



**NORTHERN VIRGINIA
TRANSPORTATION AUTHORITY**

FINANCIAL AND COMPLIANCE REPORTS

Year Ended June 30, 2021

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

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Introductory Section

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

DIRECTORY OF PRINCIPAL OFFICIALS

Voting Members

Honorable Phyllis J. Randall, NVTA Chairman; *Loudoun County*
Honorable David Snyder, NVTA Vice Chairman; *City of Falls Church*
Honorable Jennifer Boysko, *Virginia Senate*
Honorable Katie Cristol, *Arlington County*
Honorable Michelle Davis-Younger, *City of Manassas*
Honorable Mary Hughes Hynes, *Governor's Appointee,*
Commonwealth Transportation Board Member
Jim Kolb, *Governor's Appointee*
Honorable Jeffrey C. McKay, *Fairfax County*
Honorable David L. Meyer, *City of Fairfax*
Honorable Jeanette Rishell, *City of Manassas Park*
Honorable Danica Roem, *Virginia House of Delegates*
Honorable Vivian Watts, *Virginia House of Delegates*
Honorable Ann Wheeler, *Prince William County*
Honorable Justin Wilson, *City of Alexandria*

Non-Voting Members

John D. Lynch, *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, *Chief Executive Officer*
Michael Longhi, *Chief Financial Officer*
Margaret Teal, CPA, *Assistant Finance Officer*

Financial Section



INDEPENDENT AUDITOR'S REPORT

To the Honorable Authority Board Members
Northern Virginia Transportation Authority

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, 2021, 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, 2021, 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 4-14 and 71-76, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
October 13, 2021

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Northern Virginia Transportation Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2021.

The Authority is a political subdivision of the Commonwealth of Virginia, created in 2002 by the Northern Virginia Transportation Authority Act, Title 33.2-2500, of the *Code of Virginia*. On April 3, 2013, the Governor's substitute for House Bill 2313 (2013) (the "HB2313") was adopted by the Virginia General Assembly. HB2313 provided an initial annual source of revenue for the Authority to implement legislative mandates set out in Title 33.2-2500 of the *Code of Virginia*.

The Authority's enabling legislation, states: "The Authority shall be responsible for long-range transportation planning for regional transportation projects in Northern Virginia. In carrying out this responsibility, the Authority shall, on the basis of a regional consensus, whenever possible, set regional transportation policies and priorities for regional transportation projects. The policies and priorities shall be guided by performance-based criteria such as the ability to improve travel times, reduce delays, connect regional activity centers, improve safety, improve air quality, and move the most people in the most cost-effective manner."

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. 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 total revenues received, 30% are distributed to member jurisdictions based on revenues generated in the jurisdiction. These revenues must be used for transportation projects and purposes authorized under *Code of Virginia* Section 33.2-2510 and selected by the member jurisdiction. The remaining 70% of the revenues are first pledged to the payment of bonds and other debt instruments with the remaining revenues available to fund operational, 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.

The Authority is responsible for developing and updating TransAction for use to evaluate and prioritize regional transportation projects in Northern Virginia. TransAction is Northern Virginia's long-range, multimodal transportation plan, addressing regional transportation needs through 2040. TransAction is updated every five years. TransAction was last updated in October 2017. The Authority is currently undertaking the next update to TransAction, a process expected to take two years.

Pursuant to the Virginia General Assembly's, 2020 Omnibus Transportation Bill, House Bill 1414/Senate Bill 890, (HB1414/SB890), effective on July 1, 2020, the General Assembly amended numerous laws related to transportation funds, revenue sources, construction, and safety programs. The bill adopted numerous structural changes to the transportation funding system in the Commonwealth. In Northern Virginia, this resulted in the creation of a new regional congestion fee imposed at a rate of \$0.10 per \$100 for the recordation of conveyance of a deed. Governor's amendments delayed the effective date for the full implementation of the new fee until May 1, 2021. For the period July 1, 2020 to April 30, 2021, the rate of the regional congestion relief fee was \$0.05 per \$100. In addition, the Omnibus Transportation Bill provided a \$20 million transfer from the Commonwealth Transportation Fund to the Authority and revised the Interstate Operations and Enhancement Program funding from a monthly basis, based on revenues such as heavy truck registrations, highway use and diesel fuel taxes; to an annual allocation of 8.4% of funds available in the Interstate Operations and Enhancement Program.

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 of resources for the year ended June 30, 2021 by \$1,178,847,925 (net position). Of this amount, \$1,474,799 which includes \$656,287 of Operating Reserves, represents unrestricted net position, which may be used to meet the Authority's ongoing operating obligations. The Restricted portion of net position totaling \$1,177,137,970, 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 Title 33.2-2500 of the *Code of Virginia* revenue source.
- The Authority's total outstanding debt for the year ended June 30, 2021 was \$52 million with \$8 million in unamortized bond premium related to the series 2014 bonds. This outstanding debt was issued in December 2014 when the Authority entered the capital bond market for the first time. At this time, the Authority has not issued additional debt.
- For the fiscal year ended June 30, 2021, intergovernmental revenue and investment income for the Authority's governmental activities totaled \$351 million, representing a \$52 million net increase in revenues compared to June 30, 2020. The majority of this increase was derived from the new and revised revenues founded in the 2020 Omnibus Transportation Bill; \$20 million transfer from Commonwealth of Virginia; \$26 million from the new regional congestion relief fee; and a \$9 million increase resulting from the change in the Interstate 81 Corridor Improvement Fund revenues from a monthly fee-based source to an annual allocation of 8.4% of funds available in the Interstate Operations and Enhancement Program. FY2021 saw an increase in sales tax revenues of \$19 million resulting from the opening of retail stores and the sales taxes on internet sales and a drop in investment revenue of \$21 million from the continued drop in fixed income market rates related to COVID-19 and Federal Reserve action.

- Expenses totaled \$232 million for the fiscal year ended June 30, 2021, representing a slight decrease of \$3 million in expense compared to June 30, 2020. Distributions of 30% Local Distribution funds to member jurisdictions as mandated in Title 33.2-2500 of the *Code of Virginia* totaled \$104 million to parallel the new revenue sources listed above. This represented a \$22 million increase over the previous year. Project cost distributions of \$123 million for project sponsor reimbursement of authorized costs represents an \$25 million decrease when compared to June 30, 2020. The Authority funds projects on a reimbursement, not grant basis. Therefore, the Authority expects project reimbursement requests to fluctuate with changing project development and construction cycles, as well as the promptness of reimbursement requests by project sponsors.

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 for fiscal year 2021 of \$337,234 compared to an increase of \$485,757 for fiscal year 2020. The General Fund balance as of June 30, 2021 totaled \$1,590,607 compared with \$1,253,373 at the end of the previous fiscal year. A portion of the change represents a small increase of \$4,461 in Operating Reserve and an increase of \$322,582 in the Unassigned Fund Balance. This increase was the result of the lower than budgeted utilization of the fiscal year 2021 budget due to the prolongation of the COVID-19 pandemic and continuation of staff teleworking for the fiscal year. Public outreach special events, staffing replacement, professional development, and meeting costs were shifted to online or cancelled reducing overall expenditures.
- General and administrative expenses for the operation of the Authority for fiscal year 2021, were funded through a transfer from the Regional Revenue Fund to the General Fund in accordance with Senate Bill 1468 (2019). Each fiscal year, the Authority, as part of its annual budget adoption, has the option to transfer the operational and administrative budget amount from the Regional Revenue Fund or allocated member jurisdictions based on population.
- The Authority’s Special Revenue Funds (Local Distribution Fund and Regional Revenue Fund), reported an increase in fund balance of \$115 million representing funding appropriated for regional transportation project programs approved by the Authority. This increases the overall fund balance to \$1.237 billion as of June 30, 2021 compared to \$1.122 billion at the end of the previous fiscal year. The fund balance represents amounts appropriated for approved Standard Project Agreements (projects) for which reimbursement requests have not yet been requested by the project sponsor due to the timing and phases of construction.

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’s 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 resource 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, liabilities and deferred inflows of resources, 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.

For the Authority, revenue is classified as general revenues. General revenues for fiscal year June 30, 2021 include the five intergovernmental revenues and adjustments received, collected, and remitted from the Commonwealth of Virginia: specifically, sales tax, the Northern Virginia transportation district fund transfer, the Interstate Operations Enhancement Program transfer, Regional Congestion Relief fees and interest earned on the Commonwealth's Northern Virginia Transportation Authority Fund.

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 a 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: 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 its legislative mandates set out in Title 33.2-2500, of the *Code of Virginia* 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 regional transportation projects. 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 2021.

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 plans 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, 2021. Data for June 30, 2020 has been included for comparison purposes.

Summary Statement of Net Position June 30, 2021 and 2020

	Governmental Activities		Increase (Decrease)	% Change
	2021	2020		
Assets:				
Current and other assets	\$ 1,284,818,080	\$ 1,161,975,893	\$ 122,842,187	10.6%
Capital assets, net	235,176	173,567	61,609	35.5%
Total assets	1,285,053,256	1,162,149,460	122,903,796	10.6%
Deferred outflows of resources	259,928	255,441	4,487	1.8%
Liabilities:				
Current and other liabilities	49,027,874	41,419,946	7,607,928	18.4%
Noncurrent liabilities	57,420,598	60,936,644	(3,516,046)	-5.8%
Total liabilities	106,448,472	102,356,590	4,091,882	4.0%
Deferred inflows of resources	16,787	24,356	(7,569)	-31.1%
Net position:				
Net investment in capital asset	235,176	173,567	61,609	35.5%
Restricted	1,177,137,970	1,058,664,731	118,473,239	11.2%
Unrestricted	1,474,779	1,185,657	289,122	24.4%
Total net position	\$ 1,178,847,925	\$ 1,060,023,955	\$ 118,823,970	11.2%

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 \$1,178,847,925 at June 30, 2021.

A significant portion of net position, \$1.171 billion, represents funds that have been restricted by Title 33.2-2500 of the *Code of Virginia* and \$6 million is restricted for debt service. It should be noted, the funds composing this net restricted position have been allocated by the Authority to fund regional transportation projects, which meet the goals, purposes, and mandates of the Authority and Commonwealth appropriated revenue sources. The remaining balance of \$1.47 million, including \$656,287 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. 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, 2021, the Authority has approximately \$988 million invested in United States Treasuries, Agencies, Corporate Notes, Commercial Paper, Negotiable Certificates of Deposit, Bank Certificates of Deposit and Investment Pools.

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.

Restricted cash and cash equivalents totaled approximately \$236 million of which \$230 million is restricted for regional transportation projects approved and appropriated by the Authority and \$6 million is held by the Authority's bond trustee. As of June 30, 2021, approximately \$57 million was due from the Commonwealth of Virginia, and \$45 million is due to the Authority's member localities and other project sponsors.

Statement of Activities

The following table presents the revenues, expenses and change in net position of the Authority for the fiscal year ended June 30, 2021. Data for the year ended June 30, 2020 has been included for comparison purposes.

