

**NORTHERN VIRGINIA
TRANSPORTATION AUTHORITY**

**FINANCIAL AND COMPLIANCE REPORTS
Year Ended June 30, 2014**



**Northern Virginia
Transportation Authority**
The Authority for Transportation in Northern Virginia

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

TABLE OF CONTENTS

INTRODUCTORY SECTION

Directory of principal officials	i
----------------------------------	---

FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT	1 – 3
Management’s Discussion and Analysis	4 – 11
<i>Financial Statements</i>	
Statement of Net Position	12
Statement of Activities	13
Balance Sheet – Governmental Funds and Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Change in Fund Balances – Governmental Fund and Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances to Governmental Funds to the Statement of Activities	15
Notes to Financial Statements	16 – 26
<i>Supplementary Information</i>	
Schedule of General and Administrative Expenditures – General Fund	27
Schedule of Changes in Net Position by Jurisdiction – Local Distribution Fund (30%)	28

COMPLIANCE SECTION

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 <i>GOVERNMENT AUDITING STANDARDS</i>	29 – 30
Schedule of Findings, Questioned Costs, and Corrective Action Plan	31

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

Voting Members

Hon. Martin Nohe, NVTA Chairman; Prince William County
Hon. William D. Euille, NVTA Vice Chairman; City of Alexandria
Hon. R. Scott Silverthorne, City of Fairfax
Hon. Sharon Bulova, Fairfax County
Hon. Harry J. "Hal" Parrish, II, City of Manassas
Hon. Jeanette Rishell, City of Manassas Park
Hon. David Snyder, City of Falls Church
Hon. Scott York, Loudoun County
Hon. Mary Hughes Hynes, Arlington County
Hon. Adam Ebbin, Virginia Senate
Hon. J. Randall Minchew, Virginia House of Delegates
Hon. Thomas Davis Rust, Virginia House of Delegates
Sandra Bushue, Governor's Appointee
Gary Garczynski, Governor's Appointee, Commonwealth Transportation Board Member

Non-Voting Members

Helen Cuervo, Virginia Department of Transportation
Jennifer Mitchell, Virginia Department of Rail and Public Transportation

Town Representative

Hon. Kristen C. Umstatt, Town of Leesburg

Certain Authority Staff

Monica Backmon, Executive Director
Michael Longhi, Chief Financial Officer
Margaret Teal, CPA, Assistant Finance Officer

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Authority Board Members
Northern Virginia Transportation Authority
Fairfax, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority'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 and each major fund of the Authority, as of June 30, 2014, and the respective changes in financial position, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 4-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing 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 or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
October 13, 2014

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Northern Virginia Transportation Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2014.

The Authority is a political subdivision of the Commonwealth of Virginia, created in 2002 by the Northern Virginia Transportation Authority Act, Title 15.2, of the *Code of Virginia*. The Authority's primary function is to conduct project planning, prioritization and funding of transportation projects for its member jurisdictions in the Northern Virginia region.

In November 2012, the Authority developed its long range plan, Transaction 2040. On April 3, 2013, the Governor's substitute for House Bill 2313 ("HB 2313") was adopted by the Virginia General Assembly. HB2313 provided a dedicated funding stream for transportation projects in Northern Virginia. This legislation coupled with the successful bond validation suite (BVS) enabled the Authority to become fully staffed in May 2014. HB2313 provided a permanent, annual source of revenue for the Authority to implement its mandate. The new revenue streams commenced on July 1, 2013.

The member jurisdictions are the counties of Arlington, Fairfax, Loudoun and Prince William, and the cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park. The Authority has seventeen members as follows: the chief elected official, or their designees, of the nine cities and counties that are members of the Authority; two members of the House of Delegates appointed by the Speaker of the House; one member of the Senate appointed by the Senate Committee on Privileges and Elections; and two citizens who reside in counties and cities embraced by the Authority, appointed by the Governor. In addition, the Director of the Virginia Department of Rail and Public Transportation, or his designee; the Commonwealth Transportation Commissioner, or his designee; and the chief elected officer of one town in a county which the Authority embraces, will serve as non-voting members of the Authority.

All moneys received by the Authority and the proceeds of bonds and other debt instruments are required to be used solely for transportation purposes benefiting the member jurisdictions. Of the HB2313 revenues received, 30% are distributed to member jurisdictions on a pro rata basis for transportation projects and purposes authorized under Section 33.2-2510 and selected by the Member Jurisdiction. The 70% of the HB 2313 revenues are pledged to the payment of bonds and other debt instruments and will otherwise be available to fund regional transportation projects and mass transit projects that increase capacity for the benefit of the Member Localities.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

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

- Assets of the Authority exceeded its liabilities for the year ended June 30, 2014 by \$199,597,044 (net position). Of this amount, \$390,284 represents unrestricted net position, which may be used to meet the Authority's ongoing obligations. Restricted net position totaled approximately \$199 million and can be used only for transportation projects.

