NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

FINANCIAL AND COMPLIANCE REPORTS

Year Ended June 30, 2018

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

TABLE OF CONTENTS

INTRODUCTORY SECTION

FINANCIAL SECTION

COMPLIANCE SECTION

Introductory Section

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

Voting Members

Honorable Martin Nohe, NVTA Chairman; *Prince William County*
Honorable Phyllis Randall, NVTA Vice Chairman; *Loudoun County*
Honorable Sharon Bulova, *Fairfax County*
Honorable Richard H. Black, *Virginia Senate*
Honorable Katie Cristol, *Arlington County*
Honorable Mary Hughes Hynes, *Governor's Appointee, Commonwealth Transportation Board Member*
Honorable Timothy Hugo, *Virginia House of Delegates*
Jim Kolb, *Governor's Appointee*
Honorable David L. Meyer, *City of Fairfax*
Honorable J. Randall Minchew, *Speaker of the Virginia House of Delegates Appointee*
Honorable Harry J. "Hal" Parrish, II, *City of Manassas*
Honorable Jeanette Rishell, *City of Manassas Park*
Honorable Allison Silberberg, *City of Alexandria*
Honorable David Snyder, *City of Falls Church*

Non-Voting Members

Helen Cuervo, *NOVA District Administrator, Virginia Department of Transportation*
Jennifer Mitchell, *Director, Virginia Department of Rail and Public Transportation*

Town Representative

Honorable Kelly Burk, *Town of Leesburg*

Certain Authority Staff

Monica Backmon, *Executive Director*
Michael Longhi, *Chief Financial Officer*
Margaret Teal, CPA, *Assistant Finance Officer*
Richard Stavros, *Investment & Debt Manager*

Financial Section

PBMares

INDEPENDENT AUDITOR'S REPORT

To the Honorable Authority Board Members
Northern Virginia Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the remaining fund information, and the budgetary comparisons of the Northern Virginia Transportation Authority (Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, each major fund and the remaining fund information of the Authority, as of June 30, 2018, and the respective changes in financial position and the budgetary comparisons, 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 4-13 and 62-65, 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 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 18, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 18, 2018

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE AUTHORITY

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, 2018.

The Authority is a political subdivision of the Commonwealth of Virginia, created in 2002 by the Northern Virginia Transportation Authority Act, Title 33.2, of the *Code of Virginia*. The Authority is responsible for long-range transportation project planning, prioritization and funding for regional transportation projects in Northern Virginia. The Authority's policies and priorities are guided by two overarching goals: reduce congestion and move the greatest number of people in the most cost-effective manner. These two goals are combined with performance-based criteria such as the ability to improve travel times, reduce delays, connect regional activity centers, and improve safety and air quality. The Authority works toward regional consensus when setting regional transportation policies and priorities for transportation projects. The Authority is also charged with developing and updating the long range regional transportation plan for Northern Virginia known as Transaction.

In November 2012, the Authority developed its long-range plan, Transaction 2040. On April 3, 2013, the Governor's substitute for House Bill 2313 (2013) ("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 suit (BVS) enabled the Authority to fund regional transportation projects. HB2313 provided an annual source of revenue for the Authority to implement its mandate. The HB2313 revenue stream began on July 1, 2013.

The HB2313 revenue stream consisted of (i) additional retail sales and use taxes, (ii) a regional congestion relief fee and (iii) a transient occupancy tax levied by the General Assembly of Virginia in the Member Localities (planning district 8), credited and appropriated to the Northern Virginia Transportation Authority.

In October 2017, the Authority adopted the TransAction Plan Update. TransAction is Northern Virginia's long-range, multimodal transportation plan, addressing regional transportation needs through 2040. The Authority is responsible for developing and updating TransAction for use to evaluate and prioritize regional transportation projects in Northern Virginia.

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 based on revenues generated in the jurisdiction, for transportation projects and purposes authorized under Section 33.2-2510 and selected by the member jurisdiction. The remaining 70% of the HB 2313 revenues are first pledged to the payment of bonds and other debt instruments with the remaining revenues available to fund technical and analytical costs in support of Transaction the required regional transportation plan; and regional multimodal transportation projects including mass transit projects that increase capacity for the benefit of the member localities.

During fiscal year 2018, the Authority's bond rating was reviewed by S&P Global Ratings as a result of the change in pledged revenue securing the 2014 bond series. S&P formally reaffirmed the Authority's AA+; Stable Outlook rating S&P noted the deep and diverse regional economy of the Authority's member municipalities, coupled with very strong wealth and income; a history of strong growth in sales tax revenues, which historically have shown good stability and resilience to economic downturns; and the Authority's strong bond covenants.

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 and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows for the year ended June 30, 2018 by $851,586,646 (net position). Of this amount, $595,729, which consists of the General Fund Operating Reserves, represents unrestricted net position, which may be used to meet the Authority's ongoing operating obligations. The changes in the pension plan for the year resulted in an increase of net position of $27,498 resulting from a reduction in net pension liability. The Restricted portion of net position totaling $850,959,635, can be used only for regional transportation purposes. It should be noted the funds composing Restricted Net Position have been allocated by the Authority for specific regional transportation projects which meet the goals, purposes, and mandates of the Authority and the HB2313 revenue source.

- During fiscal year 2018, the Authority implemented GASB 75, Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions (OPEB) to record the Authority's proportionate share of liability related to the Virginia Retirement System Group Life Insurance (GLI) Program. The implementation resulted in a decrease in Net Position of $75,000 to record the Net GLI OPEB liability. As a result of implementing GASB 75, the Statement of Net Position includes Deferred Outflows of Resources for OPEB GLI of $22,469 and Deferred Inflows of Resources for OPEB GLI of $8,000.

- For the fiscal year ended June 30, 2018, contributions, intergovernmental revenue and investment earnings, for the Authority's governmental activities totaled $352.6 million. Expenses totaled $193.7 million of which $102.4 million of the $193.7 million of expenses represents the distribution of 30% Local Distribution amounts to member jurisdictions in accordance with HB2313, and $86.8 million represents project sponsor reimbursement amounts for authorized project costs.

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 $19,156 compared to an increase of $54,351 for fiscal year 2017. The General Fund balance as of June 30, 2018 totaled $560,308 compared with $541,152 at the end of the previous fiscal year.

- The Authority's Special Revenue Funds (Local Distribution Fund and Regional Revenue Fund), reported an increase in fund balance of $155,816,762 which has been allocated to fund regional transportation projects approved by the Authority in their first Six Year Program. This increases the overall balance to $920,913,465 as of June 30, 2018 compared to $765,096,703 at the end of the previous fiscal year.

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 required supplementary information and 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 and the non-major Debt Service Fund. 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, deferred outflows of resources, 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 prevalent in the geographic area the Authority serves.

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 on an accrual basis 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 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 four intergovernmental revenues received, collected, and remitted from the Commonwealth of Virginia: specifically sales tax, grantors tax, transient occupancy tax, and interest earned on the Commonwealth's Northern Virginia Transportation Authority Fund. 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 have proprietary funds nor does it maintain fiduciary funds at this time. 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 Change in Fund Balances for each of these funds. The General Fund includes the Authority's operating and administrative activities. The Local Distribution (30%), Special Revenue Fund reports 30% of the intergovernmental revenue received by the Authority under HB2313 and distributed to the member jurisdictions. The Regional Revenue (70%) Special Revenue Fund reports 70% of the intergovernmental revenue received by the Authority and used to fund transportation projects under HB2313. A Debt Service Fund is used to account for and report financial resources restricted to expenditures for debt service.

The Authority adopts annual appropriated budgets for its General Fund and the two special revenue funds. An internal budgetary comparison statement is maintained for the General Fund and Special Revenue Funds to demonstrate compliance with these budgets, which have been provided in the financial statements for fiscal year 2018.

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.

Required Supplementary Information

In addition to the basic financial statements, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Schedules of funding progress for the OPEB plan and the applicable pension schedules for the Authority's defined benefit pension plan are provided.

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. Supplementary Information includes a Schedule of Changes in Net Position by Jurisdiction for the Local Distribution Fund (30%) and a Schedule of Changes in Restricted Funding for Appropriated Projects in the Regional Revenue Fund (70%).

FINANCIAL ANALYSIS OF THE AUTHORITY REPORTING ENTITY AS A WHOLE

An analysis of the Authority's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the Authority's net position and changes therein. It should be noted the Authority's net position could also be affected by non-financial factors, including economic conditions, population growth, and appropriation changes to the Authority's revenues enacted by the Commonwealth of Virginia General Assembly.

Statement of Net Position

The following table presents a summary of the Statement of Net Position for the Authority as of June 30, 2018. Data for June 30, 2017 has been included for comparison purposes.

Summary Statement of Net Position
June 30, 2018 and 2017

	Governmental Activities			
	2018	2017	Increase (Decrease)	% Change
Assets:				
Current and other assets	$ 949,989,650	$ 789,690,215	$ 160,299,435	20.3%
Capital assets, net	31,282	40,519	(9,237)	-22.8%
Total assets	950,020,932	789,730,734	160,290,198	20.3%
Deferred outflows of resources	261,031	201,516	59,515	29.5%
Liabilities:				
Current and other liabilities	30,970,531	26,395,950	4,571,581	17.3%
Noncurrent liabilities	67,699,643	70,831,678	(3,132,035)	-4.4%
Total liabilities	98,660,174	97,227,628	1,439,546	1.5%
Deferred inflows of resources	28,143	-	28,143	100.0%
Net position:				
Net investment in capital assets	31,282	40,519	(9,237)	-22.8%
Restricted	850,959,635	692,027,733	158,931,902	23.0%
Unrestricted	595,729	636,370	(40,641)	-6.4%
Total net position	$ 851,586,646	$ 692,704,622	$ 158,882,024	22.9%

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $851,586,646 at June 30, 2018.

A significant portion of net position, $846 million, or 99% represents funds that have been restricted by HB2313 and $5 million is restricted for debt service. It should be noted the funds composing this net restricted positon have been allocated by the Authority to fund regional transportation projects, which meet the goals, purposes, and mandates of the Authority and the HB2313 revenue source. The remaining balance of $595,729 consisting of the General Fund Operating Reserves is unrestricted and may be used to meet the Authority's ongoing obligations to its citizens and creditors.

