NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

FINANCIAL AND COMPLIANCE REPORTS
Year Ended June 30, 2015

Northern Virginia
Transportation Authority

The Authority for Transportation in Northern Virginia

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

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Jennifer Mitchell, Virginia Department of Rail and Public Transportation

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Certain Authority Staff

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the Northern Virginia Transportation Authority (Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2015, and the respective changes in financial position, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 4-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 2, 2015

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, 2015.

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

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

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

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

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

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

- Assets of the Authority exceeded its liabilities for the year ended June 30, 2015 by $408,788,712 (net position). Of this amount, $379,528 represents unrestricted net position, which may be used to meet the Authority's ongoing obligations. Restricted net position totaled approximately $408,371,088 and can be used only for transportation projects.

- The Authority's total outstanding debt for the year ended June 30, 2015 was $79.2 million as a result of permanent bond financing. Of this amount $67.6 million represents 2014 Transportation Special Tax Revenue Bonds and $11.6 million unamortized bond premium. In December 2014, the Authority entered the capital bond market for the first time with bonds designated to replace the short-term line of credit with fixed rate, long-term, low cost, permanent financing.

- For the fiscal year ended June 30, 2015, contributions and intergovernmental revenue, for the Authority's governmental activities totaled $308.8 million. Expenses totaled $99.6 million; $92.2 million represents the 30% funds distributed to member jurisdictions in accord with HB2313 and $4.1 million represents reimbursement of authorized project costs.

Highlights for Fund Financial Statements

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

- The Authority's General Fund reported an increase in fund balance of $122,890. The General Fund balance as of June 30, 2015 totaled $567,651 compared with $444,761 at the end of the previous fiscal year.

- The Authority's Special Revenue Funds (Local Distribution Fund and Regional Revenue Fund) established in the prior fiscal year, reported an increase in fund balance of $288,525,646 for a combined fund balance of $487,199,195 as of June 30, 2015 compared to $198,673,549 at the end of the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The financial statements presented include all of the activities which are part of the Authority reporting entity using the integrated approach as prescribed by the Governmental Accounting Standards Board (GASB). The government-wide financial statements present the financial picture of the Authority's governmental activities from the economic resources measurement focus using the accrual basis of accounting.

The fund financial statements include a separate column for each of the major governmental funds and the non-major debt service fund. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities, with the governmental activities combined. The Statement of Net Position presents the assets and deferred outflows and liabilities and deferred inflows of the Authority with the difference reported as net position. The Statement of Activities shows in broad terms changes to net position during the fiscal year.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or declining. Net position is one way to measure financial position but the reader should also consider other indicators, such as general economic conditions.

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

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

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

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

The Authority adopts an annual appropriated budget for its General Fund and the two special revenue funds. An internal budgetary comparison statement is maintained for the General Fund to demonstrate compliance with this budget. The budgetary comparison statements have been provided in the financial statements for the current fiscal year to demonstrate compliance with this budget.

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

The Required Supplementary Information provides additional information that is required by accounting principles generally accepted in the United States to be presented as a supplement to the basic financial statements.

Supplementary Information

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

FINANCIAL ANALYSIS OF THE AUTHORITY REPORTING ENTITY AS A WHOLE

Statement of Net Position

The following table presents a summary of the Statement of Net Position for the Authority as of June 30, 2015. Comparative data for June 30, 2014 has been included for comparison purposes.

Summary of Net Position
June 30,

	Governmental Activities	
	2015	2014
Assets:		
Current and other assets	$ 506,949,822	$ 289,500,245
Capital assets, net	38,096	-
Total assets	506,987,918	289,500,245
Liabilities:		
Current and other liabilities	21,318,634	89,903,201
Long-term liabilities	76,880,572	-
Total liabilities	98,199,206	89,903,201
Net position:		
Net investment in capital assets	38,096	-
Restricted	408,371,088	199,206,760
Unrestricted	379,528	390,284
Total net position	$ 408,788,712	$ 199,597,044

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by $408,788,712 at June 30, 2015.

A significant portion of net position, $408.4 million or 99.9% represents resources subject to external restriction. The remaining balance consist of the Authority's net investment in capital assets of $38,096 and $379,528 unrestricted net assets that may be used to meet the Authority's ongoing obligations to its citizens and creditors.

Current assets consist primarily of amounts due from the Commonwealth of Virginia, cash and cash equivalents, and restricted cash and cash equivalents. As of June 30, 2015, approximately $54.8 million was due from the Commonwealth of Virginia, of which $5.1 million is for grantors tax, $42.5 million is for sales tax and $7.2 million is for transient occupancy tax. Restricted cash, cash equivalents and investments totaled $451.5 million of which $445.5 million restricted for regional transportation projects benefiting the member jurisdictions and $5.6 million restricted for debt service.