- The Authority's total outstanding debt for the year ended June 30, 2014 was \$74.6 million as a result of interim financing used to provide resources for bond projects approved by the Authority in anticipation of the future issuance of long-term bonds.
- For the fiscal year ended June 30, 2014, contributions and intergovernmental revenue, for the Authority's governmental activities totaled \$285.7 million. Expenses totaled \$86.9 million, which includes \$85.2 million distributed to member jurisdictions in accord with HB2313.

Highlights for Fund Financial Statements

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

- The Authority's General Fund reported an increase in fund balance of \$232,645. The General Fund balance as of June 30, 2014 totaled \$444,761. The Authority's Special Revenue Funds established in the current fiscal year reported fund balances totaling approximately \$198.7 million. The debt service fund reported a fund balance of \$75.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of three components: government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The financial statements presented include all of the activities which are part of the Authority 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 the Authority's governmental activities from the economic resources measurement focus using the accrual basis of accounting.

The fund financial statements include a separate column for each of the major governmental funds. The Authority does not have any non-major funds. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A 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 combined. The Statement of Net Position presents the assets and liabilities with the difference reported as net position. The Statement of Activities shows in broad terms changes to net position 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 Authority is improving or declining. Net position is one way to measure financial position but the reader should also consider other indicators, such as general economic conditions.

The Statement of Activities presents information indicating how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will result in cash flows in the future fiscal periods.

Revenue is classified as program or general revenues. Program revenue consists of contributions from the member jurisdictions used to cover the Authority's administrative expenses. General revenues include the three intergovernmental revenues, sales tax, grantors tax and transient occupancy tax received, collected and remitted from the Commonwealth of Virginia. These tax receipts commenced July 1, 2013.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources which have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority only reports governmental funds. The Authority does not operate proprietary funds nor does it maintain fiduciary funds. The governmental funds of the Authority are divided into three categories: General Fund, Special Revenue Funds and Debt Service Fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds 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. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Change in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains four governmental funds: the General Fund, two Special Revenue Funds and a Debt Service Fund. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances for each of these funds. The General Fund includes the Authority's operating activities including the cost of the Authority's six member staff. The Local Distribution (30%), Special Revenue Fund reports 30% of the intergovernmental revenue received by the Authority and immediately distributed to the member jurisdictions. The Regional Revenue (70%) Special Revenue Fund reports 70% of the intergovernmental revenue received by the Authority used to fund transportation projects. A Debt Service Fund is used to account for and report financial resources restricted to expenditures for debt service.

The Authority adopts an annual appropriated budget for its General Fund and the two special revenue funds. An internal budgetary comparison statement is maintained for the General Fund to demonstrate compliance with this budget. The budget comparison statements are not included in the financial statements for the current fiscal year because they are not legally adopted and binding budgets.

Notes to the Basic Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund 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 AUTHORITY REPORTING ENTITY AS A WHOLE

Statement of Net Position

The following table presents a summary of the Statement of Net Position for the Authority as of June 30, 2014. Comparative data for June 30, 2013 is unavailable due to fiscal year 2014 being the first year of funding related to HB2313. The Authority's HB2313 revenue stream commenced July 1, 2013.

Summary Statement of Net Position June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current and other assets	\$ 289,500,245
Total assets	<u>289,500,245</u>
LIABILITIES	
Current and other liabilities	<u>89,903,201</u>
Total liabilities	<u>89,903,201</u>
NET POSITION	
Restricted	199,206,760
Unrestricted	<u>390,284</u>
Total net position	<u>\$ 199,597,044</u>

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$199,597,044, at June 30, 2014.

A significant portion of net position, \$199.2 million or 99.8% represents resources subject to external restrictions. The remaining balance of \$390,284 is unrestricted and may be used to meet the Authority's ongoing obligations to its citizens and creditors.

Current assets consist primarily of amounts due from the Commonwealth of Virginia, cash and cash equivalents, and restricted cash and cash equivalents. As of June 30, 2014, approximately \$50.4 million was due from the Commonwealth of Virginia, of which \$4.2 million is for grantors tax, \$40.1 million is for sales tax and \$6.1 million is for transient occupancy tax. Restricted cash, cash equivalents and investments totaled \$238.5 million of which \$163.4 million restricted for regional transportation projects benefiting the member jurisdictions and \$75.1 million restricted for debt service.