Current assets consist primarily of restricted cash, cash equivalents, investments, and amounts due from the Commonwealth of Virginia. The Authority completed its first full year of the investment program which started in the third quarter of fiscal year 2017. All securities purchased under the investment program are held in the name of the Authority by the custodian. Security Custodian use is required in the Authority's Investment Policy and by the *Code of Virginia*. All security purchase transactions are completed on a 'Delivery vs. Payment' basis as required by the Authority's Investment Policy. As of June 30, 2018, the Authority has approximately $668 million invested in United States Treasuries, Agencies, Corporate Notes, Commercial Paper, Negotiable Certificates of Deposit, Bank Certificates of Deposit, and Virginia Investment Pool 1-3YR Bond Fund.

The completion of the Authority's first full year of an investment program and resulting increase in earned interest reflects the Authority's commitment to prudent financial management. As mandated in the Authority's investment policy, the investment program priorities are safety, liquidity then yield. Investment activities are undertaken in a conservative nature reflective of these priorities and include a 'buy and hold' orientation. All interest earnings of the investment program benefit the Regional Revenue Fund for appropriation by the Authority to regional transportation projects. Expenses of the investment program are charged in the operating budget of the General Fund and, therefore, shared by member jurisdictions based on population.

Restricted cash and cash equivalents totaled approximately $216.5 million of which $212.5 million is restricted for regional transportation projects approved and appropriated by the Authority and $4 million is held by the Authority's bond trustee. As of June 30, 2018, approximately $61 million was due from the Commonwealth of Virginia, and $8.9 million is due to the Authority's member localities.

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, 2018. Data for June 30, 2017 has been included for comparison purposes.

Summary Statement of Changes in Net Position
Years Ended June 30, 2018 and 2017

	Governmental Activities		Increase	%
	2018	2017	(Decrease)	Change
Revenues:				
Program revenues:				
Operating grants and contributions	$ 1,922,196	$ 1,654,617	$ 267,580	16.17%
General revenue:				
Intergovernmental	341,178,436	331,052,594	10,125,842	3.06%
Interest income	9,473,130	4,078,221	5,394,909	132.29%
Total revenues	352,573,762	336,785,432	15,788,331	4.69%
Expenses:				
General and administration	1,972,075	1,598,976	373,099	23.33%
Jurisdictional distributions (30%)	102,390,189	99,328,170	3,062,019	3.08%
Project cost distributions	86,833,587	99,693,170	(12,859,583)	-12.90%
Transaction update and technical services	50,711	1,144,546	(1,093,835)	-95.57%
Interest and issuance costs	2,445,176	2,541,695	(96,518)	-3.80%
Total expenses	193,691,738	204,306,557	(10,614,818)	-5.20%
Change in net position	158,882,024	132,478,875	26,403,149	19.93%
Beginning net position	692,704,622	560,225,747	132,478,875	23.65%
Ending net position	$ 851,586,646	$ 692,704,622	$ 158,882,024	22.94%

For the fiscal year ended June 30, 2018, revenues totaled approximately $352.6 million. Expenses totaled approximately $193.7 million. The increase in investment earnings is attributable to the first full year of the Authority's investment program. The increase in general and administrative expenses is due mainly to an increase in professional services resulting from the 2018 General Assembly session repeal of two of the Authority's three revenue sources. The update to the Authority's regional transportation plan, TransAction, occurred over fiscal years 2018 and 2017 with the majority of the expense charged to 2017. TransAction is required by HB2313 as a fundamental step in developing future project programs for the region.

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's 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 fiscal year 2018, the General Fund Nonspendable fund balance was $28,903, assigned fund balance of $9,286 and unassigned fund balance was $137,038, while total fund balance equaled $631,418. During fiscal year 2018, the Authority contributed $18,000 to the equipment reserve, established in fiscal year 2017. This represents the annual contribution to the reserve plus an additional $9,000 for the future replacement of the GIS Plotter. The equipment reserve is represented as assigned fund balance in the General Fund.

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 7% of total General Fund expenditures, while total fund balance represents approximately 33% of that same amount.

The fund balance of $560,308 includes $385,081 of committed fund balance. The debt policy adopted on December 12, 2013, revised June 19, 2015, 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 $1,922,196 for fiscal year 2018.

Debt Service Fund. The debt service fund reports financial resources restricted to the payment of principal and interest for the outstanding related series of transportation bonds. The debt service fund is not one of the Authority's major governmental funds. The debt service fund had a fund balance of $478,253 as of June 30, 2018 on deposit for fiscal year 2019 debt obligations. The Authority contributes monthly to the debt service fund for upcoming debt service payments.

Special Revenue Fund. The Authority maintains two special revenue funds; the Local Distribution Fund (30%) and the Regional Revenue Fund (70%), both of these funds are categorized as major funds in the governmental fund statements. These funds are used to report the intergovernmental revenue received from the Commonwealth of Virginia under HB2313.

The General Assembly of the Commonwealth of Virginia through HB2313 (2013) authorized three revenue sources for the Authority: a 0.7% increase in the sales tax; a 2% 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.

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 in accord with HB2313. 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 (TransAction) and in accordance with HB2313.

The Regional Revenue Fund balance includes $371,803,024 categorized as restricted fund balance as of June 30, 2018. This balance is predominately comprised of $100 million carried forward from a project funding withdrawal approved by the Authority on October 12, 2017 (I-66/Route 28 Intersection Improvements) and $271,570,916 of FY2018 Regional Revenue Fund carryforward, revenue and interest earnings. These funds were appropriated in October of 2018 (FY2019) as part of the Authority's implementation of its inaugural Six Year Program, valued at $1.285 billion and covering fiscal years 2018 through 2023.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The details of capital assets as of June 30, 2018 and 2017 are as follows:

	Governmental Activities	
	2018	2017
Office furniture and equipment	$ 58,589	$ 58,589
Less accumulated depreciation and amortization	27,307	18,070
Total capital assets, net	$ 31,282	$ 40,519

The Authority's investment in capital assets as of June 30, 2018 amounted to $31,282 (net of accumulated depreciation and amortization). Additional information on the capital assets can be found in Note 6.

Debt Administration

In December 2014, the Authority entered the capital bond market for the first time with bonds designated to replace a short term Line of Credit obtained in fiscal year 2014 with fixed rate, long term, low cost, permanent financing. An initial bond sale is a significant undertaking. Actions include bond validation court proceedings, establishing internal policies and procedures, initial credit rating presentations on Wall Street and, finally, the marketing and sale of the bonds. Efforts to execute the Authority's approved finance plan resulted in very strong credit ratings of AA+, Aa1 and AA+ with stable outlooks from Fitch, Moody's and Standard & Poor's, respectively. The bonds garnered a favorable market reception on Wall Street, reflected by a 2.5 times subscription rate and a low true interest cost of 3.09%.

At the end of June 30, 2018, the Authority had total debt outstanding of $60,345,000 for Transportation Special Tax Revenue Bonds, Series 2014. The Authority is amortizing the bond premium from the sale over the life of the bonds. The balance of unamortized bond premium at June 30, 2018 is $9,841,254. The bonds are secured by the Authority's Regional Revenue and a debt service reserve of $5,700,169 initially established from the proceeds upon issuance of the bonds. Assets of the debt service reserve fund are to be used solely to pay Series 2014 principal and interest. Additional information on the Authority's debt can be found in Note 10.

Economic Factors and Fiscal Year 2018's Budget

- Pursuant to Virginia General Assembly House Bill 1539 (2018) ("HB1539"), effective on July 1, 2018, the General Assembly repealed two of the Authority's three revenue sources, the regional congestion relief fee and the transient occupancy tax. Thus, the Chapter 766 (HB2313) Transportation Revenues derived from the Congestion Relief Fee and Grantor's Tax are no longer available for appropriation to the Authority or for the payment of debt service on the Authority's 2014 Series Bonds. HB1539 re-imposed such fees and taxes within the Member Localities, but directed the majority of the receipts therefrom to fund the capital needs of the Washington Metropolitan Area Transit Authority ("WMATA"). WMATA operates the Washington-area Metro transit service. HB1539 left sales tax as the only remaining HB2313 Revenue.
- The update to TransAction was adopted by the Authority in October 2017. Once TransAction was updated, the Authority had a call for projects in anticipation of developing the Authority's first Six Year Program (SYP). The SYP which allocated project funding for fiscal year 2018 through fiscal year 2023 and valued $1.285 billion was adopted by the Authority in June 2018.
- The project cost distributions reflects the project development cycle as multiple projects reach different major milestones. These expenditures are ramping up as project sponsors are entering the final phases of their authorized projects. An increasing rate of expenditure is expected for projects previously approved by the Authority for several years until the project life cycle reaches full maturity and stabilizes. The adoption of the SYP will permit project sponsors to have greater project readiness in place, especially for projects approved in the later years of the plan. The next update to the SYP is expected to start in July 2019. The two year update will program regional revenue funds for fiscal year 2024 and fiscal year 2025.
- 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 since the 2010 Census with growth rates averaging approximately 2% per year. Virginia's overall population grew by 5.9%, to nearly 8.5 million people, over a seven-year span ending July 2017. More than 60% of the growth is concentrated in Northern Virginia, with Prince William County now becoming the second most populated locality. Three of Virginia's four largest localities are located in Northern Virginia.
- Among the nine member jurisdictions, job growth has averaged 0.78% per year over the last decade.
- In aggregate, the number of jobs in the Authority's member jurisdictions are expected to continue to grow despite the prior sequestration. Based on the United States Department of Labor statistics, the regional job growth was 1.65% as of June 30, 2017 compared to .75% for June 30, 2016.
- Unemployment rate in the Authority's jurisdictions is exceptionally low. At June 2018, the average preliminary unemployment rate not seasonally adjusted, in the Authority jurisdictions was 2.6% compared to 3.2% in the Commonwealth and 4.0% nationally.
- Per capita income average of the Authority's member jurisdictions is approximately $47,479 compared to the Commonwealth at $34,967 and $29,829 nationally per the U.S. Census Bureau, 2012-2016 5-Year American Community Survey. This represents a 2% increase from the 2011-2015 5-Year American Community Survey.
- Median family income average for the Authority's member jurisdictions is approximately $121,066 compared to $80,068 in the Commonwealth and $67,871 nationally per the U.S. Census Bureau, 2012-2016 5-Year American Community Survey. This represents an approximate 2% increase from the 2011-2015 5-Year American Community Survey.
- The fiscal year 2019 special revenue budgets include a projected 2% increase in sales tax revenue compared to the fiscal year 2018 budget; fiscal year 2019 excludes transient occupancy tax revenue, (Congestion Relief Fees) and grantors tax as a result of the General Assembly repeal of these taxes. The increase for sales tax is based on prior years' experience and on information from the Authority's member jurisdictions, which are combined to create an effective estimation process. The resulting rate increase is for fiscal year 2019 only, and is not indicative of projected rate increases in the long term. The Authority will continue to use conservative revenue estimation methods.
- The Authority's General Fund operating budget will increase from $2,319,484 in fiscal year 2018 to $2,597,329 in fiscal year 2019. This increase is reflective of the addition of a Project Monitoring and Management System including an online project application system which is scheduled to be completed before the Authority's next call for projects.

