned to specific purposes within the General Fund.

NVTC will consider the use of restricted, committed, or assigned funds prior to the use of unassigned fund balance.

##### 9. Indirect expenditure allocation

Employee benefits are allocated to projects based on direct labor charges. Overhead and other indirect costs are not charged to NVTC projects.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### E. Other Significant Accounting Policies (Continued)

##### 10. Net position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. The net position caption "net investment in capital assets" consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by NVTC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NVTC first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

##### 11. Estimates and assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Note 2. Cash and Investments

At June 30, 2014, cash, cash equivalents, and investments consisted of the following, at cost which approximates fair value:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total
Cash	\$ 244,582	\$ 1,603,059	\$ -	\$ 1,847,641
LGIP	61,338	16,044,634	-	16,105,972
	<u>305,920</u>	<u>17,647,693</u>	<u>-</u>	<u>17,953,613</u>
Restricted:				
LGIP	-	26,489	178,246,708	178,273,197
Insurance trust fund – pooled funds	-	5,200,597	-	5,200,597
Money market funds – U.S. Treasuries	-	6,731,166	-	6,731,166
	<u>-</u>	<u>11,958,252</u>	<u>178,246,708</u>	<u>190,204,960</u>
<b>Total</b>	<u>\$ 305,920</u>	<u>\$ 29,605,945</u>	<u>\$ 178,246,708</u>	<u>\$ 208,158,573</u>

Maturities of all investments are less than one year.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

#### Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

#### Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes; bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

As of June 30, 2014, the reporting entity had investments of \$178,273,197 in the LGIP for governmental activities, business-type activities, and the fiduciary fund. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poor's.

The Commonwealth of Virginia Department of Treasury manages the VRE Insurance Trust. State statutes govern the portion of assets invested in the Commonwealth's pooled accounts, while the remainder is invested by an external portfolio manager. At June 30, 2014, a total of \$10,401,194 was invested in the Insurance Trust, of which \$5,200,597 is included in the NVTC reporting entity. Beginning with fiscal year 2011, any earnings on these investments are retained by the Commonwealth of Virginia.

Accumulated bond interest and principal payments in the amount of \$6,731,166 at June 30, 2014 were held by the bond trustee, U.S. Bank, in U.S. Treasury money market accounts. Investments in U. S. Treasury money market accounts at U.S. Bank have been assigned a "AAAm" rating by Standard & Poor's.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

NVTC's investment authority and permitted instruments are contained in resolutions approved by the NVTC Board. NVTC's investment policy objectives are to generate revenue while balancing risk and ensuring the availability of cash to meet the Commission's and the jurisdictions' expenditure requirements. The objectives are prioritized in the following order: safety, liquidity, and return on investments. Allowable investments are restricted to instruments permitted by the *Code of Virginia*, with maximum percentages of the portfolio permitted in each of the following instruments:

LGIP	100%
U. S. Treasury Obligations	100%
Certificates of Deposit	75%
Bankers' Acceptances	50%
Repurchase Agreements	35%
Commercial Paper	25%

The VRE Operations Board has adopted a formal investment policy. The goal of the policy is to minimize risk and to ensure the availability of cash to meet VRE's expenditures, while generating revenue from the use of funds which might otherwise remain idle. The primary objectives of VRE's investment activities, in priority order, are: safety, liquidity and yield. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities.

#### Credit risk

The investment policy specifies credit quality for certain types of investments, in accordance with the *Code of Virginia*, and the policy specifies the qualifications for institutions providing depository and investment services.

#### Custodial credit risk

For deposits, custodial credit risk is the risk in the event of a failure of a depository financial institution, deposits may not be recovered. All cash of the reporting entity is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similarly to depository insurance. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act.

#### Interest rate risk

In accordance with its investment policy, VRE manages its exposure to declines in fair values by limiting the maturity of various investment vehicles, as indicated in the chart below.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Note 2. Deposits and Investments (Continued)

#### Concentration of credit risk

VRE's investment policy provides limitations on the percentage of the portfolio that can be invested in each type of security, as indicated in the following chart.

The limitations provided in the investment policy for maximum maturity and percentage of the portfolio for each category of investment are as follows:

Investment	Length of Maturity	Percent Allowed
Bonds, notes, and other evidence of indebtedness of the United States	60 months or less	100%
Bonds, notes, and other evidence of indebtedness of the Commonwealth of Virginia	60 months or less	100%
Bonds, notes, and other evidence of indebtedness of any county, city, town, district, or authority	36 months or less	100%
Bonds and notes of FNMA and FHLB	36 months or less	75%
Savings accounts or CD's of any bank or savings and loan association within the Commonwealth of Virginia	12 months or less	20%
Money market mutual funds	13 months or less	60%
Repurchase agreements	24 months or less	20%
Bankers' acceptances	24 months or less	10%
Prime Quality Commercial Paper (no more than 5% from one issuer)	270 days or less	35%
High Quality Corporate Notes	24 months or less	50%
Certificates representing ownership in treasury bond principal	24 months or less	50%
LGIP	N/A	100%
Negotiable CD's and negotiable bank deposit notes	24 months or less	25%

### Note 3. Due From Other Governments

At June 30, 2014, due from other governments consisted of the following:

	Project and		Jurisdiction	Total
	Administrative	Transit		
Due from Commonwealth of Virginia:				
Motor fuel sales tax	\$ -	\$ 8,420,258	\$	8,420,258
Grants	5,254,211	113,907		5,368,118
	5,254,211	8,534,165		13,788,376
Due from Federal Transit Administration:				
Grants	33,173	-		33,173
Due from Local Jurisdictions:				
Local grant match	1,078	-		1,078
	<u>\$ 5,288,462</u>	<u>\$ 8,534,165</u>	<u>\$</u>	<u>13,822,627</u>

Amounts due from the Commonwealth for the Project and Administrative activities include \$5,168,385 for commuter rail and \$85,826 for other projects.

The Fiduciary Fund had amounts due directly from the Commonwealth for transit assistance totaling \$107,196.

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 4. Capital Assets**

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

	Beginning Balance	Increases	Reclassifications (Decreases)	Ending Balance
<b>Governmental activities:</b>				
Capital assets being depreciated or amortized:				
Furniture, equipment and software	\$ 94,137	\$ 3,914	\$ -	\$ 98,051
<b>Total accumulated depreciation or amortization</b>	<b>47,654</b>	<b>10,479</b>	<b>-</b>	<b>58,133</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 46,483</b>	<b>\$ (6,565)</b>	<b>\$ -</b>	<b>\$ 39,918</b>
<b>Business-type activities:</b>				
Capital assets not being depreciated or amortized:				
Construction in progress	\$ 5,062,565	\$ 5,522,690	\$ (3,765,827)	\$ 6,819,428
Capital assets being depreciated or amortized:				
Rolling stock	114,468,417	-	-	114,468,417
Vehicles	49,916	750	(11,334)	39,332
Facilities	50,954,533	-	270,448	51,224,981
Track and signal improvements	26,342,184	-	-	26,342,184
Equipment and software	4,466,999	5,447	698,976	5,171,422
Equity in properties of others	2,893,644	-	-	2,893,644
Furniture, equipment and software	2,730,751	26,522	-	2,757,273
<b>Total capital assets being depreciated or amortized</b>	<b>201,906,444</b>	<b>32,719</b>	<b>958,090</b>	<b>202,897,253</b>
Less accumulated depreciation or amortization for:				
Rolling stock	21,642,539	4,460,813	-	26,103,352
Vehicles	39,208	5,953	(11,334)	33,827
Facilities	13,169,956	1,513,210	-	14,683,166
Track and signal improvements	8,929,250	894,867	-	9,824,117
Equipment and software	4,048,122	166,825	-	4,214,947
Equity in properties of others	1,478,538	84,949	-	1,563,487
Furniture, equipment and software	1,637,879	226,612	-	1,864,491
<b>Total accumulated depreciation or amortization</b>	<b>50,945,492</b>	<b>7,353,229</b>	<b>(11,334)</b>	<b>58,287,387</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>150,960,952</b>	<b>(7,320,510)</b>	<b>969,424</b>	<b>144,609,866</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 156,023,517</b>	<b>\$ (1,797,820)</b>	<b>\$ (2,796,403)</b>	<b>\$ 151,429,294</b>

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 4. Capital Assets (Continued)

Note: During the current fiscal year, projects totaling approximately \$2.8 million were expensed. \$1.8 million related to the Cherry Hill track project (recorded as an extraordinary item) was written off due to the Virginia Department of Rail and Public Transportation assuming responsibility for the project. The remaining \$1.0 million related to capitalized costs were reclassified to operating expenses.

Depreciation and amortization expenses for the year ended June 30, 2014 charged to the functions of the primary government are as follows:

	Governmental Activities	Business-type Activities
<b>Primary Government:</b>		
General and administration	\$ 10,479	\$ -
Commuter rail	-	7,353,229

### Note 5. Joint Venture – Virginia Railway Express

The NVTC reporting entity and the PRTC reporting entity contain their respective shares of the financial activity of the VRE joint venture. In order to present a full and accurate picture of VRE operations, all financial transactions related to the commuter rail program are combined in a separate set of financial statements. These audited financial statements can be obtained from the Director of Finance and Administration of NVTC at 2300 Wilson Blvd., Suite 620, Arlington, VA 22201.

Assets owned by the Commissions for the VRE operations have been funded by a variety of sources including federal assistance with PRTC as grantee, Commonwealth of Virginia assistance with NVTC-VRE as grantee, local contributions, and various loans and other financing arrangements for which one or both Commissions have served as issuer, borrower, or in other related capacities.