Statement of Changes in Net Position

The following table presents the revenues, expenses and change in net position of the Authority for the fiscal year ended June 30, 2014. Comparative data for June 30, 2013 is unavailable due to fiscal year 2014 being the first year of funding received by the Authority related to HB2313.

Summary Statement of Changes in Net Position Year Ended June 30, 2014

	<u>Governmental Activities</u>
Revenues:	
Program Revenues:	
Operating grants and contributions	\$ 591,595
General Revenue:	
Intergovernmental	285,603,165
Interest income	82,845
Miscellaneous	<u>7,473</u>
Total Revenues	<u>286,285,078</u>
Expenses:	
General and administration	1,674,210
Jurisdictional distributions (30%)	<u>85,225,940</u>
Total Expenses	<u>86,900,150</u>
Change in Net Position	199,384,928
Beginning Net Position	<u>212,116</u>
Ending Net Position	<u>\$ 199,597,044</u>

For the fiscal year ended June 30, 2014, revenues totaled \$286.3 million. Expenses totaled \$86.9 million. A discussion of the key components of the revenue and expense is included in the funds analysis.

FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

Governmental Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Authority governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the needs of the Authority's financing requirements.

General Fund. The General Fund is the operating fund of the Authority. At the end of the current year, unassigned fund balance of the General Fund was \$277,984, while total fund balance equaled \$444,761. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 53% of total General Fund expenditures, while total fund balance represents approximately 85% of that same amount.

The fund balance of \$444,761 includes \$150,619 of committed fund balance. The debt policy adopted on December 12, 2013 requires the Authority to maintain an operating reserve sufficient to fund at a minimum 20% of the General Fund operating expenses. This operating reserve may be used at the discretion of the Executive Director, to cover unanticipated increases in the Authority's expenditures. If used, the Executive Director will present a plan to the Authority for restoring the reserve during the next fiscal year budget process.

The Authority adopts an annual operating budget for General Fund operating activities for the purpose of determining the annual contributions from the member jurisdictions required to fund these activities. Total contributions by the nine member jurisdictions equaled \$591,595 for fiscal year 2014.

Debt Service Fund. The debt service fund, a major governmental fund, was established during the current fiscal year. A debt service reserve of \$75,131,000 was established through a transfer from the 70% Regional Revenue Fund. The debt service reserve is required as a legal covenant for the \$74,642,000 line of credit obtained in June 2014 from Bank of America Merrill Lynch to fund bond projects approved by the Authority in July 2013.

Special Revenue Fund. The Authority established two special revenue funds during the current fiscal year, the Local Distribution Fund (30%) and the Regional Revenue Fund (70%), both categorized as major funds in the governmental fund statements. These funds are used to report the intergovernmental revenue received from the Commonwealth of Virginia.

The General Assembly of the Commonwealth of Virginia authorized three new transportation revenue sources for the Authority: 0.7% increase in the sales tax; a two percent increase in the transient occupancy (hotel) tax; and a fifteen cents per hundred dollar of value increase in the grantor's tax (congestion relief fee). These taxes were made effective on July 1, 2013, and are the revenue streams authorized by HB2313.

Of the revenues received, the Local Distribution Fund (30%) reports 30% of the intergovernmental revenue received by the Authority and distributed to the member jurisdictions on a pro rata basis. This revenue can be used by the recipient for additional urban or secondary road construction; capital improvements that reduce congestion; transportation capital improvements which have been approved by the most recent long range transportation plan adopted by the Authority; or for public transportation purposes.

The remaining 70% is recorded in the Regional Revenue Fund (70%). These funds are to be used by the Authority solely for regional transportation projects and purposes benefiting the member jurisdictions and other entities to fund: transportation projects approved by the Authority that are contained in the regional transportation plan, or mass transit capital projects that increase capacity.

DEBT ADMINISTRATION

Debt Administration

At June 30, 2014, the Authority had total debt outstanding of \$74,642,000 which was used to finance the costs of the fiscal year 2014 approved bond projects. The line of credit was issued in the name of the Authority. The line is secured by the pledge of a matched reserve fund held as a separate and distinct fund for the benefit of the bank. Assets of the debt service reserve fund are to be used solely to pay advances, fees and interest. Fiscal year 2014 funds have been pledged to secure the payment of interest and the proceeds of the Authority's permanent financing have been pledged to secure payment of the principal.