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, 3040 Williams Drive, Suite 200, Fairfax, Virginia 22031, or by email to michael.longhi@thenovaauthority.org.

Basic Financial Statements

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 602,515
Other receivables	3,486,415
Due from other governments	61,169,595
Deposits and prepaid items	28,903
Restricted:	
Cash and cash equivalents	216,539,896
Investments	668,162,326
Capital assets (net):	
Office furniture, computer equipment and licenses	31,282
Total assets	950,020,932
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	238,562
OPEB-GLI	22,469
Total deferred outflows of resources	261,031
LIABILITIES	
Accounts payable	8,975,737
Accrued liabilities	387,350
Due to other governments	18,353,931
Bond reserves	653,513
Current portion of bonds payable	2,600,000
Noncurrent liabilities:	
Net pension liability	38,389
Net GLI OPEB liability	75,000
Bonds payable, net	67,586,254
Total liabilities	98,670,174
DEFERRED INFLOWS OF RESOURCES	
Pension plan	20,143
OPEB-GLI	8,000
Total deferred inflows of resources	28,143
NET POSITION	
Net investment in capital assets	31,282
Restricted	850,959,635
Unrestricted	595,729
Total net position	$ 851,586,646

See Notes to Financial Statements.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position Governmental Activities
Functions/Programs			
Governmental activities:			
General and administration	$ 1,972,075	$ 1,922,196	$ (49,879)
Jurisdictional distributions (30%)	102,390,189	-	(102,390,189)
Project cost distributions	86,833,587	-	(86,833,587)
Transaction update and technical services	50,711	-	(50,711)
Interest	2,445,176	-	(2,445,176)
Total governmental activities	$ 193,691,738	$ 1,922,196	(191,769,542)
General revenues:			
Intergovernmental revenue:			
Grantors tax			54,040,000
Sales tax			255,571,903
Transient occupancy tax			31,243,084
Commonwealth fund interest income			323,449
Investment income			9,473,130
Total general revenues			350,651,566
Change in net position			158,882,024
Net Position, beginning of year			692,704,622
Net Position, end of year			$ 851,586,646

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

		Special Revenue Funds		Non-Major	
	General Fund	Local Distribution Fund	Regional Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 602,515	$ -	$ -	$ -	$ 602,515
Other receivables	-	-	3,486,415	-	3,486,415
Due from other governments	-	18,350,878	42,818,717	-	61,169,595
Deposits and prepaid items	28,903	-	-	-	28,903
Restricted cash, cash equivalents and investments	-	3,053	884,220,916	478,253	884,702,222
Total assets	$ 631,418	$ 18,353,931	$ 930,526,048	$ 478,253	$ 949,989,650
LIABILITIES					
Accounts payable	$ 16,667	$ -	$ 8,959,070	$ -	$ 8,975,737
Accrued liabilities	54,443	-	-	-	54,443
Bond reserves	-	-	653,513	-	653,513
Due to other governments	-	18,353,931	-	-	18,353,931
Total liabilities	71,110	18,353,931	9,612,583	-	28,037,624
FUND BALANCES					
Nonspendable	28,903	-	-	-	28,903
Restricted	-	-	371,570,916	478,253	372,049,169
Restricted - working capital reserve	-	-	120,000,000	-	120,000,000
Restricted - for appropriated project funding	-	-	429,342,549	-	429,342,549
Committed	385,081	-	-	-	385,081
Assigned	9,286	-	-	-	9,286
Unassigned	137,038	-	-	-	137,038
Total fund balances	560,308	-	920,913,465	478,253	921,952,026
Total liabilities and fund balances	$ 631,418	$ 18,353,931	$ 930,526,048	$ 478,253	$ 949,989,650

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2018

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		$ 921,952,026
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds:		
Capital assets	$ 58,589	
Less: accumulated depreciation	(27,307)	
		31,282
Financial statement elements related to pensions are applicable to future periods and, therefore, not reported in the governmental funds:		
Net pension liability	(38,389)	
Deferred outflows of resources	238,562	
Deferred inflows of resources	(20,143)	
		180,030
Financial statement elements related to Group Life Insurance Program OPEB expenditures are applicable to future periods and, therefore, not reported in the governmental funds:		
Net GLI OPEB liability	(75,000)	
Deferred outflows of resources	22,469	
Deferred inflows of resources	(8,000)	
		(60,531)
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		(245,829)
Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds.		(84,078)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Revenue bonds	(60,345,000)	
Premiums on bonds	(9,841,254)	
		(70,186,254)
Net position - governmental activities		$ 851,586,646

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2018

		Special Revenue Funds		Non-Major	
	General Fund	Local Distribution Fund	Regional Revenue Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Intergovernmental:					
Grantors tax	$ -	$ 16,212,000	$ 37,828,000	$ -	$ 54,040,000
Sales tax	-	76,671,571	178,900,332	-	255,571,903
Transient occupancy tax	-	9,372,925	21,870,159	-	31,243,084
Commonwealth fund interest income	-	97,035	226,414	-	323,449
Investment income	-	36,658	9,413,054	23,418	9,473,130
Contribution member jurisdictions	1,922,196	-	-	-	1,922,196
Total revenues	1,922,196	102,390,189	248,237,959	23,418	352,573,762
Expenditures					
Current:					
General and administration	1,903,040	-	-	-	1,903,040
Jurisdictional distributions (30%)	-	102,390,189	-	-	102,390,189
Project cost distributions	-	-	86,833,587	-	86,833,587
Transaction update & technical services	-	-	50,711	-	50,711
Debt service:					
Principal	-	-	-	2,500,000	2,500,000
Interest	-	-	-	3,049,950	3,049,950
Total expenditures	1,903,040	102,390,189	86,884,298	5,549,950	196,727,477
Excess (deficiency) of revenues over (under) expenditures	19,156	-	161,353,661	(5,526,532)	155,846,285
Other Financing Sources (Uses)					
Transfers	-	-	(5,536,899)	5,536,899	-
Total other financing sources (uses)	-	-	(5,536,899)	5,536,899	-
Net change in fund balances	19,156	-	155,816,762	10,367	155,846,285
Fund Balances, beginning of year	541,152	-	765,096,703	467,886	766,105,741
Fund Balances, end of year	$ 560,308	$ -	$ 920,913,465	$ 478,253	$ 921,952,026

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds		$ 155,846,285
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. This is the amount by which capital outlays exceeded depreciation in the current period.		
Deduct - depreciation expense		(9,237)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Pension expense		27,498
Governmental funds report Group Term Life Insurance (GLI) contributions as expenditures. However, in the Statement of Activities, the cost of GLI benefits earned net of employee contributions is reported as GLI OPEB expense.		
GLI OPEB expense		(60,531)
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. Also, governmental funds report the effect of premiums, discounts and similar items. A summary of the item supporting this adjustment is as follows:		
Principal payment on revenue bonds		2,500,000
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. The following is a summary of items supporting this adjustment:		
Compensated absences	$ (26,765)	
Change in accrued interest payable	8,335	
Amortization of premiums on bonds payable	596,439	
		578,009
Change in net position of governmental activities		$ 158,882,024

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues				
Contribution member jurisdictions	$ 1,922,196	$ 1,922,196	$ 1,922,196	$ -
Total revenues	1,922,196	1,922,196	1,922,196	-
Expenditures				
Current:				
General and administration	2,319,484	2,306,170	1,903,040	(403,130)
Total expenditures	2,319,484	2,306,170	1,903,040	(403,130)
Excess (deficiency) of revenues over (under) expenditures	(397,288)	(383,974)	19,156	403,130
Net change in fund balance	(397,288)	(383,974)	19,156	403,130
Fund Balance, beginning of year	422,518	409,204	541,152	131,948
Fund Balance, end of year	$ 25,230	$ 25,230	$ 560,308	$ 535,078

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - LOCAL DISTRIBUTION FUND

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues				
Intergovernmental:				
Grantors tax	$ 13,384,987	$ 13,384,987	$ 16,212,000	$ 2,827,013
Sales tax	76,026,449	76,026,449	76,671,571	645,122
Transient occupancy tax	9,065,693	9,065,693	9,372,925	307,232
Commonwealth fund interest income	30,000	30,000	97,035	67,035
Interest income	-	-	36,658	36,658
Total revenues	98,507,129	98,507,129	102,390,189	3,883,060
Expenditures				
Current:				
Jurisdictional distributions (30%)	98,507,129	98,507,129	102,390,189	(3,883,060)
Total expenditures	98,507,129	98,507,129	102,390,189	(3,883,060)
Excess of revenues over expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund Balance, beginning of year	-	-	-	-
Fund Balance, end of year	$ -	$ -	$ -	$ -