The federal grant agreements control the use and disposal of property acquired with federal grant funds. If property is removed from service prior to the end of its useful life, the grant recipient may be required to return to the grantor agency the federal assistance expended on that property. In addition, permission of the grantor agency is required if property is disposed of prior to the end of its useful life or at any time for an amount in excess of \$5,000.

The Master Agreement for the use of Commonwealth of Virginia Transportation Funds control the use and disposal of property acquired with state grant funds. If any project equipment are not used for the purpose for which they were purchased for the duration of their useful lives, the Commonwealth has the option of requiring the grantee to relinquish title to the project equipment or remit an amount equal to the proportional share of the fair market value based upon the ratio of participation by the state. For facilities, the Commonwealth requires an amount equal to the proportional share of fair market value based upon the ratio of participation by the state be remitted.

Pursuant to a Master Agreement signed in 1989, NVTC and PRTC jointly (as the "Commissions") own and operate VRE. VRE provides commuter rail service on two railroad lines originating in Fredericksburg and Manassas, Virginia and terminating at Union Station, Washington, D.C. The service uses existing track of the CSX Transportation Corporation ("CSX"), and the Norfolk Southern Railway Company, under respective operating access agreements.

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION

### NOTES TO THE FINANCIAL STATEMENTS

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#### **Note 5. Joint Venture – Virginia Railway Express (Continued)**

VRE is managed by the Commissions. Certain functions have been delegated to the VRE Operations Board, consisting of three commissioners appointed from each of NVTC and PRTC and one representative of the Commonwealth of Virginia's Department of Rail and Public Transportation. The system is not currently configured for fare revenues alone to produce positive net income. In addition to fares, the project is financed with proceeds from the Commuter Rail Revenue Bond issues, lease financing, Federal and Commonwealth of Virginia grants, and local jurisdictional contributions based on a population/ridership formula that is supplemented by voluntary donations from contributing jurisdictions. Grants and contributions fund both operations and capital projects. Participating jurisdictions include the counties of Fairfax, Prince William, Spotsylvania, and Stafford; and the cities of Manassas, Manassas Park, and Fredericksburg, Virginia. Contributing jurisdictions include Arlington County and the City of Alexandria, Virginia. In February 2010 the VRE Master Agreement was amended to include Spotsylvania County as a participating jurisdiction.

In July 2007, the Commissions adopted amendments to the VRE Master Agreement that expanded the Operations Board to include all member jurisdictions and provided for board representation proportionate to system ridership, and weighted voting proportionate to jurisdictional subsidy. In addition, the amendments apportioned jurisdictional subsidies on system ridership only, rather than the then current 90% system ridership and 10% population formula. The amendment to the subsidy formula was phased in over four years, beginning in fiscal year 2008. The amendments also allowed for greater autonomy for the Operations Board, with progressively more decisions made by the Board without referral to PRTC and NVTC.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 5. Joint Venture – Virginia Railway Express (Continued)

Financial information from VRE's fiscal year 2014 audited financial statements is shown below.

#### VIRGINIA RAILWAY EXPRESS STATEMENT OF NET POSITION June 30, 2014

##### ASSETS

Current Assets	
Cash and cash equivalents	\$ 37,374,578
Accounts receivable:	
Due from PRTC – funded by FTA	9,201,817
Commonwealth of Virginia grants	5,168,385
Trade and other, net of allowance	1,707,492
Inventory	3,639,352
Prepaid expenses and other	171,896
Restricted cash, cash equivalent, and investments	17,185,337
<b>Total current assets</b>	<u>74,448,857</u>
Noncurrent Assets	
Capital assets (net of \$116,574,773 accumulated depreciation and amortization)	<u>302,858,587</u>
<b>Total noncurrent assets</b>	<u>302,858,587</u>
<b>Total assets</b>	<u>\$ 377,307,444</u>

##### LIABILITIES AND NET POSITION

Current Liabilities	
Accounts payable and accrued liabilities	\$ 8,056,185
Unearned revenue	1,772,855
Contract retainage	185,977
Current portion of:	
Capital lease obligations	1,185,825
Long-term debt	6,555,000
Notes payable	1,988,724
<b>Total current liabilities</b>	<u>19,744,566</u>
Noncurrent Liabilities	
Capital lease obligations	15,349,786
Notes payable	57,709,856
Compensated absences	275,117
<b>Total noncurrent liabilities</b>	<u>73,334,759</u>
<b>Total liabilities</b>	<u>93,079,325</u>
Net Position:	
Net investment in capital assets	220,069,396
Restricted for liability insurance plan	10,454,171
Restricted for debt service and capital lease	6,731,166
Unrestricted assets	46,973,386
<b>Total net position</b>	<u>284,228,119</u>
<b>Total liabilities and net position</b>	<u>\$ 377,307,444</u>

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 5. Joint Venture – Virginia Railway Express (Continued)

#### VIRGINIA RAILWAY EXPRESS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Year Ended June 30, 2014

Operating revenues	\$ 37,291,391
Operating expenses	<u>65,764,181</u>
<b>Operating loss before depreciation and amortization</b>	<b>(28,472,790)</b>
Depreciation and amortization	<u>(14,706,458)</u>
<b>Operating loss</b>	<b>(43,179,248)</b>
Nonoperating revenues (expenses):	
Subsidies:	
Commonwealth of Virginia grants	19,330,105
Federal grants – with PRTC as grantee	15,931,876
Jurisdictional contributions	16,428,800
Interest income:	
Operating funds	27,860
Other restricted funds	196
Gain on disposal of assets	1,500
Interest, amortization and other nonoperating expenses, net	<u>(4,026,724)</u>
<b>Total nonoperating revenues, net</b>	<b>47,693,613</b>
Capital grants and assistance:	
Commonwealth of Virginia grants	2,464,628
Federal grants – with PRTC as grantee	5,420,552
Other local contributions	<u>2,637,809</u>
<b>Total capital grants and assistance</b>	<b>10,522,989</b>
Extraordinary item	<u>(3,660,786)</u>
<b>Change in net position</b>	<b>11,376,568</b>
Net position, beginning	<u>272,851,551</u>
Net position, ending	<u>\$ 284,228,119</u>

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 6. Intergovernmental Revenues, Commonwealth of Virginia

Intergovernmental revenues from the Commonwealth of Virginia include the regional motor vehicle fuel sales tax, NVTC project revenue, capital assistance for NVTC's WMATA Compact members contracted prior to fiscal year 2013, and operating and capital assistance for the Virginia Railway Express commuter rail service.

### Note 7. Pension Plans

Employees of the reporting entity are covered under two separate plans. The NVTC Pension Trust covers eligible employees of the Governmental activities of NVTC, while the Virginia Retirement System covers the eligible employees of the Business-type activities of the VRE joint venture.

#### NVTC – Target Benefit Plan

NVTC contributes to the Northern Virginia Transportation Commission Pension Trust (the "Plan"), a single employer public employees' retirement system, contributory target benefit pension plan covering substantially all employees. Under the terms of the Plan, the normal retirement date is the July 1st closest to the participant's 65th birthday. Early retirement may be elected if the participant has attained age 55 with ten years of continuous service. Employees vest in the employer's contributions at the rate of 20% for each year of service until fully vested.

The plan is funded in amounts determined by an actuarial consultant. Employer contributions for the year ended June 30, 2014 totaled \$34,314 (7.9% of covered payroll). Required employee contributions for the year ended June 30, 2014 totaled \$9,035 (1.9% of covered payroll). Since 1994, participants have been required to contribute 2.0% of covered salary, not to exceed 50% of the aggregate gross annual contribution for benefits. NVTC contributes the balance of the cost of the Plan. NVTC's payroll for employees covered by the plan for the year ended June 30, 2014 was approximately \$468,700.

#### VRE –Pension Plan

##### A. Plan Description

Name of Plan: Virginia Retirement System (VRS)  
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan  
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent VRE employees are automatically covered by VRS upon employment through PRTC. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRE service as credit in their plan.

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

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 7. Pension Plans (Continued)**

**VRE – Pension Plan (Continued)**

**A. Plan Description (Continued)**

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About VRS Plan 1</b> VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About VRS Plan 2</b> VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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.</li> </ul>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 7. Pension Plans (Continued)**

**VRE –Pension Plan (Continued)**

**A. Plan Description (Continued)**

<p align="center"><b>VRS PLAN 1</b></p>	<p align="center"><b>VRS PLAN 2</b></p>	<p align="center"><b>HYBRID RETIREMENT PLAN</b></p>
<p><b>Eligible Members</b> Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> 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 VRS 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 VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p><b>Eligible Members</b> Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS 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 VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p><b>Eligible Members</b> 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"> <li>• State employees*</li> <li>• School division employees</li> <li>• Political subdivision employees*</li> <li>• Judges appointed or elected to an original term on or after January 1, 2014</li> <li>• Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Members of the State Police Officers' Retirement System (SPORS)</li> <li>• Members of the Virginia Law Officers' Retirement System (VaLORS)</li> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 7. Pension Plans (Continued)**

**VRE –Pension Plan (Continued)**

**A. Plan Description (Continued)**

<p align="center"><b>VRS PLAN 1</b></p>	<p align="center"><b>VRS PLAN 2</b></p>	<p align="center"><b>HYBRID RETIREMENT PLAN</b></p>
<p><b>Retirement Contributions</b> Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p> <p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Retirement Contributions</b> Same as VRS Plan 1.</p> <p><b>Creditable Service</b> Same as VRS Plan 1.</p>	<p><b>Retirement Contributions</b> 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> <p><b>Creditable Service</b> <b>Defined Benefit Component:</b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b>Defined Contributions Component:</b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 7. Pension Plans (Continued)**