Summary Statement of Activities Years Ended June 30, 2021 and 2020

	Governmental Activities		Increase (Decrease)	% Change
	2021	2020		
Revenues:				
Program revenues:				
General revenue:				
Intergovernmental	\$ 348,574,852	\$ 274,674,739	\$ 73,900,113	26.9%
Investment income	2,601,012	23,931,611	(21,330,599)	-89.1%
Total revenues	<u>351,175,864</u>	<u>298,606,350</u>	<u>52,569,514</u>	<u>17.6%</u>
Expenses:				
General and administrative	2,418,489	2,445,063	(26,574)	-1.1%
Jurisdictional distributions	104,575,960	82,418,396	22,157,564	26.9%
Project cost distributions	123,047,379	147,771,018	(24,723,639)	-16.7%
Transaction update & technical	230,219	203,414	26,805	13.2%
Interest and issuance costs	2,079,847	2,212,136	(132,289)	-6.0%
Total expenses	<u>232,351,894</u>	<u>235,050,027</u>	<u>(2,698,133)</u>	<u>-1.1%</u>
Change in net position	118,823,970	63,556,323	55,267,647	87.0%
Beginning net position	<u>1,060,023,955</u>	<u>996,467,632</u>	<u>63,556,323</u>	<u>6.4%</u>
Ending net position	<u>\$ 1,178,847,925</u>	<u>\$ 1,060,023,955</u>	<u>\$ 118,823,970</u>	<u>11.2%</u>

For the fiscal year ended June 30, 2021, revenues totaled approximately \$351 million. Expenses totaled approximately \$232 million. For fiscal year 2021, the Authority exercised the option to transfer administrative and operating expenses directly from the Regional Revenue Fund as a result of Senate Bill 1468 (2019).

The increase in intergovernmental revenues includes \$20 million from the newly created Northern Virginia transportation district transfer, \$9 million from the revised Interstate Operations Enhancement Program transfer and \$26 million from Regional Congestion Relief fees derived from the 2020 Omnibus Transportation Bill. The increase also includes sales taxes assessed on internet retail sales.

Investment income reflects a decrease of \$21 million due to the continued reduction in the market and interest rates attributed to the COVID-19 pandemic and economic shut down.

The \$24 million decrease in project cost distributions reflect 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. The fluctuating rate of expenditures for project cost distributions 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 Six Year Program and the update to the program approved in July 2020, permitted project sponsors to have greater project readiness in place, especially for projects approved in the later years of the program. The adoption of the two-year update to the program which occurred in July 2020, programmed regional revenue funds for FY2024 and FY2025.

A discussion of the key components of the revenue and expense is included in the fund's 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 2021, the General Fund nonspendable fund balance was \$61,349, committed fund balance of \$567,952, assigned fund balance of \$26,986 and unassigned fund balance of \$934,320 totaling a Fund balance equal to \$1,590,607. The equipment reserve is represented as assigned fund balance of \$26,986 and the operating reserve of \$567,952 represents the committed fund balance in the General Fund.

The General Fund experienced a 2% decrease in general and administrative expenses. The decrease stemmed in part from an unfilled staff position for approximately six months; the continuation of teleworking and subsequent reduction in office related expenses.

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 38% of total General Fund expenditures, while total fund balance represents approximately 65% of that same amount. The FY2022 operating budget is expected to reduce the unassigned fund balance by using some of the fiscal year 2021 carryover to reduce the operating fund transfer from the Regional Revenue Fund.

The Fund balance of \$1,590,607 includes \$567,952 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 Chief Executive Officer, to cover unanticipated increases in the Authority's expenditures. If used, the Chief Executive Officer will present a plan to the Authority for restoring the reserve during the next fiscal year budget process.

For fiscal year 2021, the Authority exercised the option to transfer the administrative and operating expenses budgeted of \$2,769,220 directly from the Regional Revenue Fund as a result of Senate Bill 1468 (2019). The previous law provided that administrative expenses be allocated to the member localities of Planning District 8.

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 \$462,293 as of June 30, 2021 on deposit for fiscal year 2022 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.

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 Title 33.2-2500 of the *Code of Virginia*. 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 other public transportation purposes.

The remaining 70% is recorded in the Regional Revenue Fund (70%). These funds are to be used by the Authority for debt service and regional transportation projects and purposes benefiting the member jurisdictions and other entities in Planning District 8, to fund transportation projects approved by the Authority that are contained in the regional transportation plan (TransAction) and in accordance with Title 33.2-2500 of the *Code of Virginia*.

The Regional Revenue Fund balance includes \$1,237,094,070 categorized as restricted fund balance as of June 30, 2021. This balance is predominately comprised of \$1,111,191,768 appropriated for Authority approved project funding, \$120,000,000 to be set aside for a Working Capital Reserve and \$5,902,302 for debt service and a debt service reserve. The fund balance also includes (\$73,492,458) representing the forward funding strategy initiated with the adoption of the Authority’s inaugural Six Year Program for FY2018-FY2023. The funding strategy appropriates the full project cost in the first fiscal year the project is expected to spend Authority funds, even though the majority of projects will require multiple years to complete. Since the Authority is a reimbursement-based funding source versus a grant-based source, the cash related to the unspent previous project appropriations remain with the Authority and provides the liquidity to forward appropriate funds for projects that are able to expedite completion, permitting project sponsors to apply for matching /additional funds, protects against outside appropriation risk and helps ensure projects are completed timely. This practice is consistent with many local jurisdictions. Outside financing would be used if at any time the Authority’s liquidity was unavailable.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The details of capital assets as of June 30, 2021 and 2020 are as follows:

	Governmental Activities	
	2021	2020
Office furniture and equipment	\$ 332,651	\$ 240,344
Less accumulated depreciation and amortization	97,475	66,777
Total capital assets, net	\$ 235,176	\$ 173,567

The Authority's investment in capital assets as of June 30, 2021 amounted to \$235,176 (net of accumulated depreciation and amortization) compared to \$173,567 as of June 30, 2020. \$92,307 of the asset increase is attributed to the third phase of a new project implementation, management and monitoring system developed and installed during fiscal year 2021.

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. 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, 2021, the Authority had total debt outstanding of \$52,150,000 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, 2021 is \$8,051,935. The bonds are secured by the Authority's Regional Revenue and a debt service reserve of \$5,900,165 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.

Economic Factors and Fiscal Year 2021's Budget

- Northern Virginia has a population of over 2.55 million. It is one of the fastest growing, diverse communities in the United States. Based on the 2020 Census, Northern Virginia has added approximately 319,754 people, or an increase of 14.3%.
- Virginia's population has grown by 7.9% based on the 2020 Census, passing 8.6 million residents as of April 2020. In aggregate, the Authority's nine member jurisdictions have experienced stable population growth since the 2010 Census averaging an aggregate population growth of 14.3%. More than 51% of the growth in the Commonwealth is concentrated in Northern Virginia, with Loudoun County experiencing a 34.8% and Prince William County experiencing a 20% population growth since 2010.
- The Northern Virginia region is responsible for an increase of 70,800 jobs from July 2020 to July 2021, based on new data from the Virginia Employment Commission. The increase in Northern Virginia represents 49.2% of the 143,800 jobs gained statewide across the Commonwealth of Virginia. The bulk of the increase in the Commonwealth came from the private sector which brought back 134,100 jobs. The public sector saw an uptick of 9,700 jobs across the same period.
- Unemployment in the Authority's jurisdictions was traditionally exceptionally low prior to the economic shut-down. At June 2021, the average preliminary unemployment rate seasonally adjusted, in the Authority member jurisdictions was 4% compared to 7.9% at June 2020; in the Commonwealth it was 4.3% as of June 2021 compared to 8.1% the prior year. Both Northern Virginia and the Commonwealth's unemployment rates were lower than the national rate of 5.9% for 2021 compared to 11.1% in 2020.
- Median family income average for the Authority's member jurisdictions is approximately \$133,683 compared to \$90,141 in the Commonwealth and \$77,263 nationally per the U.S. Census Bureau, 2014-2020 5-Year American Community Survey. This represents an approximate 2.7% increase from the previous year.

- The fiscal year 2022 special revenue budgets were adjusted to reflect the continued overall economic uncertainty surrounding the COVID-19's impact on retail sales, housing, and truck vehicle miles travelled in Planning District 8. The projections continue to include a bump in sales tax revenue from the new internet sales taxes, the addition of the regional congestion relief fee, the transfer from the Commonwealth's Northern Virginia Transportation District Fund and the Interstate Operations Enhancement Program allocation. The resulting revenue forecast is for fiscal year 2022 only, and is not indicative of projected revenue in the long term. The Authority will continue to use conservative revenue estimation methods.
- The Authority's General Fund operating budget will decrease from \$2,907,232 in fiscal year 2021 to \$2,873,551 in fiscal year 2022. The Authority elected to fund the FY2022 administrative and operating expenses through a transfer from the Regional Revenue Fund. The increase is reflective of phase IV of the development and implementation of the Project Implementation, Monitoring, and Management System which will fine-tune the ability to electronically submit project applications, manage approved Standard Project Agreements and the submission of project reimbursement requests.

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, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,672,638
Other receivables	2,194,449
Due from other governments	56,829,792
Deposits and prepaid items	61,349
Restricted:	
Cash and cash equivalents	236,108,231
Investments	987,951,621
Capital assets (net):	
Office furniture, computer equipment and licenses	235,176
Total assets	1,285,053,256
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	198,974
OPEB-GLI	50,287
OPEB-VLDP	10,667
Total deferred outflows of resources	259,928
LIABILITIES	
Accounts payable	189,897
Accrued liabilities	335,524
Compensated absences	190,306
Due to other governments	45,005,321
Bond reserves	356,826
Current portion of bonds payable	2,950,000
Noncurrent liabilities:	
Net pension liability	55,115
Net GLI OPEB liability	110,978
Net VLDP OPEB liability	2,570
Bonds payable, net	57,251,935
Total liabilities	106,448,472
DEFERRED INFLOWS OF RESOURCES	
Pension plan	10,284
OPEB-GLI	3,314
OPEB-VLDP	3,189
Total deferred inflows of resources	16,787
NET POSITION	
Net investment in capital assets	235,176
Restricted	1,177,137,970
Unrestricted	1,474,779
Total net position	\$ 1,178,847,925

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Expenses	Net (Expense) Revenue and Change in Net Position
		Governmental Activities
Functions/Programs		
Governmental activities:		
General and administrative	\$ 2,418,489	\$ (2,418,489)
Jurisdictional distributions (30%)	104,575,960	(104,575,960)
Project cost distributions	123,047,379	(123,047,379)
Transaction update & technical services	230,219	(230,219)
Interest	2,079,847	(2,079,847)
	<u>2,079,847</u>	<u>(2,079,847)</u>
Total governmental activities	\$ 232,351,894	(232,351,894)
	<u>\$ 232,351,894</u>	<u>(232,351,894)</u>
General revenues:		
Intergovernmental revenue:		
Sales tax		288,700,240
Northern Virginia transportation district fund transfer		20,000,000
Interstate operations enhancement program		13,411,884
Regional congestion relief fee		26,294,651
Commonwealth fund interest income		168,077
Investment earnings		2,601,012
		<u>2,601,012</u>
Total general revenues		351,175,864
		<u>351,175,864</u>
Change in net position		118,823,970
Net Position, beginning of year		<u>1,060,023,955</u>
Net Position, end of year		<u>\$ 1,178,847,925</u>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2021