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - REGIONAL REVENUE FUND

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues				
Intergovernmental:				
Grantors tax	$ 31,231,637	$ 31,231,637	$ 37,828,000	$ 6,596,363
Sales tax	177,395,044	177,395,044	178,900,332	1,505,288
Transient occupancy tax	21,153,287	21,153,287	21,870,159	716,872
Commonwealth fund interest income	70,000	70,000	226,414	156,414
Investment income	5,530,000	5,530,000	9,413,054	3,883,054
Total revenues	235,379,968	235,379,968	248,237,959	12,857,991
Expenditures				
Current:				
Transaction update & technical services	524,175	524,175	50,711	473,464
Project cost distributions	516,197,450	516,197,450	86,833,587	429,363,863
Total expenditures	516,721,625	516,721,625	86,884,298	429,837,327
Excess (deficiency) of revenues over (under) expenditures	(281,341,657)	(281,341,657)	161,353,661	442,695,318
Other Financing Uses				
Transfers for debt service	(5,549,950)	(5,549,950)	(5,536,899)	13,051
Total other financing uses	(5,549,950)	(5,549,950)	(5,536,899)	13,051
Net change in fund balance	(286,891,607)	(286,891,607)	155,816,762	442,708,369
Fund Balance, beginning of year	237,118,588	237,225,355	765,096,703	527,871,348
Fund Balance, end of year	$ (49,773,019)	$ (49,666,252)	$ 920,913,465	$ 970,579,717

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 33.2, of the *Code of Virginia*. The Authority is responsible for long-range transportation project planning, prioritization and funding for regional transportation projects in Northern Virginia. The Authority's policies and priorities are guided by two overarching goals: reduce congestion and move the greatest number of people in the most cost-effective manner. These two goals are combined with performance-based criteria such as the ability to improve travel times, reduce delays, connect regional activity centers, and improve safety and air quality. The Authority works toward regional consensus when setting regional transportation policies and priorities for transportation projects. The Authority is also charged with developing and updating the long range regional transportation plan for Northern Virginia.

In November 2012, the Authority developed its long-range plan, Transaction 2040. On April 3, 2013, the Governor's substitute for House Bill 2313 (2013) (the "HB2313") was adopted by the Virginia General Assembly. HB2313 provided a dedicated funding stream for transportation projects in Northern Virginia. HB2313 provided an annual source of revenue for the Authority to implement its legislative mandates. The new revenue stream commenced on July 1, 2013.

The HB2313 revenue stream consisted of (i) additional retail sales and use taxes, (ii) a regional congestion relief fee and (iii) a transient occupancy tax levied by the General Assembly of Virginia in the Member Localities (planning district 8), credited and appropriated to the Northern Virginia Transportation Authority.

In October 2017, the Authority adopted the TransAction Plan Update. TransAction is Northern Virginia's long-range, multimodal transportation plan, addressing regional transportation needs through 2040. The Authority is responsible for developing and updating TransAction for use to evaluate and prioritize regional transportation projects in Northern Virginia.

Pursuant to Virginia General Assembly House Bill 1539 (2018) ("HB1539"), effective on July 1, 2018, the General Assembly repealed two of the Authority's revenue sources, the regional congestion relief fee and the transient occupancy tax. Thus, the Chapter 766 (HB2313) Transportation Revenues derived from the congestion relief fees and grantor's taxes are no longer available for appropriation to the Authority or for the payment of debt service on the Authority's 2014 Series Bonds. HB1539 re-imposed such fees and taxes within the Member Localities, but directed the majority of the receipts therefrom to fund the capital needs of the Washington Metropolitan Area Transit Authority ("WMATA"). WMATA operates the Washington-area Metro transit service. HB1539 left sales tax as the only remaining HB2313 Revenue.

The member jurisdictions of the Authority (planning district 8) are the counties of Arlington, Fairfax, Loudoun and Prince William, and the cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park.

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

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 appointed by the Speaker of the Virginia House of Delegates; 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 designee; the Commonwealth Transportation Commissioner, or designee; and the chief elected officer of one town in a county, which the Authority embraces, 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 based on revenues generated in the jurisdiction, for transportation projects and purposes authorized under Section 33.2-2510 and selected by the member jurisdiction. The remaining 70% of the HB2313 revenues are first pledged to the payment of bonds and other debt instruments with the remaining revenues available to fund technical and analytical costs in support of Transaction the required regional transportation plan; and regional multimodal transportation projects including 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.

Program revenues include grants and contributions that are restricted to meeting the operational requirements of a particular function. Direct expenses are those that are clearly identifiable with a specific function. 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 except as below.

The Authority strives to match direct expenses to the offsetting program revenue except for the investment costs related to the Regional Revenue Fund. Interest earned on the amounts held in the Regional Revenue Fund for approved & appropriated projects is retained by the fund and allocated to future projects. Investment costs are charged to the operating expenses of the General Fund and offset by member jurisdiction budget contributions.

Separate fund financial statements are provided for each of the governmental funds. In the fund financial statements, financial transactions and accounts of the Authority are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Note 1. Summary of Significant Accounting Policies (Continued)

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

The governmental funds are reported on a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances (fund equity). Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the government-wide financial statements.

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 taxes and fees from the 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. For this purpose, the Authority considers revenues to be available if they are collected within 90 days after year end. 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:

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.

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 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 major funds for financial reporting purposes.

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 obligations.

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 collected by the Commonwealth.

To fund the various transportation projects approved by the Authority, the Regional Revenue Fund (70%) budget includes all debt service obligations costs of issuance, expenses in support of Transaction, the regional transportation plan, and funding of the Working Capital Reserve as well as PayGo projects.

E. Other Significant Accounting Policies

1. Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be demand deposits, and short-term, investments with maturities of three months or less from the date of acquisition. The investment in the Commonwealth of Virginia Local Government Investment Pool (LGIP), Virginia Investment Pool Stable NAV and the Virginia State Non-Arbitrage Program (SNAP), are external investment pools and are reported as cash and cash equivalents.

2. Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 and Note 3 for discussion of investment risk and fair value measurements. Net investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments, and interest income earned. Realized gains and losses on the sale of investments are recognized on the specific identification basis to determine the cost basis of the investments sold.

3. Restricted Cash, Cash Equivalents and Investments

Restricted cash, cash equivalents and investments as reported in the Statement of Net Position are comprised of funds that shall be used solely for regional transportation purposes benefiting the member jurisdictions and funds related to bond compliance requirements. Bond proceeds are maintained in compliance with the provisions of the Tax Reform Act of 1986 and as required by the Authority's Master Indenture of Trust. Investments are stated at fair value based on quoted market prices.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

4. Fair Value Measurements

Fair value was estimated for each class of financial instrument for which it was practical to estimate fair value. Fair value is defined as the price in the principal market that would be received for an asset to facilitate an orderly transaction between market participants on the measurement date. Market participants are assumed to be independent, knowledgeable, able, and willing to transact an exchange and not acting under duress. Fair value hierarchy disclosures are based on the quality of inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value.

5. 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.

6. 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. Repairs and maintenance are charged to operations as they are incurred. Additions and betterments are capitalized. The costs of assets retired and accumulated depreciation are removed from the accounts.

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:

Asset Category	Useful Life (years)
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, 2018.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

7. Pensions

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

8. Group Life Insurance Program

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

9. 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, therefore, upon separation from service, no monetary obligation exists.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

10. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. The Authority does recognize bond issuance costs in the governmental funds as a current period expense in accordance with GASB Statement No. 65.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has two items that qualify for reporting in this category related to the pension plan. The first consists of pension contributions subsequent to the measurement date. These will be applied to the net pension liability in the next fiscal year. The remaining item, net difference between expected and actual experience, is reported in the government-wide Statement of Net Position. The Authority has two additional items that qualify for reporting in this category related to the GLI OPEB plan. The first consists of pension contributions subsequent to the measurement date. These will be applied to the net pension liability in the next fiscal year. The remaining item, changes in proportion, is reported in the government-wide Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category related to the pension plan. The first item is due to a change in assumptions related to the VRS plan. The second is the net difference between projected and actual earnings on pension plan investments related to the VRS plan. The Authority has three items that qualify for reporting in this category related to the GLI OPEB plan. The first item is due to a change in assumptions related to the VRS plan. The second is the net difference between projected and actual earnings on pension plan investments related to the VRS plan. The third is the net differences between expected and actual experience.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

12. 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. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the 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. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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 $385,081 categorized as committed fund balance as of June 30, 2018. The debt policy adopted by the Authority on December 12, 2013 and revised June 19, 2015, requires the Authority to maintain an operating reserve sufficient to fund at least 20% of the General Fund operating expenses. The 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 Regional Revenue Fund balance includes $371,570,916 categorized as restricted fund balance as of June 30, 2018. This balance is predominately comprised of $100 million carried forward from a project funding withdrawal approved by the Authority on October 12, 2017 (I-66/Route 28 Intersection Improvements) and $271,570,916 of fiscal year 2018 Regional Revenue Fund carryforward, revenue and interest earnings. These funds were appropriated in October of 2018 (fiscal year 2019) as part of the Authority's implementation of its inaugural Six Year Program, valued at $1.285 billion and covering fiscal years 2018 through 2023.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

12. 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.

13. Net Position

Net position represents the difference between assets, deferred outflows and liabilities. The net position caption "net investment in capital assets" consists of capital assets, net of accumulated depreciation and amortization. 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.

14. 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.

15. Interfund Transfers

Transactions among the Authority's funds would be treated as revenues and expenditures or expenses if they involved organizations external to the Authority government are accounted for as revenues and expenditures or expenses in funds involved.

Transactions, which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

16. Subsequent Events

The Authority has evaluated subsequent events through October 18, 2018, which was the date the financial statements were available to be issued. The following occurred effective July 1, 2018:

Pursuant to Virginia General Assembly House Bill 1539 (2018) ("HB1539"), effective on July 1, 2018, the General Assembly repealed two of the Authority's three revenue sources, the regional congestion relief fee and the transient occupancy tax. Thus, the Chapter 766 (HB2313) Transportation Revenues derived from the congestion relief fees and grantor's taxes are no longer available for appropriation to the Authority or for the payment of debt service on the Authority's 2014 Series Bonds. HB1539 re-imposed such fees and taxes within the Member Localities, but directed the majority of the receipts therefrom to fund the capital needs of the Washington Metropolitan Area Transit Authority ("WMATA"). WMATA operates the Washington-area Metro transit service.