**VRE – Pension Plan (Continued)**

**A. Plan Description (Continued)**

<p align="center"><b>VRS PLAN 1</b></p>	<p align="center"><b>VRS PLAN 2</b></p>	<p align="center"><b>HYBRID RETIREMENT PLAN</b></p>
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions they make.</p>	<p><b>Vesting</b> Same as VRS Plan 1.</p>	<p><b>Vesting</b> <b>Defined Benefit Component:</b> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b>Defined Contributions Component:</b> 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 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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 7. Pension Plans (Continued)**

**VRE – Pension Plan (Continued)**

**A. Plan Description (Continued)**

<p align="center"><b>VRS PLAN 1</b></p>	<p align="center"><b>VRS PLAN 2</b></p>	<p align="center"><b>HYBRID RETIREMENT PLAN</b></p>
<p><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p> <p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p> <p><b>Service Retirement Multiplier</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.</p> <p><b>Normal Retirement Age</b> Age 65.</p>	<p><b>Calculating the Benefit</b> See definition under VRS Plan 1.</p> <p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p> <p><b>Service Retirement Multiplier</b> Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Normal Retirement Age</b> Normal Social Security retirement age.</p>	<p><b>Calculating the Benefit</b> <b>Defined Benefit Component:</b> See definition under VRS Plan 1</p> <p><b>Defined Contribution Component:</b> 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><b>Average Final Compensation</b> Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p> <p><b>Service Retirement Multiplier</b> The retirement multiplier is 1.0%.</p> <p>For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Normal Retirement Age</b> <b>Defined Benefit Component:</b> Same as VRS Plan 2.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

VRE – Pension Plan (Continued)

A. Plan Description (Continued)

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Unreduced Retirement Eligibility</b> Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Earliest Reduced Retirement Eligibility</b> Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Earliest Reduced Retirement Eligibility</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <b>Defined Benefit Component:</b> Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> <p><b>Earliest Reduced Retirement Eligibility</b> <b>Defined Benefit Component:</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

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**Note 7. Pension Plans (Continued)**

**VRE – Pension Plan (Continued)**

**A. Plan Description (Continued)**

<p style="text-align: center;"><b>VRS PLAN 1</b></p>	<p style="text-align: center;"><b>VRS PLAN 2</b></p>	<p style="text-align: center;"><b>HYBRID RETIREMENT PLAN</b></p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b>Eligibility:</b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b>Exceptions to COLA Effective Dates:</b> 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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• 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.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b>Eligibility:</b> Same as VRS Plan 1</p> <p><b>Exceptions to COLA Effective Dates:</b> Same as VRS Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b>Defined Benefit Component:</b> Same as VRS Plan 2.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p> <p><b>Eligibility:</b> Same as VRS Plan 1 and VRS Plan 2.</p> <p><b>Exceptions to COLA Effective Dates:</b> Same as VRS Plan 1 and VRS Plan 2.</p>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 7. Pension Plans (Continued)**

**VRE – Pension Plan (Continued)**

**A. Plan Description (Continued)**

<p style="text-align: center;"><b>VRS PLAN 1</b></p>	<p style="text-align: center;"><b>VRS PLAN 2</b></p>	<p style="text-align: center;"><b>HYBRID RETIREMENT PLAN</b></p>
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Disability Coverage</b> 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>Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p><b>Purchase of Prior Service</b> Same as VRS Plan 1.</p>	<p><b>Disability Coverage</b> Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>State employees (including VRS Plan 1 and VRS Plan2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p><b>Purchase of Prior Service</b> <b>Defined Benefit Component:</b> Same as VRS Plan 1.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 7. Pension Plans (Continued)

#### VRE – Pension Plan (Continued)

##### B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00 percent of their compensation toward their retirement. All or part of the 5.00 percent member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00 percent member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00 percent member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, VRE is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The VRE's contribution rate for the fiscal year ended June 30, 2014 was 8.04 percent of annual covered payroll and 1.19 percent for group life insurance.

##### C. Annual Pension Cost

For fiscal year 2014, VRE's annual pension cost of \$269,105 was equal to the VRE's required and actual contributions

#### Three-Year Trend Information for VRE

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 344,169	100.0%	\$ -
June 30, 2013	274,958	100.0%	-
June 30, 2014	269,105	100.0%	-

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00 percent, (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year for general government employees and (c) a cost-of-living adjustment of 2.50 percent per year for Plan1 employees and 2.25 percent for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50 percent. The actuarial value of the VRE's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. VRE's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 7. Pension Plans (Continued)

#### VRE – Pension Plan (Continued)

##### D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 89.54 percent funded. The actuarial accrued liability for benefits was \$11,021,316 and the actuarial value of assets was \$9,868,961, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,152,355. The covered payroll (annual payroll of active employees covered by the plan) was \$6,392,730, and ratio of the UAAL to the covered payroll was 18.03 percent.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

### Note 8. Operating Leases and Agreements

#### Governmental activities

NVTC leases office space under a 125-month agreement which commenced on January 1, 2011 and expires May 31, 2021. The lease provides for 3% annual increases in base rent over the term of the lease, and the pass through of a proportionate share of the annual increases in common building expenses. The lease contains a provision for the abatement of the first five months of rent. For the government-wide financial statements, the cumulative minimum rent for the entire lease is amortized on a straight-line basis over the lease term, with an equal amount of rent expense recognized each month. Rent expense for Governmental Activities as reported in the government wide financial statements totals \$202,656 (\$196,336 paid plus \$6,320 additional amortization).

NVTC entered into a 5-year office equipment lease and maintenance agreement, both of which expire December 31, 2015. Minimum monthly payments under these agreements equal \$459 per month, with payments totaling \$5,509 for the year ended June 30, 2014.

As of June 30, 2014, the minimum long-term lease commitments were as shown below:

Fiscal Year	Amount
2015	\$ 192,307
2016	195,166
2017	198,191
2018	204,137
2019	210,249
2020 - 2021	420,741
Total	\$ 1,420,791

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 8. Operating Leases and Agreements (Continued)

#### Business-type activities

Operating Access Agreements with the CSX and Norfolk Southern railroads provide the Commissions the right to use tracks owned by the railroads in the provision of commuter rail passenger service. These agreements require the Commissions to pay the railroads a monthly base fee and to reimburse the railroads for any incremental cost incurred by the railroads as a result of providing tracks for commuter rail service. For the years ended June 30, 2014 and 2013, annual track usage fees totaled approximately \$8,243,800 and \$7,991,000, respectively, and facility and other identified costs totaled approximately \$507,000 and \$465,000, respectively.

The agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and mid-day maintenance, electrical power and other services became effective on June 28, 2010. For the years ended June 30, 2014 and 2013, costs for track access and equipment storage totaled approximately \$5,516,000 and \$5,392,000, respectively, and mid-day maintenance, utility and other services totaled approximately \$4,798,000 and \$3,817,000, respectively. Cost adjustments will be made in fiscal year 2015 to reflect changes to various published cost indices and the number of trains that have access to and are stored and serviced at the terminal. A new agreement will be in effect for the period beginning July 1, 2015.

The Commissions have a contract with Keolis Rail Services Virginia, LLC for train operations and maintenance for a five year period beginning June 25, 2010. The cost of train operations and maintenance for the years ended June 30, 2014 and 2013 totaled approximately \$18,361,000 and \$17,945,000, respectively. Costs are based on an annual budget prepared in advance. Costs in fiscal year 2015 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index. A new contract will be in effect for the period beginning July 1, 2015.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Note 9. Long-Term Debt Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 68,757	\$ 73,015	\$ (41,187)	\$ 100,585	\$ 31,060
<b>Total governmental activities</b>	<b>68,757</b>	<b>73,015</b>	<b>(41,187)</b>	<b>100,585</b>	<b>31,060</b>
Business-type activities					
Revenue bonds	12,775,000	-	(6,220,000)	6,555,000	6,555,000
Capital leases	8,834,413	-	(566,607)	8,267,806	592,913
Notes payable	61,595,766	-	(1,897,186)	59,698,580	1,983,724
	83,205,179	-	(8,683,793)	74,521,386	9,131,637
Compensated absences	121,504	128,155	(98,499)	151,160	21,704
<b>Total business-type activities</b>	<b>83,326,683</b>	<b>128,155</b>	<b>(8,782,292)</b>	<b>74,672,546</b>	<b>9,153,341</b>
<b>Total Primary Government</b>	<b>\$ 83,395,440</b>	<b>\$ 201,170</b>	<b>\$ (8,823,479)</b>	<b>\$ 74,773,131</b>	<b>\$ 9,184,401</b>

Federal arbitrage regulations apply to VRE's revenue bonds and the Gallery IV capitalized lease.

### Revenue Bonds

The 1998 Series Bonds are payable from a pledge of revenues attributable to VRE, including government grants, local jurisdictional contributions and passenger revenue. A debt service insurance policy guarantees payment of each bond series. Mandatory debt service requirements consist of the following:

Years Ending June 30,	Principal	Interest	Total Required
2015	\$ 6,555,000	\$ 176,166	\$ 6,731,166

The Indentures of Trust for the bonds require the maintenance of an operating reserve equivalent to one-third (33.3 percent) of annual budgeted operating expenses. As of June 30, 2014, VRE designated \$57,263,520 of its cash, inventory and receivables as this operating reserve. The reserves represented 83.25 percent of budgeted operating expenses for June 30, 2014.