Economic Factors and Fiscal Year 2015's Budget

- Northern Virginia is both a nationally and globally significant region.
- It is categorized as having a broad, diverse and stable regional economy.
- The region is the driver of economic activity for the Commonwealth of Virginia.
- In aggregate, the Authority's nine member jurisdictions have experienced stable population growth in the last ten years with growth rates averaging 1.8% per year.
- Among the nine member jurisdictions, job growth has averaged 1.04% per year over the last decade.
- In aggregate, the number of jobs in the Authority's jurisdictions are projected to experience continued growth.
- Unemployment rate in the Authority's jurisdictions is exceptionally low, compared to both the U.S. and the Commonwealth of Virginia. Through June 2014, unemployment in the Authority jurisdictions was 4.08% compared to 5.21% in the Commonwealth and 6.5% nationally.
- Per capita income average of the Authority's jurisdictions is approximately \$44,306 compared to the Commonwealth at \$32,517 and \$27,319 nationally.
- Median family income average of the Authority's jurisdictions is approximately \$112,674 compared to \$74,485 in the Commonwealth and \$62,527 nationally.
- The fiscal year 2015 budget includes a projected 1.9% decrease in sales tax revenue compared to the inaugural fiscal year 2014 budget; a 3.7% increase in transient occupancy tax revenue and a 6.4% increase in grantors tax.
- The Authority's operating budget will increase from \$903,712 in fiscal year 2014 to \$1,419,472 in fiscal year 2015. This increase is reflective of one-time startup costs and the first year of full staffing levels.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those interested. If you have any questions about this report or need additional financial information, contact Michael Longhi, Chief Financial Officer, Northern Virginia Transportation Authority, 3060 Williams Drive, Suite 510, Fairfax, Virginia 22031, or by email to michael.longhi@thenovaauthority.org.

FINANCIAL STATEMENTS

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 505,552
Accounts receivable	74
Due from other governments	50,432,336
Deposits and prepaid items	16,158
Restricted cash, cash equivalents and investments	<u>238,546,125</u>
Total assets	<u>289,500,245</u>
LIABILITIES	
Accounts payable	44,144
Accrued liabilities	2,527
Accrued interest payable	3,644
Compensated absences	8,768
Unearned revenue	72,417
Due to other governments	15,129,701
Line of credit	<u>74,642,000</u>
Total liabilities	<u>89,903,201</u>
NET POSITION	
Restricted	199,206,760
Unrestricted	<u>390,284</u>
Total net position	<u>\$ 199,597,044</u>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	Expenses	Program Revenues <u>Operating Grants and Contributions</u>	Net (Expense) Revenue and Change in Net Position Governmental Activities
Functions/Programs			
Governmental Activities:			
General and administration	\$ 1,674,210	\$ 591,595	\$ (1,082,615)
Jurisdictional distributions (30%)	<u>85,225,940</u>	<u>-</u>	<u>(85,225,940)</u>
Total governmental activities	<u>\$ 86,900,150</u>	<u>\$ 591,595</u>	<u>(86,308,555)</u>
General revenues			
Intergovernment revenue:			
Grantors tax			38,008,947
Sales tax			223,371,345
Transient occupancy tax			24,222,873
Interest income			82,845
Miscellaneous			<u>7,473</u>
Total general revenues			<u>285,693,483</u>
Change in net position			199,384,928
Net Position, beginning of year			<u>212,116</u>
Net Position, end of year			<u>\$ 199,597,044</u>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

**BALANCE SHEET - GOVERNMENTAL FUNDS AND
RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014**

	General Fund	Local Distribution Fund	Regional Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 505,552	\$ -	\$ -	\$ -	\$ 505,552
Accounts receivable	74	-	-	-	74
Due from other governments	-	15,129,701	35,302,635	-	50,432,336
Deposits and prepaid items	16,158	-	-	-	16,158
Restricted cash, cash equivalents and investment	-	197	163,412,782	75,133,146	238,546,125
Total assets	521,784	15,129,898	198,715,417	75,133,146	289,500,245
LIABILITIES					
Accounts payable	2,079	-	42,065	-	44,144
Accrued liabilities	2,527	-	-	-	2,527
Due to other governments	-	15,129,701	-	-	15,129,701
Unearned revenue	72,417	-	-	-	72,417
Total liabilities	77,023	15,129,701	42,065	-	15,248,789
FUND BALANCES					
Nonspendable	16,158	-	-	-	16,158
Restricted	-	197	198,673,352	75,133,146	273,806,695
Committed	150,619	-	-	-	150,619
Unassigned	277,984	-	-	-	277,984
Total fund balances	444,761	197	198,673,352	75,133,146	274,251,456
Total liabilities and fund balances	\$ 521,784	\$ 15,129,898	\$ 198,715,417	\$ 75,133,146	\$ 289,500,245