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, 2015. Comparative data for June 30, 2014 has been included for comparison purposes.

Summary of Changes in Net Position
Year Ended June 30, 2015

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues		
Operating grants and contributions	$ 1,149,473	$ 591,595
General revenue		
Intergovernmental	307,264,149	285,603,165
Interest income	391,165	82,845
Miscellaneous	3,229	7,473
Total revenues	308,808,016	286,285,078
Expenses:		
General and administration	1,007,439	1,674,210
Jurisdictional distributions (30%)	92,183,027	85,225,940
Project cost distributions	4,058,792	-
Interest on long-term debt	2,367,090	-
Total expenses	99,616,348	86,900,150
Change in net position	209,191,668	199,384,928
Beginning net position	199,597,044	212,116
Ending net position	$ 408,788,712	$ 199,597,044

For the fiscal year ended June 30, 2015, revenues totaled $308.8 million. Expenses totaled $99.6 million. A discussion of the key components of the revenue and expense is included in the funds analysis.

FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

Governmental Funds

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

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

General Fund. The General Fund is the operating fund of the Authority. At the end of the current year, unassigned fund balance of the General Fund was $324,788, while total fund balance equaled $567,651. 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 32% of total General Fund expenditures, while total fund balance represents approximately 55% of that same amount.

The fund balance of $567,651 includes $236,578 of committed fund balance. The debt policy adopted on December 12, 2013, revised June 19, 2015, requires the Authority to maintain an operating reserve sufficient to fund at a minimum 20% of the General Fund operating expenses. This operating reserve may be used at the discretion of the Executive Director, to cover unanticipated increases in the Authority's expenditures. If used, the Executive Director will present a plan to the Authority for restoring the reserve during the next fiscal year budget process.

The Authority adopts an annual operating budget for General Fund operating activities for the purpose of determining the annual contributions from the member jurisdictions required to fund these activities. Total contributions by the nine member jurisdictions equaled $1,149,473 for fiscal year 2015.

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 a major governmental fund. The debt service fund had a balance of $462,379 as of June 30, 2015 on deposit for fiscal year 2016 debt obligations.

Special Revenue Funds. The Authority established two special revenue funds during fiscal year 2014, the Local Distribution Fund (30%) and the Regional Revenue Fund (70%), both categorized as major funds in the governmental fund statements. These funds are used to report the intergovernmental revenue received from the Commonwealth of Virginia.

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

The details of capital assets as of June 30, 2015 are as follows:

	Governmental Activities 2015
Office furniture and equipment	$ 42,668
Less accumulated depreciation	4,572
Total capital assets, net	$ 38,096

The Authority's investment in capital assets as of June 30, 2015 amounted to $38,096 (net of accumulated depreciation). Fiscal year 2015 represents the first year the Authority reported capitalized assets.

Debt Administration

In December 2014, the Authority entered the capital bond market for the first time with bonds designated to replace the short-term line of credit obtained in fiscal year 2014. An initial bond sale is a significant undertaking. Actions include bond validation court proceedings, establishing internal policies and procedures, initial credit rating presentations on Wall Street and, finally, the marketing and sale of the bonds. Our efforts to execute the Authority's approved finance plan resulted in strong credit ratings of AA+, Aa1 and AA+ combined with stable outlooks from Fitch, Moody's and Standard and Poor's. 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, 2015, the Authority had total debt outstanding of $79,190,572. Of this amount $67,560,000 represents the Transportation Special Tax Revenue Bonds, Series 2014 and $11,630,572 of unamortized bond premium. The bonds are secured by the Authority's Regional Revenue and a debt service reserve of $5,551,150 established from the proceeds upon issuance of the bonds. Assets of the debt service reserve fund are to be used solely to pay principal and interest.

Economic Factors and Fiscal Year 2016's Budget

- Northern Virginia is both a nationally and globally significant region. It is categorized as having a broad, diverse and stable regional economy. The region is the driver of economic activity for the Commonwealth of Virginia.

- In aggregate, the Authority's nine member jurisdictions have experienced stable population growth in the last ten years with growth rates averaging 1.88% per year.

- Among the nine member jurisdictions, job growth has averaged .94% per year over the last decade.

- In aggregate, the number of jobs in the Authority's jurisdictions are projected to experience continued growth. However, for 2014, job growth averaged .4% as federal cuts continued to dampen growth per Christine Chmura CEO of Chumura Economics & Analytics.