	General Fund	Special Revenue Funds		Non-Major	Total Governmental Funds
		Local Distribution Fund	Regional Revenue Fund	Debt Service Fund	
ASSETS					
Cash and cash equivalents	\$ 1,672,638	\$ -	\$ -	\$ -	\$ 1,672,638
Other receivables	-	-	2,194,449	-	2,194,449
Due from other governments	-	17,048,937	39,780,855	-	56,829,792
Deposits and prepaid items	61,349	-	-	-	61,349
Restricted cash and cash equivalents	-	71	235,645,867	462,293	236,108,231
Restricted investments	-	-	987,951,621	-	987,951,621
Total assets	\$ 1,733,987	\$ 17,049,008	\$ 1,265,572,792	\$ 462,293	\$ 1,284,818,080
LIABILITIES					
Accounts payable	\$ 24,314	\$ -	\$ 165,583	\$ -	\$ 189,897
Accrued liabilities	119,066	-	-	-	119,066
Bond reserves	-	-	356,826	-	356,826
Due to other governments	-	17,049,008	27,956,313	-	45,005,321
Total liabilities	143,380	17,049,008	28,478,722	-	45,671,110
FUND BALANCES					
Nonspendable	61,349	-	-	-	61,349
Restricted - for bond debt service	-	-	5,902,302	462,293	6,364,595
Restricted - working capital reserve	-	-	120,000,000	-	120,000,000
Restricted - for appropriated project funding	-	-	1,111,191,768	-	1,111,191,768
Committed	567,952	-	-	-	567,952
Assigned	26,986	-	-	-	26,986
Unassigned	934,320	-	-	-	934,320
Total fund balances	1,590,607	-	1,237,094,070	462,293	1,239,146,970
Total liabilities and fund balances	\$ 1,733,987	\$ 17,049,008	\$ 1,265,572,792	\$ 462,293	\$ 1,284,818,080

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2021

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		\$ 1,239,146,970
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	\$ 332,651	
Less: accumulated depreciation and amortization	<u>(97,475)</u>	235,176
Financial statement elements related to pensions are applicable to future periods and, therefore, not reported in the governmental funds:		
Net pension liability	(55,115)	
Deferred outflows of resources	198,974	
Deferred inflows of resources	<u>(10,284)</u>	133,575
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	(110,978)	
Deferred outflows of resources	50,287	
Deferred inflows of resources	<u>(3,314)</u>	(64,005)
Financial statement elements related to Virginia Local Disability Program OPEB expenditures are applicable to future periods and, therefore, not reported in the governmental funds:		
Net VLDP OPEB liability	(2,570)	
Deferred outflows of resources	10,667	
Deferred inflows of resources	<u>(3,189)</u>	4,908
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		(216,458)
Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds.		(190,306)
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	(52,150,000)	
Premiums on bonds	<u>(8,051,935)</u>	(60,201,935)
Net position - governmental activities		<u>\$ 1,178,847,925</u>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS

Year Ended June 30, 2021

	General Fund	Special Revenue Funds		Non-Major	Total Governmental Funds
		Local Distribution Fund	Regional Revenue Fund	Debt Service Fund	
Revenues					
Intergovernmental:					
Sales tax	\$ -	\$ 86,610,072	\$ 202,090,168	\$ -	\$ 288,700,240
Northern Virginia transportation district fund transfer	-	6,000,000	14,000,000	-	20,000,000
Interstate operations enhancement program	-	4,023,565	9,388,319	-	13,411,884
Regional congestion relief fee	-	7,888,395	18,406,256	-	26,294,651
Commonwealth fund interest income	-	50,423	117,654	-	168,077
Investment earnings	-	3,505	2,597,271	236	2,601,012
Total revenues	-	104,575,960	246,599,668	236	351,175,864
Expenditures					
Current:					
General and administrative	2,431,986	-	-	-	2,431,986
Jurisdictional distributions (30%)	-	104,575,960	-	-	104,575,960
Project cost distributions	-	-	123,047,379	-	123,047,379
Transaction update & technical services	-	-	230,219	-	230,219
Debt service:					
Principal	-	-	-	2,865,000	2,865,000
Interest	-	-	-	2,683,450	2,683,450
Total expenditures	2,431,986	104,575,960	123,277,598	5,548,450	235,833,994
Excess (deficiency) of revenues over (under) expenditures	(2,431,986)	-	123,322,070	(5,548,214)	115,341,870
Other Financing Sources (Uses)					
Transfers in	2,769,220	-	-	5,545,242	8,314,462
Transfers out	-	-	(8,314,462)	-	(8,314,462)
Total other financing sources (uses)	2,769,220	-	(8,314,462)	5,545,242	-
Net change in fund balances	337,234	-	115,007,608	(2,972)	115,341,870
Fund Balances, beginning of year	1,253,373	-	1,122,086,462	465,265	1,123,805,100
Fund Balances, end of year	\$ 1,590,607	\$ -	\$ 1,237,094,070	\$ 462,293	\$ 1,239,146,970

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$ 115,341,870
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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 and amortization expense in the current period.

Add - capital outlay	\$ 92,307	
Deduct - depreciation and amortization expense	<u>(30,698)</u>	61,609

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		(14,417)
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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	(4,317)	
GLI VLDP	<u>396</u>	(3,921)

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		2,865,000
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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	(29,774)	
Change in accrued interest payable	7,163	
Amortization of premiums on bonds payable	<u>596,440</u>	573,829

Change in net position of governmental activities		<u><u>\$ 118,823,970</u></u>
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NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 – BUDGET AND ACTUAL – GENERAL FUND
 Year Ended June 30, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Expenditures				
Current:				
General and administrative	\$ 2,907,232	\$ 2,907,232	\$ 2,431,986	\$ (475,246)
Total expenditures	<u>2,907,232</u>	<u>2,907,232</u>	<u>2,431,986</u>	<u>(475,246)</u>
Deficiency of revenues under expenditures	<u>(2,907,232)</u>	<u>(2,907,232)</u>	<u>(2,431,986)</u>	<u>475,246</u>
Other Financing Sources				
Transfer from Regional Revenue Fund for operations	2,769,220	2,769,220	2,769,220	-
Total other financing sources	<u>2,769,220</u>	<u>2,769,220</u>	<u>2,769,220</u>	<u>-</u>
Net change in fund balance	(138,012)	(138,012)	337,234	475,246
Fund Balance, beginning of year	-	-	1,253,373	1,253,373
Fund Balance, end of year	<u>\$ (138,012)</u>	<u>\$ (138,012)</u>	<u>\$ 1,590,607</u>	<u>\$ 1,728,619</u>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 – BUDGET AND ACTUAL – LOCAL DISTRIBUTION FUND
 Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues				
Intergovernmental:				
Sales tax	\$ 65,486,193	\$ 65,486,193	\$ 86,610,072	\$ 21,123,879
Northern Virginia transportation district fund transfer	6,000,000	6,000,000	6,000,000	-
Interstate operations enhancement program	638,617	638,617	4,023,565	3,384,948
Regional congestion relief fee	3,330,000	3,330,000	7,888,395	4,558,395
Commonwealth fund interest income	110,530	110,530	50,423	(60,107)
Interest income	-	-	3,505	3,505
Total revenues	75,565,340	75,565,340	104,575,960	29,010,620
Expenditures				
Current:				
Jurisdictional distributions (30%)	75,565,340	75,565,340	104,575,960	(29,010,620)
Total expenditures	75,565,340	75,565,340	104,575,960	(29,010,620)
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, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues				
Intergovernmental:				
Sales tax	\$ 152,801,116	\$ 152,801,116	\$ 202,090,168	\$ 49,289,052
Northern Virginia transportation district fund transfer	14,000,000	14,000,000	14,000,000	-
Interstate operations enhancement program	1,490,106	1,490,106	9,388,319	7,898,213
Regional congestion relief fee	7,770,000	7,770,000	18,406,256	10,636,256
Commonwealth fund interest income	257,900	257,900	117,654	(140,246)
Investment earnings	5,000,000	5,000,000	2,597,271	(2,402,729)
Total revenues	181,319,122	181,319,122	246,599,668	65,280,546
Expenditures				
Current:				
Transaction update & technical services	4,013,539	4,013,539	230,219	3,783,320
Project cost distributions	1,341,025,139	1,341,025,139	123,047,379	1,217,977,760
Total expenditures	1,345,038,678	1,345,038,678	123,277,598	1,221,761,080
Excess (deficiency) of revenues over (under) expenditures	(1,163,719,556)	(1,163,719,556)	123,322,070	1,287,041,626
Other Financing Uses				
Transfers for debt service	(5,548,450)	(5,548,450)	(5,545,242)	3,208
Transfer for operations	(2,769,220)	(2,769,220)	(2,769,220)	-
Total other financing uses	(8,317,670)	(8,317,670)	(8,314,462)	3,208
Net change in fund balance	(1,172,037,226)	(1,172,037,226)	115,007,608	1,287,044,834
Fund Balance, beginning of year	-	-	1,122,086,462	1,122,086,462
Fund Balance, end of year	\$ (1,172,037,226)	\$ (1,172,037,226)	\$ 1,237,094,070	\$ 2,409,131,296

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Authority is a political subdivision of the Commonwealth of Virginia, created in 2002 by the Northern Virginia Transportation Authority Act, Title 33.2-2500, of the *Code of Virginia*. On April 3, 2013, the Governor’s substitute for House Bill 2313 (2013) (the “HB2313”) was adopted by the Virginia General Assembly. HB2313 provided an initial annual source of revenue for the Authority to implement its legislative mandates set out in Title 33.2-2500 of the *Code of Virginia*.

The Authority’s enabling legislation, states: “The Authority shall be responsible for long-range transportation planning for regional transportation projects in Northern Virginia. In carrying out this responsibility, the Authority shall, on the basis of a regional consensus, whenever possible, set regional transportation policies and priorities for regional transportation projects. The policies and priorities shall be guided by performance-based criteria such as the ability to improve travel times, reduce delays, connect regional activity centers, improve safety, improve air quality, and move the most people in the most cost-effective manner.”

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. 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 total revenues received, 30% are distributed to member jurisdictions based on revenues generated in the jurisdiction. These revenues must be used for transportation projects and purposes authorized under *Code of Virginia* Section 33.2-2510 and selected by the member jurisdiction. The remaining 70% of the revenues are first pledged to the payment of bonds and other debt instruments with the remaining revenues available to fund operational, 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.