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 9. Long-Term Debt Obligations (Continued)**

Funds are invested by the Trustee pursuant to the Indentures of Trust and are classified as restricted. Funds held by the Trustee as of June 30, 2014, are as follows:

Bond Interest Fund	\$ 176,166
Bond Principal Fund	6,555,000
Total held by Trustee	<u>\$ 6,731,166</u>

**Capitalized Lease - Gallery IV (11 cars)**

	Total	NVTC Reporting Entity
\$25,100,000 capitalized lease obligation (NVTC reporting entity, \$12,550,000); \$965,679 due semi-annually (NVTC reporting entity, \$482,840), interest at 4.59%, maturing in 2025, collateralized with Gallery IV railcars with a carrying value of \$19,678,138 (NVTC reporting entity, \$9,839,069)	<u>\$ 16,535,611</u>	<u>\$ 8,267,806</u>

Future minimum lease payments as of June 30, 2014 are as follows:

Years Ending June 30,	Total	NVTC Reporting Entity
2015	\$ 1,931,357	\$ 965,679
2016	1,931,357	965,679
2017	1,931,357	965,679
2018	1,931,357	965,679
2019	1,931,357	965,679
2020-2024	9,656,785	4,828,391
2025	1,931,357	965,678
Total minimum lease payments	<u>21,244,927</u>	<u>10,622,464</u>
Lease amount representing interest	4,709,316	2,354,658
Present value of lease payments	<u>\$ 16,535,611</u>	<u>\$ 8,267,806</u>

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 9. Long-Term Debt Obligations (Continued)

#### Notes Payable – Gallery IV (60 cars)

In fiscal year 2008, an agreement in the name of NVTC was entered into with the Federal Railroad Administration for a loan of up to \$72.5 million to purchase 50 Gallery railcars; in fiscal year 2009 the terms were amended to include ten additional Gallery railcars. A series of sixteen promissory notes were originally authorized and during fiscal year 2012 the balance of the individual notes were combined into a consolidated note. The note is secured by the revenues of VRE and the railcars. The carrying value of the railcars was \$88,527,996 at June 30, 2014.

\$63,844,842 Promissory Note; due in quarterly maturities of \$482,635 to \$1,195,258 through March 2033, plus quarterly interest at 4.74% \$ 59,698,580

Mandatory debt service requirements for the note consist of the following:

Years Ended June 30,	Principal	Interest	Total Required
2015	\$ 1,988,724	\$ 2,794,789	\$ 4,783,513
2016	2,080,914	2,702,599	4,783,513
2017	2,188,783	2,594,730	4,783,513
2018	2,290,688	2,492,825	4,783,513
2019	2,401,211	2,382,302	4,783,513
2020-2024	13,857,116	10,060,447	23,917,563
2025-2029	17,543,880	6,373,683	23,917,563
2030-2033	17,347,264	1,786,786	19,134,050
	<u>\$ 59,698,580</u>	<u>\$ 31,188,161</u>	<u>\$ 90,886,741</u>

### Note 10. Short-Term Debt

VRE has access to a revolving line of credit to finance certain grant-funded capital projects prior to the receipt of reimbursements from the grantor agencies. The most recent line of credit with SunTrust Bank terminated on February 28, 2014 and a new line will be established with PNC Bank during fiscal year 2015. The revolving line of credit was not used during the year ended June 30, 2014 or prior to its termination.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 11. Risk Management and Liability Insurance Plan

NVTC and the VRE commuter rail operation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. Commercial insurance is purchased to address these risks, including workers' compensation and employee health and accidental insurance. The Virginia Department of Treasury, Division of Risk Management has established the terms of VRE's Commuter Rail Operations Liability Plan (the Insurance Plan). The Insurance Plan consists of a combination of self-insurance reserves and purchased insurance in amounts actuarially determined to meet the indemnification requirements of the Operating Access Agreements and the Purchase of Services Agreement and for liability and property damage. The Commissions indemnify each of the railroads in an amount up to \$250,000,000 for any claims against persons or property associated with commuter rail operations. Settled claims have not exceeded commercial coverage during any of the past three fiscal years. The liability for incurred but not reported claims was approximately \$213,000 at June 30, 2014, of which \$106,500 was included in the NVTC reporting entity.

The Division of Risk Management manages the Insurance Trust Fund pursuant to provisions of the Insurance Plan. Since November 2006, all plan assets have been invested in the Department of Treasury common pool. Activity in the Insurance Trust Fund for the years ended June 30, 2014 was as follows:

	Total	NVTC Reporting Entity
Beginning balance, July 1	\$ 10,241,951	\$ 5,120,975
Contribution to reserves	4,150,000	2,075,000
Insurance premiums paid	(3,925,246)	(1,962,623)
Claims mitigation costs and losses incurred	(10,049)	(5,024)
Actuarial and administrative charges	(55,462)	(27,731)
Ending balance, June 30	<u>\$ 10,401,194</u>	<u>\$ 5,200,597</u>

An actuarial study is performed annually to determine the adequacy of the Insurance Trust Fund for the risk retained and to determine the required contribution to reserves.

### Note 12. Significant Commitments and Contingencies

NVTC and the VRE joint venture have received proceeds from several federal and state grant programs. In the event of an audit of these grants certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such findings may result in the refund of grant monies to the grantor agencies. Based on the reporting entities policies and past experience, management believes no refunds would be due in the case of an audit and accordingly no provision has been made in the accompanying financial statements for the refund of grant monies.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 12. Significant Commitments and Contingencies (Continued)

#### Governmental activities

A combination of Federal and Commonwealth of Virginia Grants and local funds are available to finance substantially all of the NVTC contracted services for the projects. Significant NVTC contracts include a sufficiency of funding clause in the event funding becomes unavailable.

All project expenditures are expensed as incurred, including expenditures for tangible assets, as the equipment becomes the property of the transit systems upon completion of the contract.

#### Business-type activities

At June 30, 2014, there were disputes between VRE and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal (with PRTC as grantee) and Commonwealth of Virginia grants and local funds will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenses incurred as of June 30, 2014:

Stations and parking lots	\$	7,352,426
Rolling Stock		37,518,680
Maintenance and layover yards		279,557
Track and signal improvements		20,802,010
Other administrative		3,569,124
<b>Total</b>	<b>\$</b>	<b>69,521,797</b>

### Note 13. Pending GASB Statements

At June 30, 2014, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the NVTC reporting entity. The statements which might impact NVTC are as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB Statement No. 68*, requires a state or local government employer (or nonemployer contributing entity in a special funding situation), to recognize a net pension liability measured as of a date (the measurement date), no earlier than the end of its prior fiscal year. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

Management has not yet determined the effect these statements will have on its financial statements.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### **Note 14. Subsequent Events**

The Commissions entered into contracts at various times from June 2014 through September 2014 to purchase fuel at set prices for delivery in July 2014 through June 2015. The fuel will be used in the normal course of operations and is not being purchased for resale. The total commitment is for 882,000 gallons of fuel at a cost of approximately \$2.7 million.

In June 2014 the VRE Operations Board recommended the Commissions forward to the jurisdictions an amendment to the Master Agreement for the Provision of Commuter Rail Service by the Commissions and Participating and Contributing Jurisdictions in order to comply with HB 2152 passed by the Virginia State Legislature in February 2013. HB 2152, as later amended by HB 957 in February 2014, requires a weighted vote on the VRE Operations Board for the Chairman of the Commonwealth Transportation Board or his designee effective July 1, 2015. The Commissions forwarded the proposed amendment to the jurisdictions in July 2014 for their approval and execution.

In August and September of 2014, six legacy Gallery railcars were sold to Chicago Metro for \$500 each for a total of \$3,000. The sale was approved by the Commissions in July 2014, following the recommendation of the Operations Board in June 2014. These railcars have been replaced in VRE service by new Gallery railcars.

In October 2014, the Commissions authorized the Chief Executive Officer of VRE to amend the contract with Sumitomo Corporation of America to place an order for five additional Gallery railcars and to increase the contract value by \$10.5 million, following the recommendation of the Operations Board in September 2014.

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2014**

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION

### SCHEDULE OF FUNDING PROGRESS

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#### Virginia Retirement System

The information below is derived from the actuarial valuation report for the Potomac & Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for the VRE joint venture.