Reconciliation of fund balances 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	\$ 274,251,456
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds	(8,768)
Accrued interest is a liability not due and payable in the current period and, therefore, are not reported in the governmental fund	(3,644)
Long-term liabilities, including line of credit, are not due and payable in the current period and, therefore, are not reported in the fund:	(74,642,000)
Net Position - governmental activities	<u>\$ 199,597,044</u>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -
 GOVERNMENTAL FUNDS AND RECONCILIATION OF THE STATEMENT OF
 REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2014

	General Fund	Local Distribution Fund	Regional Revenue Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Intergovernmental:					
Grantors tax	\$ -	\$ 11,402,684	\$ 26,606,263	\$ -	\$ 38,008,947
Sales tax	-	67,011,403	156,359,942	-	223,371,345
Transient occupancy tax	-	7,266,862	16,956,011	-	24,222,873
Interest income	-	15,506	65,193	2,146	82,845
Contribution member jurisdictions	591,595	-	-	-	591,595
Miscellaneous	7,473	-	-	-	7,473
Total revenues	599,068	85,696,455	199,987,409	2,146	286,285,078
Expenditures					
Current:					
General and administration	366,423	-	-	-	366,423
Distribution of 30% local funds	-	85,225,940	-	-	85,225,940
Member contributions deducted from 30% funds	-	470,318	-	-	470,318
Issuance cost	156,175	-	668,882	-	825,057
Total expenditures	522,598	85,696,258	668,882	-	86,887,738
Excess of revenues over expenditures	76,470	197	199,318,527	2,146	199,397,340
Other Financing Sources (Uses)					
Transfer to General Fund	156,175	-	(156,175)	-	-
Transfer to Debt Service Fund	-	-	(75,131,000)	75,131,000	-
Financing proceeds	-	-	74,642,000	-	74,642,000
Total other financing sources (uses)	156,175	-	(645,175)	75,131,000	74,642,000
Net change in fund balances	232,645	197	198,673,352	75,133,146	274,039,340
Fund Balances, beginning of year	212,116	-	-	-	212,116
Fund Balances, end of year	\$ 444,761	\$ 197	\$ 198,673,352	\$ 75,133,146	\$ 274,251,456

Change in fund balances - total governmental funds \$ 274,039,340

Amounts reported for governmental activities in the Statement of Activities are different because:

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 (8,768)

Some 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 (3,644)

The issuance of long-term debt (e.g., bonds, leases, line of credit) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position (74,642,000)

Change in net position of governmental activities \$ 199,384,928

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Northern Virginia Transportation Authority (“the Authority”) 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 Authority is a political subdivision of the Commonwealth of Virginia, created in 2002 by the Northern Virginia Transportation Authority Act, Title 15.2, of the *Code of Virginia*. The Authority’s primary function is to conduct project planning, prioritization and funding for regional transportation purposes in for the Northern Virginia area.

In November 2012, the Authority developed its long range plan, Transaction 2040. On April 3, 2013, the Governor’s substitute for House Bill 2313 (the “HB2313”) was adopted by the Virginia General Assembly. HB2313 provided a dedicated funding stream for transportation projects in Northern Virginia. This legislation coupled with the successful bond validation suite (BVS) enabled the Authority to become fully staffed in May 2014. HB2313 provided a permanent, annual source of revenue for the Authority to implement its mandate and the new revenue streams commenced on July 1, 2013.

The member jurisdictions of the Authority are the counties of Arlington, Fairfax, Loudoun and Prince William, and the cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park. The Authority has seventeen members as follows: the chief elected official, or their designees, of the nine cities and counties that are members of the Authority; two members of the House of Delegates appointed by the Speaker of the House; one member of the Senate appointed by the Senate Committee on Privileges and Elections; and two citizens who reside in counties and cities embraced by the Authority, appointed by the Governor. In addition, the Director of the Virginia Department of Rail and Public Transportation, or his designee; the Commonwealth Transportation Commissioner, or his designee; and the chief elected officer of one town in a county which the Authority embraces, will serve as non-voting members of the Authority.

All moneys received by the Authority and the proceeds of bonds and other debt instruments are required to be used solely for transportation purposes benefiting the member jurisdictions. Of the HB2313 revenues received, 30% are distributed to member jurisdictions on a pro rata basis for transportation projects and purposes authorized under Section 33.2-2510 and selected by the Member Jurisdiction. The 70% of the HB 2313 revenues are pledged to the payment of bonds and other debt instruments and will otherwise be available to fund regional transportation projects and mass transit projects that increase capacity for the benefit of the Member Localities.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information of the governmental activities supported by intergovernmental revenues.

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

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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 that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational requirements of a particular function.

Separate fund financial statements are provided for each of the governmental funds. The governmental funds are reported on a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances (fund equity).

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. 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 of Commonwealth of Virginia and local operating contributions, are recognized in the period the funding is made available.