The Authority is responsible for developing and updating TransAction for use to evaluate and prioritize regional transportation projects in Northern Virginia. TransAction is Northern Virginia’s long-range, multimodal transportation plan, addressing regional transportation needs through 2040. TransAction is updated every five years. TransAction was last updated in October 2017. The Authority is currently undertaking the next update to TransAction, a process expected to take two years.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

On July 24, 2013, the Authority approved its first funding program, the FY2014 Program, setting in motion a new era of transportation investments for Northern Virginia, followed by a FY2015/2016 and FY2017 Funding Programs. NVTVA adopted its inaugural Six Year Program in June 2018, using NVTVA's projected regional revenues for FY2018 through FY2023. NVTVA updates the Six Year Program every two years by allocating funding to regionally significant multimodal transportation projects for the next two projected fiscal years. The most recent Six Year Program, FY2020 through FY2025, was adopted in July 2020.

Pursuant to the Virginia General Assembly's 2020 Omnibus Transportation Bill, House Bill 1414 /Senate Bill 890 (HB1414/SB890), effective on July 1, 2020, the General Assembly amended numerous laws related to transportation funds, revenue sources, construction, and safety programs. The bill adopted numerous structural changes to the transportation funding system in the Commonwealth. Most transportation revenues are now being directed to a new Commonwealth Transportation Fund and the existing Highway Maintenance and Operating Fund. Funds are then disbursed, based on codified formulas, to sub-funds established to meet the varying transportation needs of different modes of transportation.

In Northern Virginia, the Omnibus Transportation Bill established a new regional congestion fee imposed at a rate of \$0.10 per \$100 for the recordation of conveyance of a deed to reinstate a portion of the HB2313 (2013) funds diverted to Washington Metropolitan Area Transit Authority (WMATA) on July 1, 2018. Governor's amendments delayed the effective date and for the period July 1, 2020 to April 30, 2021, the rate of the regional congestion relief fee was \$0.05 per \$100. Beginning May 1, 2021, the rate increased to \$0.10 per \$100. The rate will remain at this level, unless and until changed by the General Assembly.

In addition, the Omnibus Transportation Bill provided a \$20 million transfer from the Commonwealth Transportation Fund to the Authority. In addition, the Interstate 81 Improvement Fund (SB1716/HB2718, 2019) revenue was changed. The General Assembly moved this revenue from a monthly basis, based on revenues such as heavy truck registrations, highway use and diesel fuel taxes; to an annual allocation of 8.4% of funds available in the Interstate Operations and Enhancement Program.

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.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

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.

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 from contributions from member jurisdictions or a transfer from the Regional Revenue Fund as permitted under SB1468 (2019). The General Fund is considered a major fund for financial reporting purposes.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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 Title 33.2-2500, of the *Code of Virginia*. 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.

D. Budgeting

The Authority adopts an annual operating budget for the planning and administrative activities of the General Fund. 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.

In 2019, the Virginia General Assembly approved Senate Bill 1468(SB1468) where it shifted responsibility from the Department of Transportation to the Authority for the evaluation and rating of significant transportation projects in Planning District 8 as required under Title 33.2-2500, of the *Code of Virginia*. SB1468(2019) also added administrative and operating expenses to those expenses that can be paid by the Northern Virginia Transportation Authority Fund. Effective for fiscal year 2020, the Authority, as part of its annual budget adoption, exercised the option to transfer the operational and administrative budget amount from the Regional Revenue Fund.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 items in the financial statements using the consumption method.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

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:

<u>Asset Category</u>	<u>Useful Life (years)</u>
Computer Hardware and 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, 2021.

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.

7. Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (the Authority's 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 fiduciary net 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.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

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 fiduciary net 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. Virginia Local Disability Program

The VRS Virginia Local Disability Program (VLDP) is a multiple-employer, cost-sharing plan. For purposes of measuring the net VLDP Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB, and the VLDP OPEB expense, information about the fiduciary net position of the VLDP; and the additions to/deductions from the VLDP's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. 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. Compensated absences are paid from the General Fund.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

11. 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 not recognize bond issuance costs in the governmental funds as a current period expense.

12. 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's items that qualify for reporting in this category related to the pension plan are described in Note 7. The Authority's items that qualify for reporting in this category related to the OPEB plans are described in Notes 8 and 9.

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's items that qualify for reporting in this category related to the pension plan are described in Note 7. The Authority's items that qualify for reporting in this category related to the OPEB plans are described in Notes 8 and 9.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

13. 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 \$567,952 categorized as committed fund balance as of June 30, 2021. 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 Chief Executive Officer, to cover unanticipated increases in the Authority's expenditures. If used, the Chief Executive Officer will present a plan to the Authority for restoring the reserve during the next fiscal year budget process.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

13. Fund Equity (Continued)

The Regional Revenue Fund balance includes \$1,237,094,070 categorized as restricted fund balance as of June 30, 2021. The restricted for appropriated project funding of \$1,111,191,768 is comprised of \$1,184,684,226 appropriated by the Authority for approved funding at June 30, 2021, less \$73,492,458 of forward funding, a strategy initiated with the adoption of the Authority's inaugural Six Year Program for FY2018-FY2023 and carried forward to the updated Six Year Program for FY2020-FY2025. The forward funding strategy appropriates the full project cost in the first fiscal year the project is expected to spend Authority funds, even though the majority of projects will require multiple years to complete. Since the Authority is a reimbursement-based funding source versus a grant-based source, the cash related to the unspent previous project appropriations remain with the Authority and provides the liquidity to forward appropriate funds for projects that are able to expedite completion permitting project sponsors to apply for matching /additional funds, protects against outside appropriation risk and helps ensure projects are completed timely. This practice is consistent with many local jurisdictions. Outside financing would be used if at any time the Authority's liquidity was unavailable. The Authority's debt policy requires \$120,000,000 be restricted for a Working Capital Reserve and \$5,902,302 is restricted for debt service and a debt service reserve.

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.

14. Net Position

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

15. Estimates and Assumptions

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

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

16. 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.

17. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority operates.

18. Subsequent Events

The Authority has evaluated subsequent events through October 13, 2021, the date on which the financial statements were available to be issued.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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 (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, 2021, cash and cash equivalents consisted of the following, at cost, which approximates fair value:

Governmental Activities

Unrestricted Cash and Cash Equivalents:

Cash	<u>\$ 1,672,638</u>
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Restricted:

Demand Deposits	74,628,264
United Bank Insured Cash Sweep	80,151,188
John Marshall Bank Insured Cash Sweep	52,711,413
Commonwealth of Virginia LGIP	22,043,808
Regions Bank (SNAP)	6,364,595
Virginia Municipal League Investment Pool	<u>208,963</u>
Total restricted	<u>236,108,231</u>

Total	<u><u>\$ 237,780,869</u></u>
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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 at the level stated by at least two of the three following firms; AA or better by Standard & Poor’s Rating Services (S&P), Aa or better by Moody’s Investors Services, Inc. (Moody’s), or AA or better by Fitch Rating Services, Inc. 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.

The Authority holds investments in Certificates of Deposit Account Registry Service (CDARs), which mitigates risk through the use of FDIC insurance of accounts at individual banks . As such, CDARs are not rated.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investment Policy

The Authority adopted a formal investment policy in December 2014, with subsequent updates, most recently updated October 2020. 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)
Corporate notes	Must be “high quality” rating as defined by two of the following: AA by S&P; Aa by Moody’s and AA by Fitch or higher
Negotiable certificates of deposit and negotiable bank deposit notes	Must have ratings by two of the following: at least A-1 by S&P; P-1 by Moody’s and F-1 by Fitch for short-term instruments and AA by S&P; Aa by Moody’s and AA by Fitch for long-term instruments

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Credit Risk (Continued)

The Authority's rated investments as of June 30, 2021 were rated by both Standard & Poor's and Moody's. The table below reflects the Standard & Poor's ratings for the Authority's investment portfolio as of June 30, 2021.

	Standard & Poor's or Fitch Ratings			
	Fair Value	AAA	AA	A1
Corporate Notes	\$ 269,720,260	\$ 18,957,870	\$ 250,762,390	\$ -
United States Agencies	198,871,359	14,963,700	183,907,659	-
Commercial Paper	141,454,780	-	-	141,454,780
Supranational Bonds	119,310,862	119,310,862	-	-
Negotiable Certificates of Deposit	88,006,130	-	-	88,006,130
Municipal Bonds-Virginia	64,862,115	15,852,316	49,009,799	-
Municipal Bonds-USA	50,410,842	13,173,272	37,237,570	-
United States Treasuries	10,000,000	-	10,000,000	-
Total	\$ 942,636,348	\$ 182,258,020	\$ 530,917,418	\$ 229,460,910

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.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

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, 2021, the Authority had the following investments and maturities:

	Investment Maturity (in years)					
	Fair Value	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years
Corporate Notes	\$ 269,720,260	\$ 18,546,740	\$ 87,182,470	\$ 153,589,350	\$ 10,401,700	\$ -
United States Agencies	198,871,359	35,023,000	90,076,700	29,917,200	43,854,459	-
Commercial Paper	141,454,780	141,454,780	-	-	-	-
Supranational Bonds	119,310,862	50,071,000	44,318,862	24,921,000	-	-
Negotiable Certificates of Deposit	88,006,130	88,006,130	-	-	-	-
Municipal Bonds-Virginia	64,862,115	565,023	435,183	22,108,169	28,187,292	13,566,448
Municipal Bonds-USA	50,410,842	20,840,484	12,866,538	2,423,386	12,297,559	1,982,875
CDARS	45,315,273	45,315,273	-	-	-	-
United States Treasuries	10,000,000	10,000,000	-	-	-	-
Total	\$ 987,951,621	\$ 409,822,430	\$ 234,879,753	\$ 232,959,105	\$ 94,741,010	\$ 15,549,323

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, 2021.

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
Savings accounts, time deposits (CDs), including FDIC insured 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

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Concentration of Credit Risk (Continued)

Class	Length	Percent of Total Portfolio and Cash
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%
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
Bonds and other obligations issued, guaranteed or assumed by the International Bank of Reconstruction and Development, the Asian Development Bank, or by the African Development Bank. (§2.2-4501)	36 months or less	15%

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

External Investment Pools

As of June 30, 2021, the Authority had investments of \$22,043,808 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, 2021, the Authority had investments of \$6,364,595 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.

The Authority had investments of \$208,963 in the VIP Stable NAV Liquidity Pool at June 30, 2021. 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, 2021, the Authority had \$6,364,595 held by the bond trustees, Regions Bank. Of this amount, \$2,137 was in the 2014 Project Fund account, \$5,900,165 was in the Debt Service Reserve account and \$462,293 was in the debt service account for payment of principal and interest.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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.