Note 2. Deposits and Investments

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.

At June 30, 2018, cash and cash equivalents consisted of the following, at cost, which approximates fair value:

Governmental Activities

Cash and cash equivalents:	
Unrestricted:	
Cash	$ 602,515
Restricted:	
Demand deposits	52,112,547
Commonwealth of Virginia LGIP	2,739,315
Regions Bank	3,975,873
Virginia Investment Pool	122,162,980
John Marshall Bank Insured Cash Sweep	18,049,181
John Marshall Bank – 4 week CDARS	17,500,000
Total restricted	216,539,896
Total	$ 217,142,411

Note 2. Deposits and Investments (Continued)

Investments

The *Code of Virginia* Sec. 2.2-4501 et seq. authorizes the Authority to invest in obligations of the United States or its agencies thereof; obligations of the Commonwealth of Virginia or political subdivisions thereof; obligations of other states and their political subdivisions; obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper, negotiable certificates of deposits, bank notes, and corporate bonds rated AA or better by Standard & Poor's Rating Services (S&P), and Aa or better by Moody's Investors Services, Inc. (Moody's), and a maturity of no more than five years; bankers' acceptances, overnight term and open repurchase agreements; money market mutual funds; and the State Treasurer's Local Government Investment Pool (LGIP). Negative rating qualifiers (such as AA- or A-) will not exclude an investment.

Investment Policy

The Authority adopted a formal investment policy in December 2014. The goal of the policy is to minimize risk and to ensure the availability of cash to meet Authority expenditures, while generating revenue from the use of funds, which might otherwise remain idle. The primary objectives of the Authority'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. The full investment policy can be found on the Authority website at http://thenovaauthority.org/; Policy-13-Investment-Policy.

Credit Risk

The investment policy specifies credit quality for certain types of investments, as described below, in accordance with the *Code of Virginia*, and the policy specifies the qualifications for institutions providing depository and investment services. In addition, the Chief Financial Officer must conduct a quarterly review of the condition of each authorized financial institution and broker/dealer.

Investment	Credit Quality
Savings account or CD's of any bank or savings and loan association within the Commonwealth of Virginia	Bank or savings and loan association must be a "qualified public depository"
Bankers' acceptances	Institution must be "prime quality" as determined by one or more recognized rating services
Commercial paper	Must be "prime quality" as rated by two of the following: Moody's (prime 1): S&P (A-1); Fitch (F-1); Duff and Phelps (D-1)
Corporate notes	Must be "high quality" as defined by ratings of at least AA by S&P and Aa by Moody's
Negotiable certificates of deposit and negotiable bank deposit notes	Must have ratings of at least A-1 by S&P and P-1 by Moody's for short-term instruments and AA by S&P and Aa by Moody's for long-term instruments

Note 2. Deposits and Investments (Continued)

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 (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.

For investments, custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. However, the Authority's investment policy requires that all securities purchased by the Authority be properly and clearly labeled as an asset of the Northern Virginia Transportation Authority, and held in safekeeping by a third party custodial bank or institution in compliance with Section 2.2-4515 of the *Code of Virginia*. Therefore, the Authority has no custodial risk.

Interest Rate Risk

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

At June 30, 2018, the Authority had the following investments and maturities:

		Investment Maturity (in years)		
	Fair Value	Less than a year	1-2 years	2-3 years
United States Treasuries	$ 24,062,465	$ 21,940,968	$ 1,095,040	$ 1,026,457
United States Agencies	63,314,290	29,839,850	33,474,440	-
Negotiable Certificates of Deposit	139,897,118	139,897,118	-	-
Commercial Paper	93,800,846	93,800,846	-	-
Corporate Notes	278,701,470	162,053,660	116,647,810	-
Virginia Investment Pool 1-3 YR Bond Fund	45,886,137	-	45,886,137	-
CDARS	22,500,000	22,500,000	-	-
Total	$ 668,162,326	$ 470,032,442	$ 197,103,427	$ 1,026,457

Note 2. Deposits and Investments (Continued)

Concentration of Credit Risk

The Authority'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 portfolio is in compliance with each of the stated limits as of June 30, 2018.

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

Class	Length	Percent of Total Portfolio and Cash
Stocks, bonds, notes and other evidences of indebtedness of the Commonwealth of Virginia	60 months of less	75%
Stocks, bonds, notes and other evidences of indebtedness of the United States	60 months or less	100%
Stocks, bonds, notes and other evidences of indebtedness of any county, city, town, district, authority or other public body of the Commonwealth of Virginia	36 months or less	75%
Legally authorized stocks, bonds, notes and other evidences of indebtedness of any city, county, town or district situated in any one of the states of the United States	36 months or less	75%
Savings accounts or time deposits (CDs) in any bank or savings and loan association within the Commonwealth of Virginia	24 months or less	60%
Repurchase Agreements	12 months or less	20%
Bankers' Acceptances	12 months or less	10%
Prime Quality Commercial Paper	270 days or less	35% with a 5% per issuer limit
High Quality Corporate Notes	36 months or less	50%
Certificates representing ownership in either treasury bond principal at maturity or its coupons for accrual periods	36 months or less	25%
The Local Government Investment Pool (LGIP)	N/A	100%

Note 2. Deposits and Investments (Continued)

Concentration of Credit Risk (Continued)

Class	Length	Percent of Total Portfolio and Cash
Open End Mutual Funds	N/A	Maximum 20% in any one fund. Prior three year history must exceed internal performance by 25bps, net of management fee
The State Non-Arbitrage Pool (SNAP)	N/A	100% of bond proceeds or debt related reserve account
Negotiable certificates of deposit and negotiable bank deposit notes	24 months or less	25%
External Management Contract	3 years or less	25% of net balance of pooled investments, using lowest portfolio amount as target point. Prior three year history must exceed internal performance by 25bps, net of management fee

External Investment Pools

As of June 30, 2018, the Authority had investments of $2,739,315 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. LGIP is managed in accordance with GASB Statement No. 79. The portfolio securities are valued by the amortized cost method, and on a weekly basis this valuation is compared to current market to monitor any variance. Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

As of June 30, 2018, the Authority had investments of $3,975,873 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. 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 S&P. SNAP is managed in accordance with GASB Statement No. 79. The portfolio securities are valued by the amortized cost method, and on a daily basis this valuation is compared to current market to monitor any variance. Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

Note 2. Deposits and Investments (Continued)

External Investment Pools (Continued)

As of June 30, 2018, the Authority had investments of $45,886,137, stated at fair market value on a quoted price basis, in the Virginia Municipal League/Virginia Association of Counties (VML/VACo) – Investment Pool (VIP) 1-3 Year High Quality Bond Fund. VIP's pooled investment program is used by local governments to invest assets they expect to hold longer than one year. Participants are invested in high quality corporate and government securities with an average duration between one to three years. VML/VACo is rated AA+f/S1 by S&P. "S1" indicates the lowest level of volatility. The weighted effective duration at June 30, 2018 is 1.67 years.

The Authority had investments of $122,162,980 in the VIP Stable NAV Liquidity Pool at June 30, 2018. This pooled investment was created during fiscal year 2017 specifically to offer local governments an investment option with a stable net asset value, while providing daily liquidity and a competitive yield. The VIP seeks to maintain a constant net asset value per share of $1. The Stable NAV pool is rated AAAm by S&P. VIP Stable NAV is managed in accordance with GASB Statement No. 79. The portfolio securities are valued by the amortized cost method, and on a daily basis this valuation is compared to current market to monitor any variance. Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

Bond Proceeds

Bond proceeds shall be invested in accordance with the requirements and restrictions outlined in the Master Indenture of Trust and the First Supplemental Indenture of Trust both dated December 1, 2014.

Bond proceeds shall be invested in SNAP and alternate investment pools that provide assistance to local governments in the investment of bond proceeds and the preparation of rebate calculations in compliance with treasury arbitrage regulations in accordance with the *Code of Virginia* requirements or the Authority's own investment policy. As of June 30, 2018, the Authority had $8,378,869 held by the bond trustees, Regions Bank. Of this amount, $2,200,447 was in the 2014 Project Fund account, $5,700,169 was in the Debt Service Reserve account, and $478,253 is in the debt service account for payment of principal and interest.

Note 3. Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described below.

Level 1 Valuation based on quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.

Level 3 Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

Note 3. Fair Value Measurement (Continued)

The inputs or methodology used for valuing securities is not necessarily an indication of the risk associated with investing in those securities. The following table shows the Authority's investments by fair value level as of June 30, 2018:

Investments by Fair Value Level	June 30, 2018	Level 1	Level 2	Level 3
United States Treasuries	$ 24,062,465	$ 24,062,465	$ -	$ -
United States Agencies	63,314,290	63,314,290	-	-
Negotiable Certificates of Deposit	139,897,118	139,897,118	-	-
Commercial Paper	93,800,846	83,800,846	-	-
Corporate Notes	278,701,470	278,701,470	-	-
Virginia Investment Pool 1-3YR Bond Fund	45,886,137	45,886,137	-	-
CDARS	40,000,000	40,000,000	-	-
Money Market Funds	70,161,728	70,161,728	-	-

The remaining investments maintained by the Authority are held in external investment pools, which are exempt from the fair value disclosure.

Note 4. Due To/From Other Governments

At June 30, 2018, due from other governments consisted of the following:

Due from Commonwealth of Virginia:	Local Distribution Fund	Regional Revenue Fund	Total
Grantors Tax	$ 2,006,704	$ 4,682,308	$ 6,689,012
Sales Tax	13,732,770	32,043,129	45,775,899
Transient Occupancy Tax	2,582,364	6,025,521	8,607,885
NVTA Fund Interest	29,040	67,759	96,799
Total	$ 18,350,878	$ 42,818,717	$ 61,169,595

Amounts due to other governments as of June 30, 2018 consisted of the following:

	Amount
City of Alexandria	$ 1,250,492
Arlington County	2,242,655
City of Fairfax	378,170
Fairfax County	8,104,082
City of Falls Church	165,418
Loudoun County	3,376,600
City of Manassas	295,332
City of Manassas Park	107,249
Prince William County	2,433,933
Total	$ 18,353,931

Note 5. 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 0.7% is added to the standard rate of retail sales tax imposed by the *Code of Virginia*. 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) is added at a rate of 2% of the amount of the charge for the occupancy of any room or space.