Actuarial Valuation as of June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
2013	\$ 9,868,961	\$ 11,021,316	\$ 1,152,355	89.54%	\$ 6,392,730	18.03%
2012	8,783,862	10,544,864	1,761,002	83.30%	6,045,347	29.13%
2011	8,237,980	9,730,413	1,492,433	84.66%	5,751,116	25.95%

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2014**

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET POSITION BY JURISDICTION  
JURISDICTION TRUST FUND  
Year Ended June 30, 2014**

	<u>City of Alexandria</u>	<u>Arlington County</u>	<u>City of Fairfax</u>	<u>Fairfax County</u>	<u>City of Falls Church</u>	<u>Loudoun County</u>	<u>Totals</u>
Additions:							
Contributions from government:							
Commonwealth of Virginia	\$ 338,730	\$ 673,942	\$ 29,004	\$ 1,443,714	\$ 17,539	\$ -	\$ 2,502,929
Motor Vehicle Fuel Sales Tax	3,358,077	4,545,767	1,740,066	25,982,648	1,271,046	12,350,306	49,247,910
Intergovernmental revenues, grants:							
Commonwealth of Virginia	22,459,402	36,914,855	1,877,795	93,726,417	1,138,611	-	156,117,080
Interest income	6,579	30,030	1,655	58,801	237	26,455	123,757
<b>Total additions</b>	<b>26,162,788</b>	<b>42,164,594</b>	<b>3,648,520</b>	<b>121,211,580</b>	<b>2,427,433</b>	<b>12,376,761</b>	<b>207,991,676</b>
Deductions:							
Funds disbursed to WMATA:							
Capital improvement program	1,733,000	6,056,462	503,880	1,976,897	580,745	-	10,850,984
Project development	133,000	261,000	5,980	417,000	6,000	-	822,980
Metrorail operating	6,973,694	3,312,463	736,926	31,656,555	503,509	-	43,183,147
Metrobus operating	12,282,484	14,539,612	527,890	43,479,000	1,023,050	-	71,852,036
MetroAccess operating	743,745	-	289,621	12,092,385	74,344	-	13,200,095
Metro debt service	607,636	1,174,053	20,010	1,357,732	69,434	-	3,228,865
Other funds disbursed:							
Other capital disbursements	-	4,891,603	56,090	254,034	-	7,592,153	12,793,880
Other operating disbursements	-	3,420,543	738,357	8,750,978	156,730	4,471,328	17,537,936
<b>Total deductions</b>	<b>22,473,559</b>	<b>33,655,736</b>	<b>2,878,754</b>	<b>99,984,581</b>	<b>2,413,812</b>	<b>12,063,481</b>	<b>173,469,923</b>
Change in net position	3,689,229	8,508,858	769,766	21,226,999	13,621	313,280	34,521,753
Net position held in trust for member jurisdictions							
Beginning of year	11,823,212	34,779,416	2,140,729	80,904,808	618,284	22,037,625	152,304,074
End of year	<u>\$ 15,512,441</u>	<u>\$ 43,288,274</u>	<u>\$ 2,910,495</u>	<u>\$ 102,131,807</u>	<u>\$ 631,905</u>	<u>\$ 22,350,905</u>	<u>\$ 186,825,827</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF GENERAL, ADMINISTRATIVE AND PROJECT EXPENDITURES  
GENERAL FUND  
Year Ended June 30, 2014**

	<u>Total</u>	<u>General and Administrative</u>	<u>Projects</u>
Expenditures:			
Advertising	\$ 1,382	\$ 1,382	\$ -
Auditing	22,365	22,365	-
Capital purchases	3,914	3,914	-
Commissioners' per diem	9,585	9,585	-
Computer	8,068	8,068	-
Conference registration and training	1,657	1,657	-
Copier duplicating	7,766	7,766	-
Disability insurance	3,247	3,162	85
Employee group insurance	56,278	54,800	1,478
Employee retirement	37,314	36,334	980
Employer payroll taxes	55,379	53,925	1,454
Leave - annual, holiday, and sick	85,462	83,218	2,244
Memberships and subscriptions	1,737	1,737	-
Miscellaneous	3,604	3,604	-
Office supplies	1,626	1,626	-
Office rent	196,472	196,472	-
Insurance and liability bonds	5,277	5,277	-
Parking and Metrochek	10,659	10,623	36
Postage and shipping	2,046	2,046	-
Project consultants and other project costs	1,656,568	-	1,656,568
Public information	500	500	-
Salaries and wages	636,971	622,242	14,729
State liason	15,379	15,379	-
Telephone and data	6,815	6,815	-
Travel and meetings	10,777	10,777	-
	<u>1,656,568</u>	<u>-</u>	<u>1,656,568</u>
Total expenditures	<u>\$ 2,840,848</u>	<u>\$ 1,163,274</u>	<u>\$ 1,677,574</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT REVENUES AND EXPENDITURES  
GENERAL FUND  
Year Ended June 30, 2014**

	<b>Jurisdiction Grants &amp; Projects</b>	<b>NTD</b>	<b>NEPP</b>	<b>Route 7</b>	<b>Totals</b>
<b>Revenues:</b>					
Federal	\$ 957,110	\$ -	\$ -	\$ 104,883	\$ 1,061,993
Commonwealth of Virginia	239,280	-	1,079	12,996	253,355
Local	-	326,918	1,078	13,090	341,086
NVTC match	-	1,858	14,826	4,456	21,140
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total revenue	<u>\$ 1,196,390</u>	<u>\$ 328,776</u>	<u>\$ 16,983</u>	<u>\$ 135,425</u>	<u>\$ 1,677,574</u>
<b>Expenditures:</b>					
Salaries and wages	\$ -	\$ 1,306	\$ 10,388	\$ 3,035	\$ 14,729
Fringe benefits	-	553	4,402	1,286	6,241
Consultants	-	326,917	2,157	131,104	460,178
Costs incurred	1,196,390	-	-	-	1,196,390
Parking	-	-	36	-	36
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total expenditures	<u>\$ 1,196,390</u>	<u>\$ 328,776</u>	<u>\$ 16,983</u>	<u>\$ 135,425</u>	<u>\$ 1,677,574</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT REVENUES AND EXPENDITURES  
GENERAL FUND  
Project Costs to Date - Active Projects  
Period Ended June 30, 2014**

	<u>Jurisdiction Grants &amp; Projects</u>	<u>NTD and Bus Data Collection</u>	<u>NEPP</u>	<u>Route 7</u>	<u>Totals</u>
Revenues:					
Federal	\$ 3,006,466	\$ 113,067	\$ -	\$ 349,537	\$ 3,469,070
Commonwealth of Virginia	604,505	1,675,569	1,079	43,500	2,324,653
Local	5,000	563,866	1,078	43,750	613,694
NVTC match	71,102	52,100	14,826	17,457	155,485
Total revenue	<u>\$ 3,687,073</u>	<u>\$ 2,404,602</u>	<u>\$ 16,983</u>	<u>\$ 454,244</u>	<u>\$ 6,562,902</u>
Expenditures:					
Salaries and wages	\$ 47,718	\$ 45,005	\$ 10,388	\$ 11,197	\$ 114,308
Fringe benefits	22,963	19,542	4,402	5,698	52,605
Advertising	306	1,210	-	-	1,516
Consultants	442,735	2,337,454	2,157	436,922	3,219,268
Postage	-	960	-	307	1,267
Telephone	108	21	-	-	129
Travel	-	350	-	60	410
Parking and metrochek	8	60	36	60	164
Costs incurred	3,173,235	-	-	-	3,173,235
Total expenditures	<u>\$ 3,687,073</u>	<u>\$ 2,404,602</u>	<u>\$ 16,983</u>	<u>\$ 454,244</u>	<u>\$ 6,562,902</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS  
Year Ended June 30, 2014**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2013</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2014</u>	<u>Cumulative Expenditures</u>
<b><u>Northern Virginia Transportation Commission</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT)</b>									
Capital:									
Fiscal Year 2012	10/18/2011	73012-48	\$ 754,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 570,953
Fiscal Year 2012	10/18/2011	73012-49	17,926,808	-	-	-	-	-	8,981,360
Fiscal Year 2012	10/18/2011	73012-50	2,360,973	-	355,183	355,183	355,183	-	2,360,973
Fiscal Year 2012	10/18/2011	73012-52	28,590	-	-	-	-	-	27,470
Fiscal Year 2012	10/18/2011	73012-54	445,500	-	-	-	-	-	427,545
Fiscal Year 2012	10/18/2011	73012-58	50,000	-	4,686	4,686	4,686	-	49,999
Fiscal Year 2012	10/18/2011	73012-61	1,350,000	-	557,409	557,409	557,409	-	557,409
Fiscal Year 2012	10/18/2011	73012-62	16,875	2,628	2,628	-	-	-	16,405
Fiscal Year 2012	10/18/2011	73012-65	750,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-66	1,250,000	-	434,105	434,105	434,105	-	1,164,456
Fiscal Year 2012	10/18/2011	73012-67	750,000	-	80,456	80,456	80,456	-	80,456
Fiscal Year 2012	10/18/2011	73012-68	100,000	-	31,050	31,050	31,050	-	31,050
Fiscal Year 2012	10/18/2011	73012-69	150,000	-	62,233	62,233	62,233	-	82,576
Fiscal Year 2012	10/18/2011	73012-72	225,000	-	57,706	57,706	57,706	-	91,969
Fiscal Year 2012	10/18/2011	73012-74	525,000	-	90,018	90,018	90,018	-	170,441
Fiscal Year 2012	10/18/2011	73012-76	350,000	-	-	-	-	-	58,917
Fiscal Year 2012	10/18/2011	73012-77	100,000	-	10,575	10,575	10,575	-	43,186
Fiscal Year 2011	7/17/2012	72511-03	771,612	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	72511-04	100,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-29	53,000	-	-	-	-	-	6,155
Fiscal Year 2011	10/5/2010	73011-30	249,524	-	88,104	88,104	88,104	-	249,524
Fiscal Year 2011	10/5/2010	73011-34	530,000	-	5,691	5,691	5,691	-	530,000
Fiscal Year 2011	10/5/2010	73011-35	74,200	-	-	-	-	-	-
Fiscal Year 2011	7/17/2012	73011-36	129,850	-	11,839	11,839	11,839	-	11,839
Fiscal Year 2011	10/5/2010	73011-38	66,250	-	49,231	49,231	49,231	-	66,249
Fiscal Year 2011	10/5/2010	73011-40	795,000	-	254,951	346,698	346,698	91,747	699,167
Fiscal Year 2010	7/17/2012	72510-08	209,575	-	-	-	-	-	-
Fiscal Year 2011	8/4/2011	72510-17	915,893	-	-	-	-	-	-
Fiscal Year 2010	12/28/2010	72510-18	221,540	-	-	-	-	-	-
Fiscal Year 2010	2/2/2011	72510-25	133,250	-	-	-	-	-	-
Fiscal Year 2010	7/2/2009	72509-21	156,270	-	-	-	-	-	-
Fiscal Year 2010	7/2/2009	72509-22	190,190	-	-	-	-	-	-
Fiscal Year 2009	10/1/2010	72509-25	200,600	-	749	749	749	-	2,626
Fiscal Year 2009	7/1/2008	73009-37	160,000	-	776	776	776	-	7,982
Fiscal Year 2009	7/1/2008	73009-38	160,000	-	20,401	20,401	20,401	-	138,968