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. Expenditures are recorded when a liability is incurred 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. The individual Government Funds are:

1. **General Fund** - The General Fund is the primary operating fund of the Authority and is used to account for and report all revenues and expenditures applicable to the general operations of the Authority which are not accounted for in other funds. Revenues are derived primarily from contributions from member jurisdictions. The General Fund is considered a major fund for financial reporting purposes.
2. **Special Revenue Funds** - Special revenue funds account for and report the proceeds of specific revenue sources restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Authority has two special revenue funds. The Local Distribution Fund (30%) reports 30% of the intergovernmental revenue received by the Authority. The 30% funds are distributed to the member jurisdictions on a pro rata basis with each localities' share being the total of the revenues received that are generated or attributable to the locality divided by the total for use according to HB2313. The Regional Revenue Fund (70%) includes amounts to be used by the Authority solely for regional transportation projects and purposes that benefit the member jurisdictions and other entities to fund transportation projects selected by the Authority that are contained in the regional transportation plan, or mass transit capital projects that increase capacity. Both special revenue funds are considered a major fund for financial reporting purposes.
3. **Debt Service Fund** - The Debt Service Fund is used to account for and report financial resources that are restricted or committed for expenditures related to principal and interest.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgeting

The Authority adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables the Authority 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. The Authority also adopts a budget for the Local Distribution Fund (30%) which promptly distributes 30% of the revenue from tax proceeds to the nine member jurisdictions based on their respective revenue contribution through the taxes submitted to the state.

To fund the various transportation projects approved by the Authority, the Regional Revenue Fund (70%) budget includes all debt service obligations and costs of issuance as well as PayGo projects.

E. Other Significant Accounting Policies

1. Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less. The investment in the Local Government Investment Pool (LGIP or Pool) and the Virginia State Non-Arbitrage Program (SNAP or Pool), are 2a7-like pools and are reported at the Pool's share price.

2. Restricted Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments as reported in the Statement of Net Position are comprised of intergovernmental deposits that shall be used solely for regional transportation purposes benefiting the member jurisdictions.

3. Prepaid Items

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.

4. Capital Assets

Capital assets include property and equipment and computer hardware with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. As of June 30, 2014, the Authority had no capital assets.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

4. Capital Assets (Continued)

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

<u>Asset Category</u>	<u>Useful Life (years)</u>
Computer Hardware & Peripherals	4
Office Furniture	7-10
Office Equipment	5-10
Leasehold Improvements	Life of the lease

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.

Funding of transportation capital projects: For projects approved and funded by the Authority with regional revenue funds (70%) either as a PayGo or financed project; the Authority does not take ownership of such projects. Therefore, these projects are not reflected on the Authority's financial statements.

5. Compensated Absences

The Authority's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from the Authority's service. The liability for such leave is reported as incurred in the government-wide statements. Vacation leave for the Authority employees is granted to all full and part-time employees and is earned based upon the length of employment. Employees with zero to ten (10) years of service may carryover a maximum of 240 hours of accumulated leave. Employees with more than 10 years of service may carryover 360 hours of leave. The allowed accumulated leave earned yet not paid has been recorded as a liability on the Statement of Net Position.

Accumulated sick leave lapses when employees leave the Authority and, upon separation from service, no monetary obligation exists.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

6. Long-term Obligations

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal consumes the current financial resources. In the government-wide financial statements, financing obligations are reported as liabilities in the Statement of Net Position. The Authority recognized bond issuance costs in the governmental funds as a current period expense in accordance with GASB Statement No. 65. The Authority incurred \$825,057 of issuance costs in fiscal year 2014.

7. Fund Equity

The Authority reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance classification includes amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact (corpus of a permanent fund).

Restricted fund balance classification includes amounts constrained to specific purposes by their providers (higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance classification includes amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority.

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

The General Fund balance includes \$150,619 categorized as committed fund balance as of June 30, 2014. The debt policy adopted by the Authority on December 12, 2013 requires the Authority to maintain an operating reserve sufficient to fund at least 20% of the General Fund operating expenses. This operating reserve may be used at the discretion of the Executive Director, to cover unanticipated increases in the Authority's expenditures. If used, the Executive Director will present a plan to the Authority for restoring the reserve during the next fiscal year budget process.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

7. Fund Equity (Continued)

When fund balance resources are available for a specific purpose in more than one classification, the Authority will consider the use of restricted, committed, or assigned funds prior to the use of unassigned fund balance as they are needed.

8. Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Were the Authority to have capital assets, the net position caption "net investment in capital assets" would consist 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

9. 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.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments

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

Governmental Activities

Cash	\$ 505,552
Restricted:	
LGIP	163,412,979
SNAP	75,133,146
Total restricted	<u>238,546,125</u>
Total	<u>\$ 239,051,677</u>

Maturities of all investments are less than one year.