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, 2021:

Investments by Fair Value Level	June 30, 2021	Level 1	Level 2	Level 3
Corporate Notes	\$ 269,720,260	\$ 269,720,260	\$ -	\$ -
Money Market Funds	207,490,865	207,490,865	-	-
United States Agencies	198,871,359	198,871,359	-	-
Commercial Paper	141,454,780	141,454,780	-	-
Supranational Bonds	119,310,862	119,310,862	-	-
Negotiable Certificates of Deposit	88,006,130	88,006,130	-	-
Municipal Bonds-Virginia	64,862,115	64,862,115	-	-
Municipal Bonds-USA	50,410,842	50,410,842	-	-
CDARS	45,315,273	45,315,273	-	-
United States Treasuries	10,000,000	10,000,000	-	-

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, 2021, due from other governments consisted of the following:

	Local Distribution Fund	Regional Revenue Fund	Total
Commonwealth of Virginia:			
Sales Tax	\$ 15,599,730	\$ 36,399,373	\$ 51,999,103
Regional Congestion Relief Fee	1,444,657	3,370,866	4,815,523
Commonwealth of Virginia Interest	4,550	10,616	15,166
Total	\$ 17,048,937	\$ 39,780,855	\$ 56,829,792

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 4. Due to/from Other Governments (Continued)

Amounts due to other governments as of June 30, 2021 consisted of the following:

	Local Distribution Fund	Regional Revenue Fund	Total
Arlington County	\$ 1,414,505	\$ 527,923	\$ 1,942,428
Fairfax County	7,206,958	2,593,928	9,800,886
Loudoun County	3,427,919	1,789,580	5,217,499
Prince William County	2,788,491	3,682,838	6,471,329
City of Alexandria	1,107,622	16,460	1,124,082
City of Fairfax	449,337	-	449,337
City of Falls Church	184,170	211,345	395,515
City of Manassas	350,028	-	350,028
City of Manassas Park	119,978	-	119,978
Town of Herndon	-	820,565	820,565
Virginia Department of Transportation	-	7,000,000	7,000,000
Washington Metropolitan Area Transit Authority	-	11,313,674	11,313,674
	<u>\$ 17,049,008</u>	<u>\$ 27,956,313</u>	<u>\$ 45,005,321</u>

Note 5. Intergovernmental Revenues, Commonwealth of Virginia

Intergovernmental revenues from the Commonwealth of Virginia include, for Planning District 8, an additional Retail Sales Tax of 0.7% 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.

Effective July 1, 2020, the Omnibus Transportation Bill established a new regional congestion fee imposed at a rate of \$0.10 per \$100 for the recordation of conveyance of a deed. Governor's amendments delayed the effective date and for the period July 1, 2020 to April 30, 2021, the rate of the regional congestion relief fee was \$0.05 per \$100. Beginning May 1, 2021, the rate increased to \$0.10 per \$100. The rate will remain at this level, unless and until changed by General Assembly.

In addition, the Omnibus Transportation Bill provided a \$20 million transfer from the Commonwealth Transportation Fund to the Authority. In addition, the Interstate Operations and Enhancement Program (SB1716/HB2718, 2019) funding was changed. The assembly moved this revenue from a monthly basis, based on revenues such as heavy truck registrations, highway use and diesel fuel taxes; to an annual allocation of 8.4% of funds available in the Interstate Operations and Enhancement Program.

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated and amortized:				
Office furniture and equipment	\$ 240,344	\$ 92,307	\$ -	\$ 332,651
Less accumulated depreciation and amortization	66,777	30,698	-	97,475
Total capital assets being depreciated and amortized, net	<u>\$ 173,567</u>	<u>\$ 61,609</u>	<u>\$ -</u>	<u>\$ 235,176</u>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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, service credit 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, service credit 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. <ul style="list-style-type: none">• The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.• 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.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Eligible Members</p> <p>Members are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members</p> <p>Members are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members</p> <p>Members are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees.* • Members in Plan 1 or Plan 2 who 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. <p>* Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

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

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

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

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
		Vesting (Continued)
		<u>Defined Contribution Component (Continued)</u>
		<ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may 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, except as governed by law.
Calculating the Benefit	Calculating the Benefit	Calculating the Benefit
The basic benefit is determined using the average final compensation service credit and plan multiplier.	See definition under Plan 1.	<u>Defined Benefit Component</u> See definition under Plan 1.
An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.		<u>Defined Contribution Component</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation	Average Final Compensation	Average Final Compensation
A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Service Retirement Multiplier</p> <p>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.</p>	<p>Service Retirement Multiplier</p> <p>Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier</p> <p>The retirement multiplier for the defined benefit component is 1.0%.</p> <p>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.</p>
<p>Normal Retirement Age</p> <p>Age 65.</p>	<p>Normal Retirement Age</p> <p>Normal Social Security retirement age.</p>	<p>Normal Retirement Age</p> <p><u>Defined Benefit Component</u></p> <p>Same as Plan 2.</p> <p><u>Defined Contribution Component</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility</p> <p>Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p>Normal Social Security retirement age with at least 5 years (60 months) of service credit or when their age plus service credit equals 90.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p><u>Defined Benefit Component</u></p> <p>Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service credit equals 90.</p> <p><u>Defined Contribution Component</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

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

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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)
<u>Exceptions to COLA Effective Dates:</u>	<u>Exceptions to COLA Effective Dates:</u>	<u>Exceptions to COLA Effective Dates:</u>
The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:	Same as Plan 1.	Same as Plan 1 and Plan 2.
<ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct 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. 		

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p>Disability Coverage</p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage</p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage</p> <p>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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service</p> <p>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service</p> <p>Same as Plan 1.</p>	<p>Purchase of Prior Service</p> <p><u>Defined Benefit Component</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported services. <p><u>Defined Contribution Component</u> Not applicable.</p>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

B. Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	1
Inactive Members:	
Non-Vested	1
Inactive members active elsewhere in VRS	<u>1</u>
Total inactive members	3
Active members	<u>9</u>
Total covered members	<u><u>12</u></u>

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.

The Authority's contractually required contribution rate for the year ended June 30, 2021 was 7.43% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$71,636 and \$75,332 for the years ended June 30, 2021 and 2020, respectively.

D. Net Pension Liability

The Authority's net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Authority, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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, 2019, 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, 2020.

Inflation	2.50 percent
Salary increases, including inflation	3.50 percent – 5.35 percent
Investment rate or return	6.75 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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 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, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

Mortality Rates (Continued)

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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.14%

*The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

H. Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2019	\$ 644,793	\$ 602,299	\$ 42,494
Changes for the year:			
Service cost	107,133	-	107,133
Interest	43,242	-	43,242
Difference between expected and actual experience	9,259	-	9,259
Contributions – employer	-	75,332	(75,332)
Contributions – employee	-	58,911	(58,911)
Net investment income	-	13,086	(13,086)
Benefit payments, including refunds of employee contributions	(8,336)	(8,336)	-
Administrative expense	-	(299)	299
Other changes	-	(17)	17
Net changes	151,298	138,677	12,621
Balances at June 30, 2020	\$ 796,091	\$ 740,976	\$ 55,115

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

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

The following presents the net pension liability (asset) of the Authority using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
The Authority's Net Pension Liability (Asset)	\$ 158,369	\$ 55,115	\$ (31,683)

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

For the year ended June 30, 2021, the Authority recognized pension expense of \$85,971. At June 30, 2021, 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
Difference between expected and actual experience	\$ 90,907	\$ (3,693)
Changes of assumptions	13,777	(6,591)
Net difference between projected and actual earnings on pension plan investments	22,654	-
Employer contributions subsequent to measurement date	71,636	-
Total	\$ 198,974	\$ (10,284)

The \$71,636 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, 2022.

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

Year Ending June 30,	Amount
2022	\$ 38,181
2023	40,689
2024	27,120
2025	10,425
2026	639
	<u>\$ 117,054</u>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plan (Continued)

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 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
<p>Eligible Employees The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.</p> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts The benefits payable under the GLI have several components.</p> <ul style="list-style-type: none"> • <u>Natural Death Benefit</u> - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <u>Accidental Death Benefit</u> - The accidental death benefit is double the natural death benefit. • <u>Other Benefit Provisions</u> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> o Accidental dismemberment benefit o Safety belt benefit o Repatriation benefit o Felonious assault benefit o Accelerated death benefit option

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance Program (Continued)

A. Plan Description (Continued)

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 service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 \$7,395 and \$7,126 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the Authority reported a liability of \$110,978 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. 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, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was .00665% as compared to .00560% at June 30, 2019.

For the year ended June 30, 2021, the Authority recognized GLI OPEB expense of \$11,718. 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.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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)

At June 30, 2021, 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
Difference between expected and actual experience	\$ 7,118	\$ (997)
Net difference between projected and actual earnings on GLI OPEB program investments	3,334	-
Changes of assumptions	5,550	(2,317)
Changes in proportionate share	26,890	-
Employer contributions subsequent to measurement date	7,395	-
Total	<u>\$ 50,287</u>	<u>\$ (3,314)</u>

The \$7,395 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 9,157
2023	10,099
2024	9,228
2025	6,928
2026	3,515
Thereafter	651
	<u>\$ 39,578</u>

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.35%
Investment rate of return	6.75, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 8. Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

Mortality rates - Non-Largest 10 Locality Employers – General Employees

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.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	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 year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%
Discount Rate	Decrease rate from 7.00% to 6.75%

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the GLI is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,523,937
Plan Fiduciary Net Position	1,855,102
GLI Net OPEB Liability	<u>\$ 1,668,835</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%
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The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS -Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP-Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.14%

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2020, 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, which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue 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.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
The Authority's proportionate share of the GLI Net OPEB Liability	\$ 145,889	\$ 110,978	\$ 82,627

I. GLI Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2020 *Comprehensive Annual Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2020-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

Note 9. Virginia Local Disability Program

A. Plan Description

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program (VLDP). This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended, to provide short-term and long-term disability benefits for their hybrid plan employees either through a local plan or through the VLDP.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 9. Virginia Local Disability Program (Continued)

A. Plan Description (Continued)

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

VRS VIRGINIA LOCAL DISABILITY PROGRAM (VLDP) PLAN PROVISIONS
<p>Eligible Employees The VLDP was implemented January 1, 2014, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with hybrid plan retirement benefits.</p> <p>Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include:</p> <ul style="list-style-type: none"> • Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.
<p>Benefit Amounts: The VLDP provides the following benefits for eligible employees:</p> <p>Short -Term Disability:</p> <ul style="list-style-type: none"> • The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer. • During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability. • Once the eligibility period is satisfied, employees are eligible for higher income replacement levels. <p>Long-Term Disability:</p> <ul style="list-style-type: none"> • The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week • Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.
<p>VLDP Notes:</p> <ul style="list-style-type: none"> • Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. • VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 9. Virginia Local Disability Program (Continued)

B. Contributions

The contribution requirement for active hybrid plan employees is governed by § 51.1-1178(C) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2021, was 0.83% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VLDP were \$7,851 and \$6,915 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the Authority reported a liability of \$2,570 for its proportionate share of the VRS VLDP Net OPEB liability. The net VLDP OPEB liability was measured as of June 30, 2020 and the total VLDP OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The Authority's proportion of the net VLDP OPEB liability was based on the Authority's actuarially determined employer contributions to the VLDP OPEB plan for the year ended June 30, 2020, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the Authority's proportion of the VLDP was .25748% as compared to .22944% at June 30, 2019.