- Unemployment rate in the Authority's jurisdictions is exceptionally low, compared to both the U.S. and the Commonwealth of Virginia. At June 30, 2015, the average preliminary unemployment rate not seasonally adjusted in the Authority jurisdictions was 3.99% compared to 4.9% in the Commonwealth and 5.5% nationally. This represents a 2% decrease since June 2014.

- Per capita income average of the Authority's jurisdictions is approximately $45,584 compared to the Commonwealth at $33,493 and $28,155 nationally per the U.S. Census Bureau, 2009-2013 5-Year American Community Survey. This represents a 3% increase from the 2008-2012 5-Year American Community Survey.

- Median family income average for the Authority's member jurisdictions is approximately $114,689 compared to $76,754 in the Commonwealth and $64,719 nationally per the U.S. Census Bureau, 2009-2013 5-Year American Community Survey. This represents a 2% increase from the 2008-2012 5-Year American Community Survey.

- The fiscal year 2016 budget includes a projected 2% increase in sales tax revenue compared to the fiscal year 2015 budget; a 1.5% increase in transient occupancy tax revenue and a .8% increase in grantors tax.

- The Authority's General Fund operating budget will increase from $1,182,894 in fiscal year 2015 to $1,485,717 in fiscal year 2016. This increase is reflective of an increase in public outreach initiatives and the Authority's first full year of office rent expenses.

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.

FINANCIAL STATEMENTS

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF NET POSITION
June 30, 2015

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	592,889
Other receivables		10,779
Due from other governments		54,846,153
Deposits and prepaid items		6,285
Restricted cash, cash equivalents and investments		451,493,716
Capital assets (net of accumulated depreciation):		
Office furniture and equipment		38,096
Total assets		506,987,918
LIABILITIES		
Accounts payable		2,177,995
Accrued liabilities		308,254
Bond reserves		68,391
Due to other governments		16,453,994
Current portion of long-term debt		2,310,000
Noncurrent liabilities:		
Due in more than one year		76,880,572
Total liabilities		98,199,206
NET POSITION		
Net investment in capital assets		38,096
Restricted		408,371,088
Unrestricted		379,528
Total net position	$	408,788,712

See Notes to Financial Statements.

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	Expenses	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Functions/Programs			
Governmental activities:			
General and administration	$ 1,007,438	$ 1,149,473	$ 142,035
Jurisdictional distributions (30%)	92,183,027	-	(92,183,027)
Project cost distributions	4,058,792	-	(4,058,792)
Interest and issuance costs	2,367,091	-	(2,367,091)
Total governmental activities	$ 99,616,348	$ 1,149,473	(98,466,875)
General revenues			
Intergovernmental revenue:			
Grantors tax			43,944,427
Sales tax			235,410,573
Transient occupancy tax			27,752,239
NVTA fund interest income			156,910
Interest income			391,165
Miscellaneous			3,229
Total general revenues			307,658,543
Change in net position			209,191,668
Net Position, beginning of year			199,597,044
Net Position, end of year			$ 408,788,712

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2015

		Special Revenue Funds		Non-Major	
	General Fund	Local Distribution Fund	Regional Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 592,889	$ -	$ -	$ -	$ 592,889
Other receivables	-	-	10,779	-	10,779
Due from other governments	-	16,453,846	38,392,307	-	54,846,153
Deposits and prepaid items	6,285	-	-	-	6,285
Restricted cash, cash equivalents and investments	-	148	451,031,189	462,379	451,493,716
Total assets	$ 599,174	$ 16,453,994	$ 489,434,275	$ 462,379	$ 506,949,822
LIABILITIES					
Accounts payable	$ 17,639	$ -	$ 2,160,356	$ -	$ 2,177,995
Accrued liabilities	13,884	-	6,333	-	20,217
Bond reserves	-	-	68,391	-	68,391
Due to other governments	-	16,453,994	-	-	16,453,994
Total liabilities	31,523	16,453,994	2,235,080	-	18,720,597
FUND BALANCES					
Nonspendable	6,285	-	-	-	6,285
Restricted	-	-	421,112,931	462,379	421,575,310
Restricted - working capital reserve	-	-	66,086,264	-	66,086,264
Committed	236,578	-	-	-	236,578
Unassigned	324,788	-	-	-	324,788
Total fund balances	567,651	-	487,199,195	462,379	488,229,225
Total liabilities and fund balances	$ 599,174	$ 16,453,994	$ 489,434,275	$ 462,379	$ 506,949,822