Effective July 1, 2018, pursuant to Virginia General Assembly HB1539, the General Assembly repealed two of the Authority's three revenue sources listed above, the regional congestion relief fee (Grantors Tax) and the additional Regional Transient Occupancy Tax (Hotel).

Note 6. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated and amortized:				
Office furniture and equipment	$ 58,589	$ -	$ -	$ 58,589
Less accumulated depreciation and amortization	18,070	9,237	-	27,307
Total capital assets being depreciated and amortized, net	$ 40,519	$ 9,237	$ -	$ 31,282

Note 7. Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

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

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

Plan 1	Plan 2	Hybrid Retirement Plan
About Plan 1 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.	**About Plan 2** Plan 2 is a defined plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

Plan 2

Eligible Members

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

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

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

Hybrid Retirement Plan

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

Political subdivision employees.*

- Members in Plan 1 or Plan 2 who elect to opt into the plan during the election window held January 1 – April 30, 2014; in the plan's effective date for opt-in members was July 1, 2014.

*** Non-Eligible Members**

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Retirement Contributions	**Retirement Contributions**	**Retirement Contributions**
Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service	**Creditable Service**	**Creditable Service**
Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Same as Plan 1.	**<u>Defined Benefit Component</u>** 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. **<u>Defined Contribution Component</u>** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Vesting	**Vesting**	**Vesting**
Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions they make.	Same as Plan 1.	**Defined Benefit Component** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contribution Component** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
		Vesting (Continued) **Defined Contribution Component (Continued)** • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component** See definition under Plan 1. **Defined Contribution Component** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Service Retirement Multiplier	**Service Retirement Multiplier**	**Service Retirement Multiplier**
The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.	Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	The retirement multiplier for the defined benefit component is 1.0%. For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Normal Retirement Age	**Normal Retirement Age**	**Normal Retirement Age**
Age 65.	Normal Social Security retirement age.	**Defined Benefit Component** Same as Plan 2. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility	**Earliest Unreduced Retirement Eligibility**	**Earliest Unreduced Retirement Eligibility**
Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	Normal Social Security retirement age with at least 5 years (60 months) of creditable service or when their age and service equal 90.	**Defined Benefit Component** Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Earliest Reduced Retirement Eligibility	**Earliest Reduced Retirement Eligibility**	**Earliest Reduced Retirement Eligibility**
Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Age 60 with at least five years (60 months) of creditable service.	**Defined Benefit Component** Age 60 with at least five years (60 months) of creditable service. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement	**Cost-of-Living Adjustment (COLA) in Retirement**	**Cost-of-Living Adjustment (COLA) in Retirement**
The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	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%.	**Defined Benefit Component** Same as Plan 2. **Defined Contribution Component** Not applicable.
Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Eligibility:** Same as Plan 1.	**Eligibility:** Same as Plan 1 and Plan 2.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Cost-of-Living Adjustment (COLA) in Retirement (Continued)	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)**	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Exceptions to COLA Effective Dates:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Disability Coverage	**Disability Coverage**	**Disability Coverage**
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service regardless of when it was earned, purchased or granted.	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.	Eligible political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service	**Purchase of Prior Service**	**Purchase of Prior Service**
Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Same as Plan 1.	**Defined Benefit Component** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported services. **Defined Contribution Component** Not applicable.

Note 7. Pension Plan (Continued)

B. Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members active elsewhere in VRS	1
Active members	6
Total covered employees	7

C. Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. From the commencement of the Authority's plan in October 2014, employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Authority's contractually required contribution rate for the year ended June 30, 2018 was 9.48% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $86,997 and $78,378 for the years ended June 30, 2018 and 2017, respectively.

D. Net Pension Liability (Asset)

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

Note 7. Pension Plan (Continued)

E. Actuarial Assumptions

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

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

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

Mortality Rates

Non-10 Largest – Non-Hazardous Duty: 15% of deaths are assumed to be service related.

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

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

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

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

Non-10 Largest – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020.
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

Note 7. Pension Plan (Continued)

F. Long-Term Expected Rate of Return

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

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

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

G. Discount Rate

The discount rate used to measure the total pension asset was 7.0%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Authority retirement plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Note 7. Pension Plan (Continued)

H. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	$ 208,007	$ 159,022	$ 48,985
Changes for the year:			
Service cost	78,247	-	78,247
Interest	14,560	-	14,560
Changes in assumptions	(15,903)	-	(15,903)
Difference between expected and actual experience	60,765	-	60,765
Contributions – employer	-	78,378	(78,378)
Contributions – employee	-	42,081	(42,081)
Net investment income	-	27,878	(27,878)
Administrative expense	-	(42)	42
Other changes	-	(30)	30
Net changes	137,669	148,265	(10,596)
Balances at June 30, 2017	$ 345,676	$ 307,287	$ 38,389

I. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
The Authority's Net Pension Liability (Asset)	$ 93,477	$ 38,389	$ (7,177)

Note 7. Pension Plan (Continued)

J. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Authority recognized pension expense of $59,498. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ 151,565	$ -
Changes of assumption	-	13,575
Net difference between projected and actual earnings on pension plan investments	-	6,568
Employer contributions subsequent to measurement date	86,997	-
Total	$ 238,562	$ 20,143

The $86,997 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019.

Other amounts reported as deferred outflows (inflow) of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30,	Amount
2019	$ 24,046
2020	24,046
2021	23,670
2022	22,766
2023	25,274
Thereafter	11,620
	$ 131,422

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf or by writing to the System's Chief Financial Officer at, P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 8. Group Life Insurance Program

A. Plan Description

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

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

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.
Benefit Amounts The benefits payable under the GLI have several components. • **<u>Natural Death Benefit</u>** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • **<u>Accidental Death Benefit</u>** - The accidental death benefit is double the natural death benefit. • **<u>Other Benefit Provisions</u>** - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the YRS Plan 2 COLA and is currently $8,111.

Note 8. Group Life Insurance Program (Continued)

B. Contributions

The contribution requirements for the GLI are governed by section 51.1-506 and section 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the Authority were $5,469 and $4,772 for the years ended June 30, 2018 and June 30, 2017, respectively.

C. GLI OPEB Liabilities, GLI OPEB Expenses and Deferred Outflows/Inflows of Resources Related to the GLI OPEB

At June 30, 2018, the Authority reported a liability of $75,000 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net GLI OPEB liability was based on the Authority's actuarially determined employer contributions to the GLI for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was $4,772 or .00497% as compared to $3,281 or .00380% at June 30, 2016.

For the year ended June 30, 2018, the Authority recognized GLI OPEB expense of $4,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ -	$ 1,000
Changes of assumptions	-	4,000
Net difference between projected and actual earning on GLI OPEB program investments	-	3,000
Changes in proportion	17,000	-
Employer contributions subsequent to measurement date	5,469	-
	$ 22,469	$ 8,000

Note 8. Group Life Insurance Program (Continued)

C. GLI OPEB Liabilities, GLI OPEB Expenses and Deferred Outflows/Inflows of Resources Related to the GLI OPEB (Continued)

The $5,469 reported as deferred outflows of resources related to the GLI OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,		Amount
2019	$	1,000
2020		1,000
2021		1,000
2022		1,000
2023		2,000
Thereafter		3,000
	$	9,000

D. Actuarial Assumptions

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

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

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

Mortality rates:

Non-10 Largest - Non-Hazardous Duty: 15% of deaths are assumed to be service related.

Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
Post-disablement:	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 8. Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

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

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

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI represents the program's net OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the GLI is as follows (amounts expressed in thousands):

	GLI OPEB Program
Total GLI OPEB liability	$ 2,942,426
Plan fiduciary net position	1,437,586
Employers' net GLI OPEB liability	$ 1,504,840
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The total GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Note 8. Group Life Insurance Program (Continued)

F. Long-Term Expected Rate of Return

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

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

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

G. Discount Rate

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

Note 8. Group Life Insurance Program (Continued)

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
The Authority's proportionate share of the GLI net OPEB liability	$ 97,000	$ 75,000	$ 57,000

I. GLI Fiduciary Net Position

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

Note 9. Operating Leases and Agreements

Governmental Activities

The Authority leases office space under a 60-month agreement, which commenced on October 6, 2014 and expires October 31, 2019. The lease was amended effective June 1, 2017 in consideration for additional office space. The lease provides for 2.5% annual increases in base rent over the term of the lease, and the pass through of a proportionate share of the building core factor and common areas. Rent expense for Governmental Activities as reported in the government-wide financial statements totaled $134,052. The Authority is in negotiations to renew this lease for the current office space for fiscal year 2020 through 2025.

As of June 30, 2018, the minimum long-term lease commitments were as shown below:

Year Ending June 30,	Amount
2019	$ 138,206

Note 10. Long-Term Debt Obligations

In December 2014, the Authority issued $69,045,000 of Transportation Special Tax Revenue Bonds to pay (i) certain transportation projects in the Authority member localities or (ii) certain mass transit capital projects serving the Authority member localities, (iii) the issuance and financing costs of the bonds, and (iv) to a fund debt service reserve fund for the bonds. The bonds were issued at a premium of $11,928,792, which will be amortized over the life of the bonds.

Transportation Special Tax Revenue Bonds

The special tax revenue bonds are direct obligations of the Authority and secured by the Authority's Regional Revenue and a debt service reserve of $5,551,150 based on the maximum annual debt service calculation. These bonds were issued pursuant to the Master Indenture of Trust dated December 1, 2014 and the First Supplemental Indenture of Trust dated December 1, 2014. The bonds are issued as serial bonds and are the first series of transportation bonds to be issued under the Master Indenture.

$69,045,000 2014 Transportation Special Tax Revenue Bonds due in annual principal payments of $2,600,000 to $5,285,000 through June 2034, interest at 3.00% to 5.00%	$ 60,345,000

Changes in Long-Term Debt Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Compensated Absences	$ 57,313	$ 74,023	$ 47,258	$ 84,078	$ 84,078
Transportation Special Tax Revenue Bonds	62,845,000	-	2,500,000	60,345,000	2,600,000
Unamortized Premiums	10,437,693	-	596,439	9,841,254	-
Total governmental activities	$ 73,340,006	$ 74,023	$ 3,143,697	$ 70,270,332	$ 2,684,078

Federal arbitrage regulations apply to the Authority's special tax revenue bonds.