For the year ended June 30, 2021, the Authority recognized VLDP OPEB expense of \$7,451. Since there was a change in proportionate share between measurement dates, a portion of the VLDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 2,082	\$ (3,017)
Changes of assumptions	119	(172)
Net difference between projected and actual earnings on VLDP OPEB program investments	273	-
Changes in proportionate share	342	-
Employer contributions subsequent to measurement date	7,851	-
Total	\$ 10,667	\$ (3,189)

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 8. Virginia Local Disability Program (Continued)

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

The \$7,851 reported as deferred outflows of resources related to the VRS VLDP OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net VLDP OPEB liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 294
2023	289
2024	294
2025	268
2026	(320)
Thereafter	(1,198)
	<u>\$ (373)</u>

D. Actuarial Assumptions

The total VLDP OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50%-5.95%
Investment rate of return	6.75, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

Mortality rates - Non-Largest 10 Locality Employers – General and Non-Hazardous Duty Employees:

Pre-retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.
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 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years,
Post-disablement:	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, unisex using 100% male.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 9. Virginia Local Disability Program (Continued)

D. Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	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%
Discount Rate	Decrease rate from 7.00% to 6.75%

E. Net VLDP OPEB Liability

The net OPEB liability (NOL) for the VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the VLDP is as follows (amounts expressed in thousands):

	VRS VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	\$ 4,317
Plan Fiduciary Net Position	3,317
Political Subdivision VLDP Net OPEB Liability	<u>\$ 1,000</u>

Plan Fiduciary Net Position as a Percentage of the Total Political Subdivision VLDP OPEB Liability	76.84%
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The total VLDP OPEB liability is calculated by the System's actuary, and plan's fiduciary net position is reported in the System's financial statements. The net VLDP 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.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 9. Virginia Local Disability 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)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS -Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP-Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.14%

* The above allocation provides a one-year return of 7.14%. 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 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%

G. Discount Rate

The discount rate used to measure the total VLDP OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by the Authority for the VLDP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2020, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Authority's VLDP OPEB liability.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 9. Virginia Local Disability Program (Continued)

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
The Authority's proportionate share of the VLDP Net OPEB Liability	\$ 3,447	\$ 2,570	\$ 1,806

I. VRS VLDP Fiduciary Net Position

Detailed information about the VRS Political Subdivision Employee Virginia Local Disability Program's Fiduciary Net Position is available in the separately issued VRS 2020 Comprehensive Annual Financial Report (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2020-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 10. Operating Leases and Agreements

Governmental Activities

The Authority originally leased office space under a 60-month agreement, which commenced on October 6, 2014. The lease was previously amended June 1, 2017 which increased the Authority's office space. In October 2019, the Authority renewed the lease for the current office space and added two additional offices while extending the lease term through 2025. The lease was extended from October 31, 2019 to October 31, 2021 with an option to extend the agreement in increments of one year or more, or until August 5, 2025 whichever comes first. The lease provides for 2.5% annual increases in base rent over the lease term, and pass through of a proportionate share of building core factor and common areas. Rent expense for Governmental Activities as reported in the government-wide financial statements totaled \$171,645.

Year Ending June 30,	Amount
2022	\$ 177,085
2023	181,528
2024	186,082
Total	<u><u>\$ 544,695</u></u>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. 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.

The Authority has outstanding Transportation Special Tax Revenue Bonds of \$52,150,000. The bonds are limited obligations of the Authority and payable solely from the revenues and other property pledged by the Authority for such purpose. The pledged revenues are derived from a portion of the revenue generated by additional sales and use taxes levied by the General Assembly of Virginia. The Authority's right to receive such funds is subject to appropriation by the General Assembly. The General Assembly has the ability to eliminate or change such taxes and fees at any time. The Authority has no taxing power. Bonds are issued pursuant to a Master Indenture of Trust dated December 1, 2014. The Authority has no outstanding line of credit, direct borrowings or direct placements.

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 \$5,881,977 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 \$2,950,000 to \$5,285,000 through June 2034, interest at 5.00% \$ 52,150,000

Changes in Long-Term Debt Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Compensated Absences	\$ 160,532	\$ 92,256	\$ 62,482	\$ 190,306	\$ 190,306
Transportation Special Tax Revenue Bonds	55,015,000	-	2,865,000	52,150,000	2,950,000
Unamortized Premiums	8,648,375	-	596,440	8,051,935	-
Total governmental activities	<u>\$ 63,823,907</u>	<u>\$ 92,256</u>	<u>\$ 3,523,922</u>	<u>\$ 60,392,241</u>	<u>\$ 3,140,306</u>

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.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 11. Long-Term Obligations (Continued)

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

Year(s) Ending June 30,	Principal	Interest	Totals
2022	\$ 2,950,000	\$ 2,597,500	\$ 5,547,500
2023	3,100,000	2,450,000	5,550,000
2024	3,255,000	2,295,000	5,550,000
2025	3,405,000	2,142,250	5,547,250
2026	3,575,000	1,972,000	5,547,000
2027-2031	20,750,000	6,992,250	27,742,250
2032-2034	15,115,000	1,536,000	16,651,000
	<u>\$ 52,150,000</u>	<u>\$ 19,985,000</u>	<u>\$ 72,135,000</u>

Note 12. 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 13. Pending GASB Statements

At June 30, 2021, 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. 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 June 15, 2021.

GASB Statement No. 91, *Conduit Debt Obligation*, will provide a single method of reporting conduit debt obligations by issuer and eliminate diversity in practice associate with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 will be effective for the fiscal years beginning after December 15, 2020.

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 PENSION PLAN

	Fiscal Year June 30,						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (CRC)	\$ 71,636	\$ 75,332	\$ 64,485	\$ 86,997	\$ 78,378	\$ 42,427	\$ 33,173
Contributions in relation to the CRC	71,636	75,332	64,485	86,997	78,378	42,427	33,173
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 964,145	\$ 1,005,520	\$ 865,480	\$ 917,690	\$ 826,772	\$ 624,845	\$ 488,557
Contributions as a percentage of covered-employee payroll	7.43%	7.49%	7.45%	9.48%	9.48%	6.79%	6.79%

(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 AUTHORITY'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 107,133	\$ 107,914	\$ 102,928	\$ 78,247	\$ 70,900	\$ -
Interest	43,242	34,544	24,197	14,560	-	-
Difference between expected and actual experience	9,259	(5,899)	27,939	60,765	137,107	-
Changes of assumptions	-	22,003	-	(15,903)	-	-
Benefit payments, including refunds of employee contributions	(8,336)	(14,509)	-	-	-	-
Net change in total pension liability	151,298	144,053	155,064	137,669	208,007	-
Total pension liability - beginning	644,793	500,740	345,676	208,007	-	-
Total pension liability - ending (a)	\$ 796,091	\$ 644,793	\$ 500,740	\$ 345,676	\$ 208,007	\$ -
Plan Fiduciary Net Position						
Contributions - employer	\$ 75,332	\$ 64,845	\$ 86,928	\$ 78,378	\$ 42,427	\$ 30,617
Contributions - employee	58,911	47,862	47,287	42,081	31,288	49,918
Net investment income	13,086	36,377	26,628	27,878	3,770	951
Benefit payments, including refunds of employee contributions	(8,336)	(14,509)	-	-	-	-
Administrative expense	(299)	(240)	(113)	(42)	(11)	65
Other	(17)	(24)	(29)	(30)	(1)	(2)
Net change in plan fiduciary net position	138,677	134,311	160,701	148,265	77,473	81,549
Plan fiduciary net position - beginning	602,299	467,988	307,287	159,022	81,549	-
Plan fiduciary net position - ending (b)	\$ 740,976	\$ 602,299	\$ 467,988	\$ 307,287	\$ 159,022	\$ 81,549
The Authority's net pension liability (asset) - ending (a)-(b)	\$ 55,115	\$ 42,494	\$ 32,752	\$ 38,389	\$ 48,985	\$ (81,549)
Plan fiduciary net position as a percentage of total pension liability	93%	93%	93%	89%	76%	0%
Covered-employee payroll	\$ 1,005,520	\$ 865,480	\$ 917,690	\$ 826,772	\$ 624,845	\$ 488,557
The Authority's net pension liability (asset) as a percentage of covered-employee payroll	5%	5%	4%	5%	8%	-17%

Notes to Schedule:

- Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.
- Changes of assumptions** – The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-10 Largest

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%
Discount Rate	Decrease rate from 7.00% to 6.75%

- 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'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM For the Measurement Dates of June 30

	Fiscal Year June 30,			
	2020	2019	2018	2017
Total Group Life Insurance OPEB Liability				
The Authority's Portion of the Net GLI OPEB Liability	0.00665%	0.00560%	0.00553%	0.00497%
The Authority's Proportionate Share of the Net GLI OPEB Liability	\$ 110,978	\$ 91,127	\$ 84,000	\$ 75,000
The Authority's Covered Payroll	\$ 1,369,371	\$ 1,098,173	\$ 1,051,730	\$ 917,664
The Authority's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.10%	8.30%	7.99%	8.17%
Plan Fiduciary Net Position as a percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

* The amounts presented have a measurement date of June 30, 2020

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 actuarial assumptions used in the June 30, 2019 were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumption as a result of the experience study and VRS Board action are as follows:

Non-Largest 10 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 retirement rates at older ages and extended final retirement from 70 to
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

- (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,						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (CRC)	\$ 7,395	\$ 7,126	\$ 5,716	\$ 5,469	\$ 4,772	\$ 3,281	\$ 2,275
Contributions in relation to the CRC	7,395	7,126	5,716	5,469	4,772	3,281	2,275
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,364,032	\$ 1,369,371	\$ 1,098,173	\$ 1,051,730	\$ 917,664	\$ 683,642	\$ 473,980
Contributions as a percentage of covered-employee payroll	0.54%	0.52%	0.52%	0.52%	0.52%	0.48%	0.48%

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF AUTHORITY'S SHARE OF NET OPEB LIABILITY – VIRGINIA LOCAL DISABILITY PROGRAM

	Fiscal Year June 30,			
	2020	2019	2018	2017
Total Virginia Local Disability Program OPEB Liability				
The Authority's Portion of the Net VLDP OPEB Liability	0.25748%	0.22944%	0.21833%	0.21506%
The Authority's Proportionate Share of the Net VLDP OPEB Liability	\$ 2,570	\$ 4,648	\$ 1,000	\$ 1,000
The Authority's Covered Payroll	\$ 959,464	\$ 708,987	\$ 530,126	\$ 394,910
The Authority's Proportionate Share of the Net VLDP OPEB Liability as a Percentage of its Covered Payroll	0.27%	0.66%	0.19%	0.25%
Plan Fiduciary Net Position as a percentage of the Total VLDP OPEB Liability	76.84%	49.19%	51.39%	38.40%