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)**  
Year Ended June 30, 2014

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2013</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2014</u>	<u>Cumulative Expenditures</u>
<b><u>Northern Virginia Transportation Commission (continued)</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT) (continued)</b>									
Capital (continued):									
Fiscal Year 2009	7/1/2008	73009-44	\$ 4,626,150	\$ -	\$ 128,292	\$ 128,292	\$ 128,292	\$ -	\$ 742,247
Fiscal Year 2009	7/1/2008	73009-45	160,000	-	-	-	-	-	30,237
Fiscal Year 2009	7/2/2009	72508-08	150,480	-	-	-	-	-	-
Fiscal Year 2009	7/2/2009	72508-09	175,560	-	-	-	-	-	-
Fiscal Year 2009	7/2/2009	72508-10	100,320	-	3,069	3,069	3,069	-	3,069
Fiscal Year 2008	8/12/2008	72508-12	125,400	-	-	-	-	-	-
Fiscal Year 2008	8/5/2010	72508-13	59,500	-	13,234	13,234	13,234	-	13,234
Fiscal Year 2008	10/1/2008	72508-14	59,500	-	-	-	-	-	35,888
Fiscal Year 2008	8/12/2008	72508-16	59,500	-	-	-	-	-	-
Fiscal Year 2008	9/19/2008	72508-19	100,320	-	-	-	-	-	-
Fiscal Year 2008	4/5/2012	72508-48	209,245	-	-	-	-	-	-
Fiscal Year 2008	4/5/2012	72508-52	320,000	-	-	-	-	-	-
Fiscal Year 2008	7/2/2009	72508-45	712,460	-	53,510	53,510	53,510	-	712,459
Fiscal Year 2008	10/16/2007	73008-17	2,139,112	-	18,858	41,018	41,018	22,160	2,009,554
Fiscal Year 2007	7/2/2009	72507-06	142,768	-	-	-	-	-	-
Fiscal Year 2007	9/19/2008	72507-08	95,178	2,063	29,312	45,128	45,128	17,879	82,468
Fiscal Year 2007	8/12/2008	72507-31	118,973	-	-	5,705	5,705	5,705	49,932
Fiscal Year 2007	8/12/2008	72507-35	56,678	-	-	-	-	-	-
Fiscal Year 2007	7/2/2009	72507-29	166,563	-	-	-	-	-	-
Fiscal Year 2007	7/2/2009	72507-30	95,178	-	70,879	70,879	70,879	-	95,178
Demonstration \ Experimental:									
Fiscal Year 2014									
NEPP Technical Assist.	12/1/2013	71314-02	200,000	-	-	1,079	1,079	1,079	1,079
Fiscal Year 2013									
Route 7 Alt Analysis	7/1/2012	71313-04	43,500	9,178	22,174	12,996	12,996	-	43,500
Fiscal Year 2011									
NVTA Transaction 2040	11/22/2011	47010-21	109,000	2,338	2,338	-	-	-	108,859
<b>Total State Assistance - NVTC</b>			<b>42,275,265</b>	<b>16,207</b>	<b>2,459,457</b>	<b>2,581,820</b>	<b>2,581,820</b>	<b>138,570</b>	<b>20,355,379</b>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)**  
Year Ended June 30, 2014

<u>Grant</u>		<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2013</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2014</u>	<u>Cumulative Expenditures</u>
<b>Virginia Railway Express</b>									
<b>Virginia Department of Rail and Public Transportation (DRPT)</b>									
Capital:									
Fiscal Year 2014	1/6/2014	73014-77	\$ 145,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiscal Year 2014	8/15/2013	73014-75	3,799,032	-	2,563,330	2,879,916	2,879,916	316,586	2,879,916
Fiscal Year 2014	1/6/2014	73014-71	275,000	-	-	30,986	30,986	30,986	30,986
Fiscal Year 2014	2/20/2014	72514-10	325,000	-	-	37,188	37,188	37,188	37,188
Fiscal Year 2013	1/16/2014	73013-49	2,398,534	-	2,398,534	2,398,534	2,398,534	-	2,398,534
Fiscal Year 2013	12/1/2011	72513-11	750,000	-	-	-	-	-	730,393
Fiscal Year 2013	2/3/2013	72513-21	310,000	71,096	280,770	214,952	214,952	5,278	310,000
Fiscal Year 2013	8/28/2012	73113-01	1,884,025	72,673	121,127	78,352	78,352	29,898	252,729
Fiscal Year 2013	4/24/2013	73113-46	11,391,184	-	-	127,516	127,516	127,516	127,516
Fiscal Year 2013	8/28/2012	73113-47	3,798,661	316,555	1,235,671	919,116	919,116	-	3,798,660
Fiscal Year 2012	2/15/2012	72512-04	420,000	133,584	133,047	(537)	(537)	-	414,391
Fiscal Year 2012	1/6/2014	73012-81	1,392,120	-	1,392,120	1,392,120	1,392,120	-	1,392,120
Fiscal Year 2012	1/6/2014	73012-82	501,404	-	501,404	501,404	501,404	-	501,404
Fiscal Year 2012	10/20/2011	73012-83	3,726,003	-	-	-	-	-	3,725,640
Fiscal Year 2012	3/13/2013	73012-84	240,732	29,128	54,336	25,208	25,208	-	192,024
Fiscal Year 2011	10/23/2011	73011-70	153,488	-	-	-	-	-	153,249
Fiscal Year 2011	10/23/2011	73011-73	204,724	63,902	63,902	-	-	-	204,724
Fiscal Year 2011	3/13/2013	73011-78	9,484	128	5,939	5,811	5,811	-	9,051
Fiscal Year 2011	7/22/2011	73111-20	135,899	-	-	329	329	329	6,640
Fiscal Year 2011	12/1/2012	73111-23	46,110	5,844	17,516	12,693	12,693	1,021	32,387
Fiscal Year 2010	3/18/2010	72510-19	141,075	-	-	-	-	-	140,130
Fiscal Year 2010	6/10/2011	72510-51	720,474	-	37,094	37,094	37,094	-	645,786
Fiscal Year 2010	6/10/2011	72510-74	50,000	-	-	-	-	-	-
Fiscal Year 2010	1/21/2011	72510-75	821,902	13,930	57,613	43,683	43,683	-	130,627
Fiscal Year 2010	8/25/2010	73010-46	168,108	-	-	-	-	-	167,999
Fiscal Year 2010	8/25/2010	73010-47	46,400	-	-	-	-	-	31,277
Fiscal Year 2010	8/25/2010	73010-49	95,520	-	-	-	-	-	-
Fiscal Year 2010	8/25/2010	73010-51	210,880	38,740	38,132	(608)	(608)	-	38,740
Fiscal Year 2010	8/25/2010	73010-57	178,780	-	-	-	-	-	164,306
Fiscal Year 2010	8/25/2010	73010-59	39,040	12,064	12,064	-	-	-	19,726
Fiscal Year 2010	8/25/2011	73010-61	68,810	-	-	-	-	-	64,724
Fiscal Year 2010	8/25/2011	73010-62	29,148	-	-	-	-	-	25,923
Fiscal Year 2010	8/25/2011	73010-63	4,620	-	-	-	-	-	-
Fiscal Year 2010	8/25/2011	73010-64	14,000	505	505	-	-	-	5,840
Fiscal Year 2010	8/25/2011	73010-67	51,838	-	-	-	-	-	32,128

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)  
Year Ended June 30, 2014**

<u>Grant</u>		<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2013</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2013</u>	<u>Cumulative Expenditures</u>
<b><u>Virginia Railway Express (continued)</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT) (continued)</b>									
Capital (continued):									
Fiscal Year 2009	7/1/2008	73009-60	\$ 749,000	\$ 14,163	\$ 17,614	\$ 6,623	\$ 6,623	\$ 3,172	\$ 273,210
Fiscal Year 2009	8/25/2010	73109-38	75,680	-	-	-	-	-	-
Fiscal Year 2008	1/30/2009	72508-48	191,680	5,838	5,838	-	-	-	191,680
Fiscal Year 2008	7/20/2009	72508-58	537,902	-	-	-	-	-	-
Fiscal Year 2008	3/16/2009	73008-70	20,800	-	-	-	-	-	-
Fiscal Year 2008	3/16/2009	73008-71	73,632	17,115	17,115	-	-	-	71,033
Fiscal Year 2007	2/1/2008	73007-24	218,880	1,922	2,834	912	912	-	206,977
Fiscal Year 2007	2/1/2008	73007-25	355,392	-	-	-	-	-	342,187
Operating:									
Fiscal Year 2014	1/6/2014	72114-37	2,358,081	-	2,358,081	2,358,081	2,358,081	-	2,358,081
Fiscal Year 2014	7/19/2013	72014-37	8,116,201	-	8,116,201	8,116,201	8,116,201	-	8,116,201
Fiscal Year 2013	8/28/2012	72013-33	9,291,406	929,142	929,142	-	-	-	9,291,406
Other Special Projects	3/10/2014	70014-58	2,569	-	-	-	-	-	-
Rail Enhancement Fund:									
Third Track Spotsylvania	5/10/2013	76513-11	13,856,292	-	-	1,671,187	1,671,187	1,671,187	1,671,187
Cherry Hill Station	4/15/2008	76507-07	1,071,429	-	-	19,185	19,185	19,185	631,094
Eligible expenditures accrued, not yet assigned to specific grants		N/A	N/A	2,007,254	-	918,785	918,785	2,926,039	918,785
<b>Total State Assistance - VRE</b>			<b>71,466,073</b>	<b>3,733,583</b>	<b>20,359,929</b>	<b>21,794,731</b>	<b>21,794,731</b>	<b>5,168,385</b>	<b>42,736,599</b>
<b>Total State Assistance - NVTC and VRE</b>			<b>\$ 113,741,338</b>	<b>\$ 3,749,790</b>	<b>\$ 22,819,386</b>	<b>\$ 24,376,551</b>	<b>\$ 24,376,551</b>	<b>\$ 5,306,955</b>	<b>\$ 63,091,978</b>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS  
Year Ended June 30, 2014**