Funds are invested by the Trustee pursuant to the provisions of the Master Indenture and the First Supplemental Indenture of Trust. The Authority's Series 2014 Project Fund and Debt Service Reserve Fund are invested by the Trustee with SNAP, the Debt Service Fund is invested directly with Regions and is classified as restricted.

Note 10. Long-Term Obligations (Continued)

The debt service requirements for the Authority's bonds are as follows:

Year(s) Ending June 30,	Principal	Interest	Totals
2019	$ 2,600,000	$ 2,949,950	$ 5,549,950
2020	2,730,000	2,819,950	5,549,950
2021	2,865,000	2,683,450	5,548,450
2022	2,950,000	2,597,500	5,547,500
2023	3,100,000	2,450,000	5,550,000
2024-2028	17,935,000	9,808,000	27,743,000
2029-2033	22,880,000	4,865,250	27,745,250
2034	5,285,000	264,250	5,549,250
	$ 60,345,000	$ 28,438,350	$ 88,783,350

Note 11. 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 the 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.

Note 12. Pending GASB Statements

At June 30, 2018, 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. 86, *Certain Debt Extinguishment Issues*, will improve accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance. Statement No. 86 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 87, *Leases*, will increase the usefulness of the Authority's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt*, will improve the information that is disclosed in notes related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. Statement No. 88 will be effective for fiscal years beginning after June 15, 2018.

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

Required Supplementary Information

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF AUTHORITY CONTRIBUTIONS - VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,			
	2018	2017	2016	2015
Contractually required contribution (CRC)	$ 86,997	$ 78,378	$ 42,427	$ 33,173
Contributions in relation to the CRC	86,997	78,378	42,427	33,173
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Employer's covered-employee payroll	$ 917,690	$ 826,772	$ 624,845	$ 488,557
Contributions as a percentage of covered-employee payroll	9.48%	9.48%	6.79%	6.79%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF CHANGES IN THE AUTHORITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS - VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30, 2017	2016	2015
Total Pension Liability			
Service cost	$ 78,247	$ 70,900	$ -
Interest	14,560	-	-
Difference between expected and actual experience	60,765	137,107	-
Changes of assumptions	(15,903)	-	-
Net change in total pension liability	137,669	208,007	-
Total pension liability - beginning	208,007	-	-
Total pension liability - ending (a)	$ 345,676	$ 208,007	$ -
Plan Fiduciary Net Position			
Contributions - employer	$ 78,378	$ 42,427	$ 30,617
Contributions - employee	42,081	31,288	49,918
Net investment income	27,878	3,770	951
Administrative expense	(42)	(11)	65
Other	(30)	(1)	(2)
Net change in plan fiduciary net position	148,265	77,473	81,549
Plan fiduciary net position - beginning	159,022	81,549	-
Plan fiduciary net position - ending (b)	$ 307,287	$ 159,022	$ 81,549
The Authority's net pension liability (asset) - ending (a)-(b)	$ 38,389	$ 48,985	$ (81,549)
Plan fiduciary net position as a percentage of total pension liability	88.89%	76.45%	0.00%
Covered-employee payroll	$ 826,772	$ 624,845	$ 488,557
The Authority's net pension liability (asset) as a percentage of covered-employee payroll	4.64%	7.84%	(16.69%)

Note to Schedule:

(1) **Changes of benefit terms –** There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or afte January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020.
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

(3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF THE AUTHORITY'S SHARE OF NET OPEB LIABILITY - GROUP LIFE INSURANCE PROGRAM
For the Year Ended June 30, 2018*

		Fiscal Year June 30, 2017
Total Group Life Insurance OPEB Liability		
The Authority's Portion of the Net GLI OPEB Liability		0.00497%
The Authority's Proportionate Share of the Net GLI OPEB Liability	$	75,000
The Authority's Covered Payroll	$	917,692
The Authority's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll		8.17%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

* The amounts presented have a measurement date of June 30, 2017

Notes to Schedule:

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

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

Non-Largest Ten Locality Employers-General Employees

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

(3) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF AUTHORITY CONTRIBUTIONS - OPEB - GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30, 2018	Fiscal Year June 30, 2017
Contractually required contribution (CRC)	$ 5,469	$ 4,772
Contributions in relation to the CRC	5,469	4,772
Contribution deficiency (excess)	$ -	$ -
Employer's covered-employee payroll	$ 1,051,730	$ 917,692
Contributions as a percentage of covered-employee payroll	0.52%	0.52%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

Supplementary Information

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENDITURES
Year Ended June 30, 2018

General and Administrative Expenditures:		
Personnel expenses		$ 1,414,011
Salaries and wages	$ 1,071,115	
Benefits and retirement	342,896	
Professional services		247,588
Legislative services fees	58,854	
Financial advisory services fees	55,000	
Legal services/Bond counsel fees	53,166	
Auditing and accounting services fees	38,220	
Investment custody services fees	20,160	
Public outreach and regional event support costs	17,622	
Bond trustee services fees	2,688	
Payroll and bank services fees	1,878	
Office lease charges		134,052
Technical and technology hosting services		35,313
Network-IT-Hosting services	16,155	
Web development and hosting services	11,017	
Financial reporting and accounting systems	8,141	
Professional development, memberships, industry and training conferences		16,751
Computer hardware and software purchases		14,257
Copier printing and duplication charges		8,925
Phone services		7,558
Hosted meeting expenses		7,044
Office supplies, furniture and equipment expenses		6,884
Insurance and liability bonds cost		5,624
Mileage and transportation costs		4,365
Miscellaneous expenses		668
Total general and administrative expenditures		**$ 1,903,040**

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF CHANGES IN NET POSITION BY JURISDICTION
LOCAL DISTRIBUTION FUND (30%)
Year Ended June 30, 2018

	Arlington County	Fairfax County	Loudoun County	Prince William County	City of Alexandria	City of Fairfax	City of Falls Church	City of Manassas	City of Manassas Park	Totals
Revenues										
Intergovernmental:										
Commonwealth of Virginia										
Grantors tax	$ 1,602,092	$ 7,041,333	$ 3,278,282	$ 2,172,970	$ 1,677,231	$ 126,649	$ 94,920	$ 147,090	$ 71,433	$ 16,212,000
Sales tax	7,792,479	33,094,023	14,836,951	11,344,565	4,707,496	2,175,378	758,462	1,526,884	435,333	76,671,571
Transient occupancy tax	3,003,656	3,698,578	945,660	502,730	1,053,256	89,685	60,213	19,147	-	9,372,925
Commonwealth fund interest income	11,888	41,501	17,995	13,313	7,033	2,321	862	1,634	488	97,035
Interest Income	4,399	15,030	6,965	5,133	2,566	733	367	733	732	36,658
Total revenues	12,414,514	43,890,465	19,085,853	14,038,711	7,447,582	2,394,766	914,824	1,695,488	507,986	102,390,189
Expenditures										
Distribution of 30% local funds	12,414,514	43,890,465	19,085,853	14,038,711	7,447,582	2,394,766	914,824	1,695,488	507,986	102,390,189
Total expenditures	12,414,514	43,890,465	19,085,853	14,038,711	7,447,582	2,394,766	914,824	1,695,488	507,986	102,390,189
Net change in fund balance	-	-	-	-	-	-	-	-	-	-
Fund Balance, beginning of year	-	-	-	-	-	-	-	-	-	-
Fund Balance, end of year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF CHANGES IN RESTRICTED FUNDING FOR APPROPRIATED PROJECTS - REGIONAL REVENUE FUND
Year Ended June 30, 2018