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 \$163,412,979 in the LGIP for governmental activities. 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.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

As of June 30, 2014, the Authority had investments of \$75,133,146 in the Commonwealth of Virginia State Non-Arbitrage Program (“SNAP”). SNAP has been established by the Treasury Board of the Commonwealth of Virginia pursuant to the SNAP Act (Chapter 47, Title 2.2, *Code of Virginia* 1950, as amended) to provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of tax-exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code. The SNAP Fund is managed to maintain a dollar-weighted average portfolio maturity of 60 days or less and seeks to maintain a constant net asset value per share of \$1.00. The SNAP Fund invests in obligations of the United States Government and its agencies, high quality debt obligations of U.S. companies and obligations of financial institutions, and is rated “AAAm” by Standard & Poor’s.

The Authority’s investment authority and permitted instruments are contained in resolutions approved by the Authority members.

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 that in the event of a failure of a depository financial institution, deposits may not be recovered. All cash of the Authority 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% 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.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 3. Due To/From Other Governments

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

Due from Commonwealth of Virginia:	Local Distribution Fund	Regional Revenue Fund	Total
Grantors Tax	\$ 1,270,528	\$ 2,964,564	\$ 4,235,092
Sales Tax	12,018,137	28,042,319	40,060,456
Transient Occupancy Tax	1,841,036	4,295,752	6,136,788
Total	\$ 15,129,701	\$ 35,302,635	\$ 50,432,336

Amounts due to other governments as of June 30, 2014 consisted of the following:

	Amount
City of Alexandria	\$ 1,160,134
Arlington County	1,908,163
City of Fairfax	341,535
Fairfax County	6,800,702
City of Falls Church	132,330
Loudoun County	2,479,888
City of Manassas	260,884
City of Manassas Park	65,302
Prince William County	1,980,763
Total	\$ 15,129,701

Note 4. Intergovernmental Revenues, Commonwealth of Virginia

Intergovernmental revenues from the Commonwealth of Virginia include additional fees or taxes imposed in each of the Member Jurisdictions as follows:

An additional Retail Sales Tax of .7% is added to the standard rate of retail sales tax imposed by the Virginia Code. The additional tax is not levied upon food purchased for human consumption.

A Regional Congestion Relief Fee (Grantors Tax) equivalent to \$0.15 for each \$100 of value imposed on every deed and deed of trust admitted to record in the Commonwealth subject to certain exceptions and exemptions.

An additional Regional Transient Occupancy Tax (Hotel) at a rate of two percent of the amount of the charge for the occupancy of any room or space.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 5. Operating Leases and Agreements

Governmental Activities

The Authority leased office space under a temporary agreement which commenced on October 1, 2013 and expired August 31, 2014. The Authority is currently leasing its facilities on a month-to-month basis. Rent expense as reported in the government-wide financial statements totaled \$5,141.

Note 6. Long-Term Debt Obligations

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

Primary Government:

Governmental Activities	Beginning Balance	Increases	Ending Balance	Due in One Year
Compensated Absences	\$ -	\$ 8,768	\$ 8,768	\$ 8,768
Total governmental activities	\$ -	\$ 8,768	\$ 8,768	\$ 8,768

Note 7. Line of Credit

During 2014, the Authority approved financing for certain transportation projects to be financed with proceeds from a line of credit obtained in June 2014. The line of credit has a stated interest rate of LIBOR plus 0.2% annum (.35% at June 30, 2014) and is subject to various covenants. The outstanding balance on the line was \$74,642,000 at June 30, 2014. Proceeds from the line of credit allowed the Authority to fully fund approved bond projects, while preparing for an inaugural bond issuance in fiscal year 2015.

Note 8. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To reduce insurance costs and the need for self-insurance, the Authority has joined with other political subdivisions in the Commonwealth of Virginia in VML Insurance Programs. The Authority has coverage with the VML Insurance Programs. Each Program member jointly and severally agrees to assume, pay and discharge any liability. The Authority pays VML the contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Program and claims and awards are to be paid.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Pending GASB Statements

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local government 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. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, amends Statement No. 68 related to transition provisions for certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and nonemployer contributing entities. The provisions of this Statement should 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.

Note 10. Subsequent Events

The Authority is currently negotiating a three year lease for office space with Northern Virginia Regional Commission.

A decision to implement a retirement benefit plan through Virginia Retirement System (VRS) was approved on September 11, 2014. The fiscal year 2015 estimated cost to implement the VRS plan is approximately \$61,500.