<u>Grant / Contracted Jurisdiction</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2013</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2014</u>	<u>Cumulative Expenditures</u>
<b>Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions)</b>									
<b>Virginia Department of Rail and Public Transportation (DRPT)</b>									
Capital:									
Fiscal Year 2014:									
Arlington County	1/8/2014	73014-40	\$ 1,100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Arlington County	1/29/2014	73014-41	825,000	-	29,639	44,952	44,952	15,313	44,952
Arlington County	1/8/2014	73014-42	483,560	-	435,923	435,923	435,923	-	435,923
Arlington County	1/8/2014	73014-43	1,119,360	-	1,674	1,674	1,674	-	1,674
Arlington County	1/8/2014	73014-44	1,119,360	-	1,674	1,674	1,674	-	1,674
Arlington County	1/8/2014	73014-45	27,500	-	2,506	2,506	2,506	-	2,506
Arlington County	1/8/2014	73014-46	110,000	-	-	-	-	-	-
Arlington County	1/8/2014	73014-47	357,500	-	-	-	-	-	-
Arlington County	1/8/2014	73014-48	550,444	-	-	-	-	-	-
Arlington County	1/8/2014	73014-49	374,000	-	251,753	327,124	327,124	75,371	327,124
Arlington County	1/8/2014	73014-50	1,842,500	-	-	-	-	-	-
Arlington County	1/8/2014	73014-51	165,000	-	118,107	118,107	118,107	-	118,107
Arlington County	1/8/2014	73014-52	41,431	-	-	-	-	-	-
Arlington County	1/8/2014	73114-55	645,729	-	645,729	645,729	645,729	-	645,729
Arlington County	1/8/2014	73114-56	143,550	-	5,341,947	5,341,947	5,341,947	-	5,341,947
Arlington County	1/8/2014	73114-57	882,698	-	654,153	654,153	654,153	-	654,153
Arlington County	1/8/2014	73114-58	1,587,304	-	1,467,993	1,467,993	1,467,993	-	1,467,993
Arlington County	1/8/2014	73114-59	8,331,362	-	2,506,986	2,506,986	2,506,986	-	2,506,986
City of Alexandria	10/8/2013	73014-53	1,787,500	-	-	-	-	-	-
City of Alexandria	10/8/2013	73014-54	2,029,500	-	-	-	-	-	-
City of Alexandria	10/8/2013	73014-55	660,000	-	-	-	-	-	-
City of Alexandria	10/8/2013	73114-50	334,200	-	334,200	334,200	334,200	-	334,200
City of Alexandria	1/6/2014	73114-51	73,150	-	73,150	73,150	73,150	-	73,150
City of Alexandria	10/21/2013	73114-52	573,502	-	573,502	573,502	573,502	-	573,502
City of Alexandria	1/6/2014	73114-53	817,168	-	788,949	788,949	788,949	-	788,949
City of Alexandria	1/6/2014	73114-54	7,289,093	-	4,141,132	4,141,132	4,141,132	-	4,141,132
City of Fairfax	8/26/2013	73014-56	23,100	-	20,797	20,797	20,797	-	20,797
City of Fairfax	8/26/2013	73014-57	11,000	-	10,036	10,036	10,036	-	10,036
City of Fairfax	1/6/2014	73114-60	11,005	-	11,005	11,005	11,005	-	11,005
City of Fairfax	1/6/2014	73114-61	3,300	-	3,300	3,300	3,300	-	3,300
City of Fairfax	1/6/2014	73114-62	63,216	-	45,250	45,250	45,250	-	45,250
City of Fairfax	1/6/2014	73114-63	331,782	-	237,509	237,509	237,509	-	237,509
Fairfax County	2/20/2014	73014-58	68,750	-	22,126	22,126	22,126	-	22,126

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)  
Year Ended June 30, 2014**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2013</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2014</u>	<u>Cumulative Expenditures</u>
<b><u>Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions (continued))</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT) (continued)</b>									
Capital (continued):									
Fiscal Year 2014 (continued):									
Fairfax County	2/20/2014	73014-59	\$ 4,801,500	\$ -	\$ 4,693,388	\$ 4,693,388	\$ 4,693,388	\$ -	\$ 4,693,388
Fairfax County	4/23/2014	73014-60	825,000	-	-	-	-	-	-
Fairfax County	2/20/2014	73014-61	440,000	-	-	-	-	-	-
Fairfax County	2/20/2014	73014-62	440,000	-	61,799	61,799	61,799	-	61,799
Fairfax County	4/23/2014	73014-63	2,200,000	-	-	-	-	-	-
Fairfax County	2/20/2014	73014-64	110,000	-	-	-	-	-	-
Fairfax County	2/20/2014	73014-65	247,500	-	39,122	39,122	39,122	-	39,122
Fairfax County	2/20/2014	73014-66	27,500	-	4,966	4,966	4,966	-	4,966
Fairfax County	2/20/2014	73014-67	398,750	-	-	-	-	-	-
Fairfax County	2/20/2014	73014-68	55,000	-	-	-	-	-	-
Fairfax County	2/20/2014	73014-69	1,925,000	-	-	-	-	-	-
Fairfax County	2/20/2014	73114-64	746,753	-	746,752	746,752	746,752	-	746,752
Fairfax County	2/20/2014	73114-65	229,350	-	229,350	229,350	229,350	-	229,350
Fairfax County	2/20/2014	73114-66	4,197,301	-	4,197,301	4,197,301	4,197,301	-	4,197,301
Fairfax County	2/20/2014	73114-67	2,795,744	-	2,579,124	2,579,124	2,579,124	-	2,579,124
Fairfax County	2/20/2014	73114-68	14,674,066	-	13,537,620	13,537,620	13,537,620	-	13,537,620
City of Falls Church	1/6/2014	73114-69	9,072	-	9,072	9,072	9,072	-	9,072
City of Falls Church	1/6/2014	73114-70	29,116	-	29,116	29,116	29,116	-	29,116
City of Falls Church	1/6/2014	73114-71	4,400	-	4,400	4,400	4,400	-	4,400
City of Falls Church	1/6/2014	73114-72	65,496	-	55,665	55,665	55,665	-	55,665
City of Falls Church	1/6/2014	73114-73	343,750	-	292,184	292,184	292,184	-	292,184
Fiscal Year 2013:									
Arlington County	11/13/2012	73113-28	275,000	-	3,458	3,458	3,458	-	3,458
Arlington County	11/13/2012	73113-29	82,500	-	59,429	59,429	59,429	-	69,002
Arlington County	11/13/2012	73113-30	110,000	-	107,118	107,118	107,118	-	107,118
Arlington County	11/13/2012	73113-31	1,755,000	-	-	-	-	-	-
Arlington County	11/13/2012	73113-32	71,500	-	71,500	71,500	71,500	-	71,500
Arlington County	11/13/2012	73113-33	93,500	-	26,545	43,057	43,057	16,512	43,057
Arlington County	11/13/2012	73113-62	888,219	-	-	-	-	-	888,219
Arlington County	11/13/2012	73113-63	882,368	-	232,759	232,759	232,759	-	882,368
City of Fairfax	10/4/2012	73113-34	16,500	-	-	-	-	-	13,559
City of Fairfax	10/4/2012	73113-74	203,491	-	-	-	-	-	199,286
City of Fairfax	10/4/2012	73113-75	44,537	-	-	-	-	-	43,617
Fairfax County	10/4/2012	73113-35	5,335,000	-	-	-	-	-	5,051,831
Fairfax County	10/4/2012	73113-36	4,001,250	-	-	-	-	-	3,747,690
Fairfax County	10/4/2012	73113-37	165,000	-	49,276	49,276	49,276	-	165,000

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)**  
Year Ended June 30, 2014