* The amounts presented have a measurement date of June 30, 2020

Notes to Schedule:

- Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation
- Changes of assumptions** –The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest 10 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 retirement rates at older ages and extended final retirement from 70 to
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%
Discount Rate	Decrease rate from 7.00% to 6.75%

- 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 – VIRGINIA LOCAL DISABILITY PROGRAM

	Fiscal Year June 30,						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (CRC)	\$ 7,851	\$ 6,915	\$ 5,111	\$ 3,181	\$ 2,369	\$ 1,781	\$ 876
Contributions in relation to the CRC	7,851	6,915	5,111	3,181	2,369	1,781	876
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 941,055	\$ 959,464	\$ 708,987	\$ 530,126	\$ 394,910	\$ 296,810	\$ 146,012
Contributions as a percentage of covered-employee payroll	0.83%	0.72%	0.72%	0.60%	0.60%	0.60%	0.60%

Supplementary Information

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENDITURES

Year Ended June 30, 2021

General and Administrative Expenditures:

Personnel expenses:		\$ 1,784,949
Salaries & wages	\$ 1,391,314	
Benefits & retirement	<u>393,635</u>	
Professional services:		198,353
Legislative services fees	71,669	
Financial advisory services fees	35,000	
Public outreach & regional event support costs	38,423	
Auditing & accounting services fees	28,000	
Investment custody services fees	20,340	
Bond trustee services fees	2,688	
Payroll & bank services fees	<u>2,233</u>	
Technical and technology hosting services:		232,940
GIS & Project Management & Monitoring systems	112,132	
Financial reporting & accounting systems	84,864	
Network-IT-Hosting services	28,015	
Web development & hosting services	<u>7,929</u>	
Office lease charges		171,645
Professional development, memberships, industry & training conferences		15,154
Phone services		11,166
Insurance and liability bonds cost		7,458
Copier printing and duplication charges		6,629
Office supplies, furniture and equipment expenses		1,937
Hosted meeting expenses		1,269
Postage		321
Mileage and transportation costs		<u>165</u>
Total general and administrative expenditures		<u><u>\$ 2,431,986</u></u>

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

**SCHEDULE OF CHANGES IN NET POSITION BY JURISDICTION
LOCAL DISTRIBUTION FUND (30%)
Year Ended June 30, 2021**

	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:										
Sales tax	\$ 7,028,178	\$ 35,900,436	\$ 17,869,896	\$ 14,072,518	\$ 5,706,034	\$ 2,432,768	\$ 1,019,375	\$ 2,046,928	\$ 533,939	\$ 86,610,072
Northern Virginia transportation district fund transfer	478,981	2,462,415	1,285,629	962,745	390,582	168,836	69,867	146,322	34,623	6,000,000
Interstate operations enhancement program	342,806	1,660,387	829,193	646,670	260,579	115,824	45,628	97,331	25,147	4,023,565
Regional congestion relief fee	741,667	3,264,557	1,714,532	1,257,521	678,806	75,765	55,132	72,138	28,277	7,888,395
Commonwealth fund interest	4,101	20,674	10,551	8,251	3,417	1,368	589	1,168	304	50,423
Interest income	279	1,440	735	560	246	105	35	70	35	3,505
Total revenues	8,596,012	43,309,909	21,710,536	16,948,265	7,039,664	2,794,666	1,190,626	2,363,957	622,325	104,575,960
Expenditures										
Distribution of 30% local funds	8,596,012	43,309,909	21,710,536	16,948,265	7,039,664	2,794,666	1,190,626	2,363,957	622,325	104,575,960
Total expenditures	8,596,012	43,309,909	21,710,536	16,948,265	7,039,664	2,794,666	1,190,626	2,363,957	622,325	104,575,960
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

Project Sponsor	Appropriation Year	Standard Project Agreement Title	NVTA Appropriated Funding	Contracted Amount Paid as of 6/30/2021	Remaining Appropriation at 6/30/2021	Percentage of Draw Down	Phases Funded
Arlington County	2014	Silver/Blue Line Mitigation (Four New Buses)	\$ 1,000,000	\$ 797,696	\$ -	100%	Acq
Arlington County	2014	Crystal City Multimodal Center	1,500,000	1,326,173	-	100%	CN
Arlington County	2015	Glebe Road Corridor Intelligent Transportation System (ITS) Improvements	2,000,000	624,763	1,375,237	31%	Pre Eng, CN
Arlington County	2017	Lee Highway Corridor Intelligent Transportation System Enhancements	3,000,000	346,945	2,653,055	12%	Des, Eng, ROW, CN
Arlington County	2014	Boundary Channel Drive Interchange	4,335,000	2,196,516	2,138,484	51%	Des, CN
Arlington County	2020	Crystal City Metrorail Station East Entrance and Intermodal Connections	5,000,000	651,086	4,348,914	13%	Des, Eng
Arlington County	2015	Columbia Pike Multimodal St Improvements East End B/T 2 interchanges w Washington Blvd	10,000,000	1,000,000	9,000,000	10%	Des, CN
Arlington County	2019	Intelligent Transportation System Improvements	10,000,000	537,054	9,462,946	5%	CN
Arlington County	2017	Crystal City Streets:12th St Transitway, Clark/Bell Realignment, & Intersection Improvements	11,600,000	2,446,009	9,153,991	21%	Des, Eng, Env, CN
Arlington County	2015	Ballston Metrorail Station West Entrance	12,000,000	961,137	11,038,863	8%	Final Des
Arlington County	2014	Columbia Pike Multimodal St Improvements West End FR FFX County line to Four Mile Run	12,000,000	12,000,000	-	100%	CN
Arlington County	2020	Pentagon City Multimodal Connections and Transitway Extension	28,850,000	-	28,850,000	0%	CN
Arlington County	2019	ART Operations and Maintenance Facilities	39,027,000	287,001	38,739,999	1%	Des, ROW, CN, Acq
Fairfax County	2015	US 1 Richmond Hwy (Mt. Vernon Memorial Hwy to Napper Rd)	1,000,000	1,000,000	-	100%	Env, Pre Eng
Fairfax County	2015	Frontier Drive Extension & Braided Ramps	2,000,000	2,000,000	-	100%	Des, Env, Pre Eng
Fairfax County	2015	Rolling Road Widening(Old Keene Mill Rd to Franconia Springfield Pkwy)	5,000,000	3,750,000	1,250,000	75%	Des, Eng, Env, ROW, CN
Fairfax County	2015	Route 28 Widening (Prince William County Line to Route 29)	5,000,000	4,273,667	726,333	85%	Des, Pre Eng, ROW
Fairfax County	2017	Route 28 Widening (Prince William County Line to Route 29)	5,000,000	-	5,000,000	0%	Des, Pre Eng
Fairfax County	2015	Connector Bus Service Expansion – Capital Purchase 12 Buses	6,000,000	5,922,262	-	100%	Acq
Fairfax County	2015	Fairfax County Parkway Improvements	10,000,000	7,000,000	3,000,000	70%	Study, Env, Pre Eng
Fairfax County	2017	Route 286 Fairfax County Parkway Widening (Route 123 to Route 29)	10,000,000	-	10,000,000	0%	ROW
Fairfax County	2017	Route 7 Widening Phase I (Colvin Forest Dr to Jarrett Valley Dr)	10,000,000	6,000,000	4,000,000	60%	ROW
Fairfax County	2020	Rolling Road Widening: Hunter Village Drive to Old Keene Mill Road	11,111,000	-	11,111,000	0%	ROW, CN
Fairfax County	2021	Rt 28 Widening: Rt 29 to PWC Line	16,000,000	-	16,000,000	0%	CN
Fairfax County	2015	West Ox Bus Garage Phase II	20,000,000	11,710,280	-	100%	CN
Fairfax County	2020	Frontier Drive Extension and Intersection Improvements	25,000,000	-	25,000,000	0%	ROW, CN
Fairfax County	2015	Innovation Center Metrorail Station	28,000,000	27,837,813	162,187	99%	CN
Fairfax County	2014	Innovation Center Metrorail Station	41,000,000	37,738,401	3,261,599	92%	Des/Build
Fairfax County	2021	Fairfax County Parkway Widening: Ox Rd to Lee Hwy Incl grade-separated interchange at	67,000,000	-	67,000,000	0%	ROW, CN
Fairfax County	2020	Route 1 Widening (Mount Vernon Memorial Highway to Napper Road)	127,000,000	-	127,000,000	0%	Des, ROW, CN
Fairfax County	2019	Richmond Hwy Bus Rapid Transit Phase I & II	250,000,000	12,471,361	237,528,639	5%	Des, ROW, CN
Fairfax County	2017	I-66/Route 28 Interchange Improvements -\$300,000,000	Withdrawn	-	-	WD	Des, Eng, Env, ROW, CN
Loudoun County	2014	2-Transit Buses - 40ft	880,000	880,000	-	100%	Acq
Loudoun County	2014	Leesburg Park and Ride	1,000,000	1,000,000	-	100%	ROW/CN
Loudoun County	2015	Acquisition of 4 Buses	1,860,000	1,860,000	-	100%	Acq
Loudoun County	2019	Route 9 Traffic Calming/Hillsboro	12,112,000	12,112,000	-	100%	Des, ROW, CN, Utility
Loudoun County	2019	Evergreen Mills Road Intersection Realignments – Watson Road and Reservoir Road	14,000,000	417,202	13,582,798	3%	Des, ROW, CN, Utility
Loudoun County	2020	Extend Shellhorn Road: Loudoun County Parkway (Route 607) to Randolph Drive (Route	16,000,000	9,112,386	6,887,614	57%	ROW
Loudoun County	2015	Belmont Ridge Road (VA Route 659)- Turo Parish Road to Croson Ln	19,500,000	2,062,031	17,437,969	11%	CN
Loudoun County	2014	Belmont Ridge Road (Rt 659) North of Dulles Greenway Widening	20,000,000	20,000,000	-	100%	CN
Loudoun County	2015	Loudoun County Parkway (VA Route 607) – U.S. 50 to Creighton Rd.	31,000,000	12,223,300	18,776,700	39%	CN
Loudoun County	2019	Dulles West Boulevard Widening: Loudoun County Parkway to Northstar Boulevard	47,800,000	1,789,580	46,010,420	4%	Des, ROW, CN, Utility
Loudoun County	2020	Northstar Boulevard - Shreveport Drive to Tall Cedars Parkway	64,805,000	4,237,749	60,567,251	7%	ROW, CN
Loudoun County	2020	Prentice Drive Extension: Lockridge Road (Route 789) to Shellhorn Road (Route 643)	76,230,000	4,166,689	72,063,311	5%	ROW, CN
Prince William County	2015	Route 28 (Manassas Bypass) Study - Godwin Drive Extended	2,500,000	1,959,277	540,723	78%	Study
Prince William County	2014	Route 1 from Featherstone Road to Mary's Way	3,000,000	3,000,000	-	100%	Des
Prince William County	2020	Route 28 Corridor Feasibility Study - Environmental Impact Statement (City of Manassas to	3,500,000	-	3,500,000	0%	Des
Prince William County	2015	Widen Rt 1(Fraleigh Blvd) Brady's Hill Rd to Rt 234 (Dumfries Rd)	6,900,000	2,879,508	4,020,492	42%	Pre Eng
Prince William County	2017	Route 28 Widening to Six Lanes (Route 234 Bypass to Linton Hall Road)	10,000,000	-	10,000,000	0%	CN