SUPPLEMENTARY INFORMATION

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENDITURES

GENERAL FUND

Year Ended June 30, 2014

Expenditures	
Advertising	\$ 1,034
Computer and software purchases	12,690
Copier printing and duplication	4,344
Employee group insurance	20,469
Employer payroll taxes	22,745
Bank fees and other services	1,393
Insurance and liability bonds	2,673
Meeting expenses - NVT A	743
Memberships and subscriptions	685
Mileage and transportation	1,365
Office rent	5,141
Office supplies	4,007
Postage and delivery	202
Professional services	1,500
Professional development and training	3,868
Salaries and wages	271,219
Technical and hosting services	11,332
Telephone	<u>1,013</u>
Total expenditures	\$ <u>366,423</u>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF CHANGES IN NET POSITION BY JURISDICTION
 LOCAL DISTRIBUTION FUND (30%)
 Year Ended June 30, 2014

	City of Alexandria	Arlington County	City of Fairfax	Fairfax County	City of Falls Church	Loudoun County	City of Manassas	City of Manassas Park	Prince William County	Totals
Revenues										
Intergovernmental:										
Commonwealth of Virginia										
Grantors tax	\$ 938,956	\$ 1,294,177	\$ 110,101	\$ 4,708,834	\$ 80,653	\$ 2,565,377	\$ 139,678	\$ 68,024	\$ 1,496,884	\$ 11,402,684
Sales tax	4,498,898	6,993,637	2,108,435	29,915,008	642,387	11,478,868	1,385,271	325,275	9,663,624	67,011,403
Transient occupancy tax	848,326	2,511,447	61,656	2,852,110	22,535	604,351	16,537	-	349,900	7,266,862
Interest Income	1,146	1,964	424	6,731	135	2,664	280	71	2,091	15,506
Total revenues	6,287,326	10,801,225	2,280,616	37,482,683	745,710	14,651,260	1,541,766	393,370	11,512,499	85,696,455
Expenditures										
Distribution of 30% local funds	6,287,292	10,745,580	2,274,697	37,198,645	742,158	14,651,237	1,531,706	389,820	11,404,805	85,225,940
Member contributions deducted from 30% funds	-	55,610	5,916	283,965	3,550	-	10,057	3,550	107,670	470,318
Total expenditures	6,287,292	10,801,190	2,280,613	37,482,610	745,708	14,651,237	1,541,763	393,370	11,512,475	85,696,258
Net change in fund balance	34	35	3	73	2	23	3	-	24	197
Fund Balance, beginning of year	-	-	-	-	-	-	-	-	-	-
Fund Balance, end of year	\$ 34	\$ 35	\$ 3	\$ 73	\$ 2	\$ 23	\$ 3	\$ -	\$ 24	\$ 197

COMPLIANCE SECTION



**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 Authority Board Members
Northern Virginia Transportation Authority
Fairfax, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the Northern Virginia Transportation Authority (Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 13, 2014.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Questioned Costs and Corrective Action Plan, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority'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. We consider the deficiency described in the accompanying Schedule of Findings, Questioned Costs, and Corrective Action Plan as item 2014-01 to be a material weakness.

Compliance and Other Matters

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

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

PBMares, LLP

Harrisonburg, Virginia
October 13, 2014

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

**SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND CORRECTIVE ACTION PLAN
Year Ended June 30, 2014**

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 deficiency identified	<u> </u> Yes	<u> √ </u> No
Noncompliance material to financial statements noted	<u> </u> Yes	<u> √ </u> No

II. FINANCIAL STATEMENT FINDINGS

Identifying Number: 2014-01

Requirement: The Authority should maintain its financial data in a formal accounting system.

Condition: During the course of our audit it was noted the Authority does not have a formal accounting system. Currently, the Authority relies on excel spreadsheets to capture financial transactions. While the use of excel spreadsheets provide the Authority the ability to produce monthly financial statements and timely reports to the Board and member jurisdictions, the Authority is unable to maintain financial data within a general ledger system featuring adequate controls over financial reporting or a complete audit trail of transactions.

Effect: Without a formal accounting system the potential exists for financial data to be manipulated or for errors to occur that could go undetected.

Recommendation: While our audit procedures did not indicate any instances of financial data being manipulated or errors, we recommend the Authority implement a formal accounting system to allow management to establish adequate controls over financial reporting.

Corrective Action Taken or Planned: Management concurs with the finding the Authority should maintain its financial data in a formal accounting system. The Authority has the acquisition and implementation of a general ledger accounting system under contract. Implementation of the system is currently scheduled for April 2015. Management is actively attempting to advance this scheduled implementation. It is Management’s intent to fully load all fiscal year 2014 transactions as well as year to date fiscal year 2015 transactions into the new system.