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2013</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2014</u>	<u>Cumulative Expenditures</u>
<b><u>Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions) (continued)</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT) (continued)</b>									
Capital (continued):									
Fiscal Year 2013: (continued)									
Fairfax County	10/4/2012	73113-38	\$ 49,500	\$ -	\$ 44,790	\$ 44,790	\$ 44,790	\$ -	\$ 44,790
Fairfax County	10/4/2012	73113-39	1,375,000	-	-	-	-	-	-
Fairfax County	10/4/2012	73113-40	715,000	-	-	-	-	-	223,918
Fairfax County	10/4/2012	73113-41	825,000	-	-	-	-	-	-
Fairfax County	10/4/2012	73113-42	495,000	-	-	-	-	-	-
Fairfax County	10/4/2012	73113-43	2,365,000	-	-	-	-	-	-
Fairfax County	10/4/2012	73113-44	825,000	-	-	-	-	-	-
Fairfax County	10/4/2012	73113-45	660,000	-	628,897	628,897	628,897	-	628,897
Fairfax County	10/4/2012	73113-82	4,392,528	-	195,190	195,190	195,190	-	4,392,527
Operating:									
Arlington County	1/8/2014	72014-28	1,704,152	-	1,704,152	1,704,152	1,704,152	-	1,704,152
Arlington County	1/8/2014	72014-32	17,622,206	-	17,622,206	17,622,206	17,622,206	-	17,622,206
Arlington County	3/12/2014	72114-28	689,538	-	689,538	689,538	689,538	-	689,538
Arlington County	3/12/2014	72114-32	8,273,159	-	8,273,159	8,273,159	8,273,159	-	8,273,159
City of Alexandria	10/8/2013	72014-29	2,464,895	-	2,464,895	2,464,895	2,464,895	-	2,464,895
City of Alexandria	10/8/2013	72014-33	9,556,496	-	9,556,496	9,556,496	9,556,496	-	9,556,496
City of Alexandria	1/9/2014	72114-29	1,073,177	-	1,073,177	1,073,177	1,073,177	-	1,073,177
City of Alexandria	1/9/2014	72114-33	4,486,522	-	4,486,522	4,486,522	4,486,522	-	4,486,522
City of Fairfax	8/26/2013	72014-30	445,680	-	445,680	445,680	445,680	-	445,680
City of Fairfax	8/26/2013	72014-34	681,994	-	681,994	681,994	681,994	-	681,994
City of Fairfax	1/9/2014	72114-30	215,380	-	215,380	215,380	215,380	-	215,380
City of Fairfax	1/9/2014	72114-34	320,178	-	320,178	320,178	320,178	-	320,178
Fairfax County	2/20/2014	72014-31	11,134,381	-	11,134,381	11,134,381	11,134,381	-	11,134,381
Fairfax County	2/20/2014	72014-35	32,633,171	-	32,633,171	32,633,171	32,633,171	-	32,633,171
Fairfax County	6/9/2014	72114-31	4,040,716	-	4,040,716	4,040,716	4,040,716	-	4,040,716
Fairfax County	9/9/2014	72114-35	15,320,408	-	15,320,408	15,320,408	15,320,408	-	15,320,408
City of Falls Church	10/8/2013	72014-36	663,381	-	663,381	663,381	663,381	-	663,381
City of Falls Church	1/23/2014	72114-36	311,440	-	311,440	311,440	311,440	-	311,440
City of Alexandria	12/3/2012	72013-58	11,146,934	928,913	928,913	-	-	-	11,146,934
City of Alexandria	12/3/2012	72013-30	2,833,183	283,319	283,319	-	-	-	2,833,183
Arlington County	11/13/2012	72013-57	19,095,469	1,591,290	1,591,290	-	-	-	19,095,469
Arlington County	11/13/2012	72013-29	1,941,147	194,119	194,119	-	-	-	1,941,147
City of Fairfax	10/4/2012	72013-59	638,058	53,166	53,166	-	-	-	638,058
City of Fairfax	10/4/2012	72013-31	549,735	54,975	54,975	-	-	-	549,735

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)  
Year Ended June 30, 2014**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2013</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2014</u>	<u>Cumulative Expenditures</u>
<b><u>Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions) (continued)</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT) (continued)</b>									
Operating (continued):									
Fairfax County	10/4/2012	72013-60	\$ 40,080,142	\$ 3,340,010	\$ 3,340,010	\$ -	\$ -	\$ -	\$ 40,080,142
Fairfax County	10/4/2012	72013-32	11,699,306	1,169,926	1,169,926	-	-	-	11,699,306
City of Falls Church	10/10/2012	72013-61	858,817	71,569	71,569	-	-	-	858,817
<b>Total State Assistance - Jurisdiction Trust Fund</b>			<b>\$ 294,453,420</b>	<b>\$ 7,687,287</b>	<b>\$ 164,942,022</b>	<b>\$ 157,361,931</b>	<b>\$ 157,361,931</b>	<b>\$ 107,196</b>	<b>\$ 261,345,085</b>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014**

	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/13</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/14</u>	<u>Cumulative Expenditures</u>
<b><u>Northern Virginia Transportation Commission</u></b>									
<b>Federal Transit Administration</b>									
Alexandria Potomac Yards Env Analysis	20.507	VA 95-0077	\$ 800,000	\$ -	\$ 697,854	\$ 697,854	\$ 697,854	\$ -	\$ 697,854
Crystal City/Potomac Yard Busway	20.500	VA 03-0112	777,422	-	-	-	-	-	711,423
Eisenhower Ave. Intermodal Station	20.500	VA 04-0022	1,442,203	-	22,820	22,820	22,820	-	176,906
Alexandria Potomac Yard Busway	20.500	VA 04-0024	997,710	-	-	-	-	-	370,264
Falls Church Intermodal	20.500	VA 04-0029	1,668,154	8,251	155,588	180,510	180,510	33,173	258,357
Alexandria Transit Service Improvements	20.500	VA 04-0033	1,761,000	-	52,931	52,931	52,931	-	52,931
Eisenhower Ave Bus Loop	20.500	VA 04-0048	1,640,700	-	2,995	2,995	2,995	-	10,502
NVTC Route 7 Corridor Alts Analysis	20.522	VA 39-0005	350,000	73,417	178,300	104,883	104,883	-	349,537
Alexandria BRT Potomac Yards-NWST	20.500	VA 03-0117	1,490,000	-	-	-	-	-	172,781
			<u>10,927,189</u>	<u>81,668</u>	<u>1,110,488</u>	<u>1,061,993</u>	<u>1,061,993</u>	<u>33,173</u>	<u>2,800,555</u>
<b>Virginia Department of Rail and Public Transportation</b>									
NVTA Transaction 2040 Plan Update	20.205	47010-21	436,000	9,353	9,353	-	-	-	435,445
<b>Total Federal Assistance - NVTC</b>			<u>\$ 11,363,189</u>	<u>\$ 91,021</u>	<u>\$ 1,119,841</u>	<u>\$ 1,061,993</u>	<u>\$ 1,061,993</u>	<u>\$ 33,173</u>	<u>\$ 3,236,000</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**COMPLIANCE SECTION**

**YEAR ENDED JUNE 30, 2014**

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014**

<b>Federal Granting Agency/ Grant Program/Grant Number</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
Department of Transportation		
<u>Direct Payments:</u>		
Federal Transit Administration Cluster:		
VA 04-0022	20.500	\$ 22,820
VA 04-0029	20.500	180,510
VA 04-0048	20.500	2,995
VA 04-0033	20.500	52,931
VA 95-0077	20.507	<u>697,854</u>
<b>Total Federal Transit Administration Cluster</b>		<u>957,110</u>
VA 39-0005	20.522	<u>104,883</u>
<b>Total federal awards expended</b>		<u><u>\$ 1,061,993</u></u>

*The accompanying note is an integral part of this financial statement.*

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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### Note 1. Summary of Significant Accounting Policies

#### A. Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of NVTC and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

*Federal Financial Assistance* – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Federal financial assistance does not include direct federal cash assistance to individuals.

*Direct Payments* – Assistance received directly from the Federal government is classified as direct payments on the Schedule of Expenditures of Federal Awards.

*Pass-through Payments* – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

*Major Programs* – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for NVTC were determined using a risk-based approach in accordance with OMB Circular A-133.

*Catalog of Federal Domestic Assistance* – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

*Cluster of Programs* – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following is the cluster administered by NVTC: Federal Transit – Capital Investment Grants and Federal Transit – Formula Grants.

For fiscal year 2014, the Commission recognized amounts in the Schedule of Expenditures of Federal Awards associated with prior year expenditures. Expenditures should be recognized in the fiscal year spent for reporting purposes. In the current fiscal year, \$272,692 of prior year expenditures associated with the Federal Transit Cluster were included in the SEFA. Prior year expenditures associated with the cluster were reflected in the current year due to timing in which the Commission received draw down requests and supporting documentation from the NVTC member jurisdictions in which NVTC manages the federal grants.



**INDEPENDENT AUDITOR'S REPORT 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 Honorable Commission Board Members  
Northern Virginia Transportation Commission  
Arlington, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Northern Virginia Transportation Commission (Commission), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 24, 2014.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia  
November 24, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Commission Board Members  
Northern Virginia Transportation Commission  
Arlington, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited the Northern Virginia Transportation Commission's (Commission) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Commission's major federal programs for the year ended June 30, 2014. The Commission's major federal programs are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia  
November 24, 2014

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2014**

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**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u>      </u> Yes	<u>  √  </u> No
Significant deficiencies identified?	<u>      </u> Yes	<u>  √  </u> None Reported
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  √  </u> No

**Federal awards**

Internal control over major programs:

Material weaknesses identified?	<u>      </u> Yes	<u>  √  </u> No
Significant deficiencies identified?	<u>      </u> Yes	<u>  √  </u> None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u>      </u> Yes	<u>  √  </u> No
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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Federal Transit Cluster:

20.500	Federal Transit – Capital Investment Grants
20.507	Federal Transit – Formula Grants

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?	<u>  √  </u> Yes	<u>      </u> No
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**II. FINANCIAL STATEMENT FINDINGS**

None

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended June 30, 2014**

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There were no audit findings reported in the prior year's single audit.