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF CHANGES IN RESTRICTED FUNDING FOR APPROPRIATED PROJECTS – REGIONAL REVENUE FUND (Continued)

Project Sponsor	Appropriation Year	Standard Project Agreement Title	NVTA Appropriated Funding	Contracted Amount Paid as of 6/30/2020	Remaining Appropriation at 6/30/2020	Percentage of Draw Down	Phases Funded
Prince William County	2017	Route 1 Widening to Six Lanes (Featherstone Road to Mary's Way)	\$ 11,000,000	\$ 4,701,030	\$ 6,298,970	43%	CN
Prince William County	2019	Summit School Rd Extension and Telegraph Rd Widening	11,000,000	1,678,236	9,321,764	15%	Des, ROW, CN
Prince William County	2019	RT28 corridor improvements (Fitzwater Dr to Pennsylvania Ave)	15,000,000	11,167,555	3,832,445	74%	CN
Prince William County	2015	Route 28 Widening from Route 234 Bypass to Linton Hall Road	16,700,000	16,700,000	-	100%	Pre Eng, CN
Prince William County	2019	Construct Interchange at Prince William Parkway and University Boulevard	24,200,000	1,963,904	22,236,096	8%	CN
Prince William County	2014	Route 28 from Linton Hall Road to Fitzwater Drive	28,000,000	28,000,000	-	100%	ROW, CN
Prince William County	2015	Route 1 Widening from Featherstone Road to Mary's Way	49,400,000	39,803,310	9,596,690	81%	ROW, CN
Prince William County	2019	Construct Interchange at Route 234 and Brentsville Road	54,900,000	1,790,666	53,109,334	3%	Des, ROW, CN
Prince William County	2021	Construct RT 28 Corridor Roadway Improvements	89,000,000	-	89,000,000	0%	CN
Town of Herndon	2014	Herndon Pkwy Intersection Improvements Sterling Rd	500,000	498,397	-	100%	Des, ROW
Town of Herndon	2014	Herndon Pkwy Intersection Improvements Van Buren	500,000	446,376	53,624	89%	Des, ROW, CN
Town of Herndon	2014	Herndon Metrorail Intermodal Access Improvements	1,100,000	1,100,000	-	100%	Des, ROW
Town of Herndon	2015	East Elden Street Improvements & Widening Project	10,400,000	2,567,795	7,832,205	25%	ROW
Town of Leesburg	2015	New grade-separated interchange Edwards Ferry Rd at Rt 15 Leesburg BP	1,000,000	1,000,000	-	100%	Des
Town of Leesburg	2014	New grade-separated interchange on Edwards Ferry Road at RT 15 Leesburg BP	1,000,000	1,000,000	-	100%	Des
Town of Leesburg	2021	Rt 15 Bypass & Battlefield Prkwy Interchange Project	2,000,000	-	2,000,000	0%	Des, Eng
Town of Leesburg	2015	Route 7 (East Market Street)/Battlefield Parkway Interchange	13,000,000	13,000,000	-	100%	Final Des
Town of Leesburg	2017	Route 7 (East Market Street) / Battlefield Parkway Interchange	20,000,000	20,000,000	-	100%	CN
Town of Leesburg	2020	Route 7 (E Mrkt St) Battlefield Prkwy Interchange	25,000,000	15,000,000	10,000,000	60%	CN
City of Alexandria	2019	Alexandria Bus Network ITS	150,000	150,000	-	100%	Des, CN
City of Alexandria	2015	Duke Street Transit Signal Priority	190,000	190,000	-	100%	Des, CN
City of Alexandria	2014	Shelters and Real Time Transit Info for DASH/Wmata	450,000	450,000	-	100%	CN
City of Alexandria	2014	Traffic Signal Upgrades/Transit Signal Priority	660,000	382,181	-	100%	Des, CN
City of Alexandria	2020	Alexandria ITS Projects	1,195,491	639,398	556,093	53%	Des, ENG, CN
City of Alexandria	2014	Dash bus expansion (5 new hybrid buses)	1,462,500	1,462,500	-	100%	Acq
City of Alexandria	2015	Potomac Yard Metrorail Station	1,500,000	1,500,000	-	100%	Pre Eng, Final Des
City of Alexandria	2014	Potomac Yard Metro Station EIS	2,000,000	2,000,000	-	100%	Pre Eng
City of Alexandria	2015	West End Transitway(Van Dorn - Beauregard)	2,400,000	901,254	1,498,746	38%	Final Des
City of Alexandria	2020	DASH Transit Service Enhancements and Expansion	11,933,161	218,765	11,714,396	2%	CN, Acq
City of Alexandria	2020	Alexandria Duke St Transitway	12,000,000	16,460	11,983,540	0%	Des, Eng
City of Alexandria	2017	Potomac Yard Metrorail Station	66,000,000	66,000,000	-	100%	Des, CN (Des-Build)
City of Fairfax	2015	Jermantown / Route 50 Roadway Improvements	1,000,000	1,000,000	-	100%	CN
City of Fairfax	2015	Kamp Washington Intersection Improvements-Rt 50 & Rt 29 & Rt 236	1,000,000	1,000,000	-	100%	CN
City of Fairfax	2019	Roadway Network Northfax West	2,500,000	43,320	2,456,680	2%	Des, ROW, CN
City of Fairfax	2015	CUE 35-foot transit Bus Acquisition	3,000,000	2,536,210	-	100%	Acq
City of Fairfax	2014	Chain Bridge Rd Widening / Improve from Rt 29/50 to Eaton Place	5,000,000	5,000,000	-	100%	Des, ROW, CN
City of Fairfax	2015	Northfax - Intersection and drainage improvements at Route 29/50 and Route 123	10,000,000	10,000,000	-	100%	CN
City of Fairfax	2019	Jermantown Rd Corridor Improvement Project	21,000,000	351,395	20,648,605	2%	Des, ROW, CN
City of Falls Church	2014	Pedestrian Bridge providing safe access to E Falls Church Metro	130,228	130,228	-	100%	Des, CN
City of Falls Church	2014	Bus Stop Changes Incl provision of shelters & pedestrian inform & Consolidation	200,000	200,000	-	100%	Des, ROW, CN
City of Falls Church	2014	Pedestrian Access to Transit	700,000	700,000	-	100%	Des, ROW, CN
City of Falls Church/NVRI	2019	Falls Church Enhanced Regional Bike Routes (W&OD)	3,244,959	1,307,012	1,937,947	40%	Des, CN
City of Falls Church	2020	West Falls Church & Joint Campus Revitalization District Multimodal Transportation Project	15,700,000	3,121,160	12,578,840	20%	Des, Eng, ROW, CN
City of Manassas	2015	Route 28 Widening South to the City Limits	3,294,000	855,527	2,438,473	26%	Pre Eng, ROW, CN
VDOT/Fairfax County	2014	Route 28 widening NB from McLearen to Dulles Toll Rd	11,100,000	11,100,000	-	100%	Des-Build
VDOT/Loudoun County	2014	Route 28 Hot Spot Improvements (Loudoun Segment)	12,400,000	12,400,000	-	100%	CN
VDOT/Fairfax County	2015	Route 7 Bridge Widening over Dulles Toll Road	13,900,000	13,900,000	-	100%	CN

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF CHANGES IN RESTRICTED FUNDING FOR APPROPRIATED PROJECTS – REGIONAL REVENUE FUND (Continued)

Project Sponsor	Appropriation Year	Standard Project Agreement Title	NVTA Appropriated Funding	Contracted Amount Paid as of 6/30/2020	Remaining Appropriation at 6/30/2020	Percentage of Draw Down	Phases Funded
VDOT/Loudoun County	2019	Route 28 Northbound Widening –between the Dulles Toll Road and Sterling Blvd	\$ 20,000,000	\$ 18,420,600	\$ -	100%	CN
VDOT/Fairfax County	2014	Route 28 widening SB from Dulles Toll Road to Route 50	20,000,000	20,000,000	-	100%	Des-Build
WMATA	2014	Traction Power Upgrades on the Orange Line in Virginia (8 -car trains)	4,978,685	2,524,634	-	100%	Des
WMATA	2017	Metrorail Blue Line Traction Power Upgrades	17,443,951	10,271,288	7,172,663	59%	Eng, CN
Virginia Railway Express	2015	Crystal City Platform Extension Study	400,000	394,243	-	100%	Study
Virginia Railway Express	2015	Manassas Park Station Parking Expansion	500,000	500,000	-	100%	Des, Pre Eng
Virginia Railway Express	2014	Alexandria Station Tunnel and Platform Improvements *	1,300,000	-	-	WD	CN
Virginia Railway Express	2014	VRE Gainesville-Haymarket Extension Project Development	1,500,000	1,500,000	-	100%	Des
Virginia Railway Express	2017	VRE Manassas Park Station Parking Expansion	2,000,000	830,729	1,169,271	42%	Eng, Env, Des
Virginia Railway Express	2021	VRE Crystal City Station Improvements	4,000,000	-	4,000,000	0%	Des, Eng
Virginia Railway Express	2015	Slaters Lane Crossover	7,000,000	2,553,665	-	100%	Pre Eng, CN
Virginia Railway Express	2014	Lorton Station Second Platform	7,900,000	800,270	-	WD	Des, CN
Virginia Railway Express	2015	Rippon Station Expansion and Second Platform	10,000,000	39,480	-	WD	Des, Pre Eng, CN
Virginia Railway Express	2015	Franconia-Springfield Platform Improvements	13,000,000	940,681	12,059,319	7%	Pre Eng, Env, CN
PRTC	2014	PRTC New Gainesville Service Bus	580,000	559,275	-	100%	Acq
PRTC	2015	Western Bus Maintenance and Storage Facility	16,500,000	16,499,998	-	100%	CN
NVTC	2014	Route 7 Transit Alternatives Analysis Study	838,000	834,665	-	100%	Study
Total Appropriated Funding, Amount Paid & Remaining Restricted Amounts as of June 30, 2021			\$ 1,816,260,975	\$ 595,220,093	1,184,684,226		
Amount of Forward Funding as Described in Note 1, E. - 13.					(73,492,458)		
					\$ 1,111,191,768		

* Funding Request Withdrawn effective 7/9/2020

Des - Design; Pre Eng- Preliminary Engineering; Eng - Engineering; Env - Environmental; ROW - Right of Way; CN - 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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 13, 2021.

Internal Control over Financial Reporting

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

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
October 13, 2021