Project Sponsor	Project Title	Appropriated Funding Approved Programs 2014 to 2017	Contracted Amount Paid as of 6/30/2018	Remaining Appropriated Approved Funding at 6/30/2018	Percentage Complete	Phase Funded
Arlington County	Silver/Blue Line Mitigation (Four New Buses)	$ 1,000,000	$ 797,696	$ -	100.0%	Acq
Arlington County	Crystal City Multimodal Center	1,500,000	1,252,317	247,683	83.5%	Con
Arlington County	Glebe Road Corridor Intelligent Transportation System (ITS) Improvements	2,000,000	326,665	1,673,335	16.3%	Pre Eng, Con
Arlington County	Lee Highway Corridor Intelligent Transp System Enhancements	3,000,000	146,843	2,853,157	4.9%	Des, Eng, ROW, Con
Arlington County	Boundary Channel Drive Interchange	4,335,000	1,788,378	2,546,622	41.3%	Des, Con
Arlington County	Columbia Pike Multimodal St Improvements E End B/t 2 interchanges w Washington Blvd	10,000,000	936,756	9,063,244	9.4%	Des, Con
Arlington County	Crystal City Streets: 12th St Transitway, Clark/Bell Realignment, and Intersection Imprvmts	11,600,000	1,293,680	10,306,320	11.2%	Des, Eng, Env, Con
Arlington County	Ballston Metrorail Station West Entrance	12,000,000	25,876	11,974,124	0.2%	Final Des
Arlington County	Columbia Pike Multimodal St Improvements West End FR FFX County line to Four Mile Run	12,000,000	106,002	11,893,998	0.9%	Con
Fairfax County	Route 1 Widening: Mount Vernon Memorial Highway to Napper Road	1,000,000	1,000,000	-	100.0%	Env, Pre Eng
Fairfax County	Frontier Drive Extension and Interchange Improvements	2,000,000	2,000,000	-	100.0%	Des, Env, Pre Eng
Fairfax County	Rolling Road Widening: Old Keene Mill Road to Franconia Springfield Parkway	5,000,000	3,125,000	1,875,000	62.5%	Des, Pre Eng, ROW
Fairfax County	Route 28 Widening: Prince William County Line to Route 29	5,000,000	-	5,000,000	0.0%	Des, Eng, Env, ROW, Con
Fairfax County	Route 28 Widening: Prince William County Line to Route 29	5,000,000	1,960,460	3,039,540	39.2%	Des, Pre Eng
Fairfax County	Connector Bus Service Expansion – Capital Purchase 12 New Buses	6,000,000	5,922,262	-	100.0%	Acq
Fairfax County	Fairfax County Parkway Improvements Study	10,000,000	4,000,000	6,000,000	40.0%	Study, Env, Pre Eng
Fairfax County	Route 286 Fairfax County Parkway Widening: Route 123 to Route 29	10,000,000	-	10,000,000	0.0%	ROW
Fairfax County	Route 7 Widening: Colvin Forest Drive to Jarrett Valley Drive	10,000,000	-	10,000,000	0.0%	ROW
Fairfax County	West Ox Bus Garage Expansion	20,000,000	12,068,158	7,931,842	60.3%	Con
Fairfax County	Innovation Center Metrorail Station	28,000,000	27,837,813	162,187	99.4%	Con
Fairfax County	Innovation Center Metrorail Station	41,000,000	37,738,402	3,261,598	92.0%	Des/Build
Fairfax County	I-66/Route 28 Interchange Improvements - $300,000,000	WITHDRAWN	-	WITHDRAWN	0.0%	Des, Eng, Env, ROW, Con
Loudoun County	Two New Transit Buses	880,000	880,000	-	100.0%	Acq
Loudoun County	Leesburg Park and Ride	1,000,000	-	1,000,000	0.0%	ROW/Con
Loudoun County	Transit Buses (4 New)	1,860,000	1,860,000	-	100.0%	Acq
Loudoun County	Belmont Ridge Road (VA Route 659) - Turo Parish Road to Croson Ln	19,500,000	2,055,449	17,444,551	10.5%	Con
Loudoun County	Belmont Ridge Road (Rt 659) North of Dulles Greenway Widening (Design and Constr)	20,000,000	20,000,000	-	100.0%	Con
Loudoun County	Loudoun County Parkway (VA Route 607) – U.S. 50 to Creighton Rd.	31,000,000	10,581,693	20,418,307	34.1%	Con
Prince William /Manassas	Route 28 (Manassas Bypass) Study - Godwin Drive Extended	2,500,000	815,335	1,684,665	32.6%	Study
Prince William County	Route 1 from Featherstone Road to Marys Way	3,000,000	2,356,090	643,910	78.5%	Des
Prince William County	Route 28 Widening: Route 234 Bypass to Linton Hall Road	10,000,000	-	10,000,000	0.0%	Con
Prince William County	Route 1 Widening: Featherstone Road to Mary's Way	11,000,000	-	11,000,000	0.0%	Con
Prince William County	Route 28 Widening: Route 234 Bypass to Linton Hall Road	16,700,000	346,955	16,353,045	2.1%	Pre Eng, Con
Prince William County	Route 28 from Linton Hall Road to Fitzwater Drive	28,000,000	10,034,655	17,965,345	35.8%	Con
Prince William County	Route 1 Widening: Featherstone Road to Marys Way	49,400,000	17,753,184	31,646,816	35.9%	ROW, Con
City of Alexandria	Duke Street Transit Signal Priority Installation	190,000	60,000	130,000	31.6%	Des, Con
City of Alexandria	Shelters and Real Time Transit Information for DASH/WMATA	450,000	378,454	71,546	84.1%	Con
City of Alexandria	Traffic Signal Upgrades/Transit Signal Priority	660,000	79,813	580,187	12.1%	Des, Con
City of Alexandria	DASH Bus Expansion (Five New Buses)	1,462,500	1,462,500	-	100.0%	Acq
City of Alexandria	Potomac Yard Metrorail Station Development	1,500,000	709,377	790,623	47.3%	Pre Eng, Final Des
City of Alexandria	Potomac Yard Metrorail Station EIS	2,000,000	2,000,000	-	100.0%	Pre Eng
City of Alexandria	West End Transitway (Van Dorn - Beauregard)	2,400,000	878,366	1,521,634	36.6%	Final Des
City of Alexandria	Potomac Yard Metrorail Station	66,000,000	-	66,000,000	0.0%	Des, Con (Des-Build)

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF CHANGES IN RESTRICTED FUNDING FOR APPROPRIATED PROJECTS - REGIONAL REVENUE FUND (Continued)
Year Ended June 30, 2018

Project Sponsor	Project Title	Appropriated Funding Approved Programs 2014 to 2017	Contracted Amount Paid as of 6/30/2018	Remaining Appropriated Approved Funding at 6/30/2018	Percentage Complete	Phase Funded
City of Fairfax	Jermantown / Route 50 Roadway Improvements	$ 1,000,000	$ 1,000,000	$ -	100.0%	Con
City of Fairfax	Kamp Washington Intersection Improvements-Rt 50 and Rt 29 and Rt 236	1,000,000	1,000,000	-	100.0%	Con
City of Fairfax	CUE 35-foot transit Bus Acquisition 6 Buses	3,000,000	2,536,210	-	100.0%	Acq
City of Fairfax	Chain Bridge Rd Widening / Improve from Rt 29/50 to Eaton Place	5,000,000	5,000,000	-	100.0%	Des, ROW, Con
City of Fairfax	Northfax - Intersection Improvements at Route 29/50 and Route 123	10,000,000	6,403,285	3,596,715	64.0%	Con
City of Falls Church	Pedestrian Bridge at Van Buren Street	130,228	130,228	-	100.0%	Des, Con
City of Falls Church	Funding for Bus Shelters	200,000	200,000	-	100.0%	Des, ROW, Con
City of Falls Church	Pedestrian Access to Transit	700,000	700,000	-	100.0%	Des, ROW, Con
City of Manassas	Route 28 Widening: Godwin Drive to the Southern City Limits	3,294,000	-	3,294,000	0.0%	Pre Eng, ROW, Con
Town of Dumfries	Route 1 (Fraley Blvd) Widening: Brady's Hill Road to Dumfries Road	6,900,000	570,425	6,329,575	8.3%	Pre Eng
Town of Herndon	Herndon Parkway Intersection Improvements at Sterling Road	500,000	200,318	299,682	40.1%	Des, ROW, Con
Town of Herndon	Herndon Parkway Intersection Improvements at Van Buren St.	500,000	-	500,000	0.0%	Des, ROW
Town of Herndon	Herndon Metrorail Intermodal Access Improvements	1,100,000	-	1,100,000	0.0%	Des, ROW
Town of Herndon	East Elden Street Improvements and Widening Project	10,400,000	-	10,400,000	0.0%	ROW
Town of Leesburg	New grade-separated interchange Edwrds Ferry Rd at Rt 15 Leesburg Bypass	1,000,000	1,000,000	-	100.0%	Des
Town of Leesburg	New grade-separated interchange on Edwards Ferry Road at RT 15 Leesburg Bypass	1,000,000	1,000,000	-	100.0%	Des
Town of Leesburg	Route 7 (East Market Street)/Battlefield Parkway Interchange	13,000,000	4,000,000	9,000,000	30.8%	Final Des
Town of Leesburg	Route 7 (East Market Street)/Battlefield Parkway Interchange	20,000,000	-	20,000,000	0.0%	Con
VDOT/Fairfax County	Route 28 Widening 6 to 8 lanes (NB from McLearen Road to Dulles Toll Road)	11,100,000	11,100,000	-	100.0%	Des-Build
VDOT/Loudoun County	Route 28 Hot Spot Improvements (Sterling Boulevard to the Dulles Toll Road)	12,400,000	12,400,000	-	100.0%	Con
VDOT/Fairfax County	Route 7 Bridge Widening: Over Dulles Toll Road	13,900,000	13,900,000	-	100.0%	Con
VDOT/Fairfax County	Route 28 Widening 6 to 8 lanes (SB from the Dulles Toll Road to Route 50)	20,000,000	20,000,000	-	100.0%	Des-Build
WMATA	Traction Power Upgrades on the Orange Line in Virginia (8-car trains)	4,978,685	1,482,247	3,496,438	29.8%	Des
WMATA	Metrorail Blue Line Traction Power Upgrades	17,443,951	-	17,443,951	0.0%	Eng, Con
Virginia Railway Express	Crystal City Platform Extension Study	400,000	204,756	195,244	51.2%	Study
Virginia Railway Express	Manassas Park Station Parking Expansion	500,000	242,195	257,805	48.4%	Des, Pre Eng
Virginia Railway Express	Alexandria Station Tunnel and Platform Improvements (Construction)	1,300,000	-	1,300,000	0.0%	Con
Virginia Railway Express	VRE Gainesville-Haymarket Extension Project Development	1,500,000	762,365	737,635	50.8%	Des
Virginia Railway Express	VRE Manassas Park Station Parking Expansion	2,000,000	-	2,000,000	0.0%	Eng, Env, Des
Virginia Railway Express	Slaters Lane Crossover	7,000,000	87,775	6,912,225	1.3%	Pre Eng, Con
Virginia Railway Express	Lorton Station Second Platform* Revised App B	7,900,000	-	7,900,000	0.0%	Des, Con
Virginia Railway Express	Rippon Station Expansion and Second Platform	10,000,000	-	10,000,000	0.0%	Des, Pre Eng, Con
Virginia Railway Express	Franconia-Springfield Platform Improvements	13,000,000	-	13,000,000	0.0%	Pre Eng, Env, Con
PRTC	PRTC New Gainesville Service Bus	580,000	559,275	-	100.0%	Acq
PRTC	Western Bus Maintenance and Storage Facility	16,500,000	-	16,500,000	0.0%	Con
NVTC	Route 7 Transit Alternatives Analysis Study	838,000	834,665	-	100.0%	Study
	Total Approved Program Funding and Contracted Amount Paid at June 30, 2018	**$ 690,002,364**	**$ 259,891,923**	**$ 429,342,549**		

Des - Design; Pre Eng- Preliminary Engineering; Eng - Engineering; Env - Environmental; ROW - Right of Way; Con - Construction; Acq - Acquisition

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

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, each major fund, the remaining fund information, and the budgetary comparisons of the Northern Virginia Transportation Authority (Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 18, 2018.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility 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.

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 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 18, 2018