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		$ 488,229,225
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	$ 42,668	
Less: accumulated depreciation	(4,572)	
		38,096
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		(269,879)
Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds.		(18,158)
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	(67,560,000)	
Premiums on bonds payable	(11,630,572)	
		(79,190,572)
Net position - governmental activities		$ 408,788,712

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2015

		Special Revenue Funds		Non-Major	
	General Fund	Local Distribution Fund	Regional Revenue Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Intergovernmental:					
Grantors tax	$ -	$ 13,183,328	$ 30,761,099	$ -	$ 43,944,427
Sales tax	-	70,623,172	164,787,401	-	235,410,573
Transient occupancy tax	-	8,325,672	19,426,567	-	27,752,239
NVTA fund interest income	-	47,073	109,837	-	156,910
Interest income	-	3,585	339,115	48,465	391,165
Contribution member jurisdictions	1,149,473	-	-	-	1,149,473
Miscellaneous	3,229	-	-	-	3,229
Total revenues	1,152,702	92,182,830	215,424,019	48,465	308,808,016
Expenditures					
Current:					
General and administration	1,029,812	-	6,333	-	1,036,145
Jurisdictional distributions (30%)	-	92,183,027	-	-	92,183,027
Project cost distributions	-	-	4,058,792	-	4,058,792
Debt service:					
Principal	-	-	74,642,000	1,485,000	76,127,000
Interest	-	-	11,042	1,620,890	1,631,932
Issuance costs	-	-	767,143	-	767,143
Total expenditures	1,029,812	92,183,027	79,485,310	3,105,890	175,804,039
Excess of revenues over (under) expenditures	122,890	(197)	135,938,709	(3,057,425)	133,003,977
Other Financing Sources (Uses)					
Bonds issued	-	-	69,045,000	-	69,045,000
Premium on bonds issued	-	-	11,928,792	-	11,928,792
Transfers	-	-	71,613,342	(71,613,342)	-
Total other financing sources (uses)	-	-	152,587,134	(71,613,342)	80,973,792
Net change in fund balances	122,890	(197)	288,525,843	(74,670,767)	213,977,769
Fund Balances, beginning of year	444,761	197	198,673,352	75,133,146	274,251,456
Fund Balances, end of year	$ 567,651	$ -	$ 487,199,195	$ 462,379	$ 488,229,225

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds		$ 213,977,769
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount by which capital outlays exceeded depreciation in the current period.		
Add - capital outlay	$ 42,668	
Deduct - depreciation expense	(4,572)	
		38,096
The change in compensated absences included in the expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		(9,390)
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 items supporting this adjustment is as follows:		
Debt issued:		
Issuance of revenue bonds	(69,045,000)	
Premium on revenue bonds	(11,928,792)	
Principal repayment on debt:		
Principal payment on line of credit	74,642,000	
Principal payment on revenue bonds	1,485,000	
		(4,846,792)
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:		
Change in accrued interest payable	(266,236)	
Amortization of premiums on bonds payable	298,220	
		31,984
Change in net position of governmental activities		$ 209,191,668

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues				
Contribution member jurisdictions	$ 1,149,473	$ 1,149,473	$ 1,149,473	$ -
Miscellaneous	-	-	3,229	3,229
Total revenues	1,149,473	1,149,473	1,152,702	3,229
Expenditures				
Current:				
General and administration	1,182,894	1,182,894	1,029,812	(153,082)
Total expenditures	1,182,894	1,182,894	1,029,812	(153,082)
Excess of revenues over (under) expenditures	(33,421)	(33,421)	122,890	156,311
Net change in fund balance	(33,421)	(33,421)	122,890	156,311
Fund Balance, beginning of year	33,421	33,421	444,761	411,340
Fund Balance, end of year	$ -	$ -	$ 567,651	$ 567,651

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - LOCAL DISTRIBUTION
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues				
Intergovernmental:				
Grantors tax	$ 11,071,100	$ 11,071,100	$ 13,183,328	$ 2,112,228
Sales tax	68,421,959	68,421,959	70,623,172	2,201,213
Transient occupancy tax	7,577,403	7,577,403	8,325,672	748,269
NVTA fund interest income	-	-	47,073	47,073
Interest income	-	-	3,585	3,585
Total revenues	87,070,462	87,070,462	92,182,830	5,112,368
Expenditures				
Current:				
Jurisdictional distributions (30%)	87,070,462	87,070,462	92,183,027	(5,112,565)
Total expenditures	87,070,462	87,070,462	92,183,027	(5,112,565)
Deficiency of revenues under expenditures	-	-	(197)	(197)
Net change in fund balance	-	-	(197)	(197)
Fund Balance, beginning of year	-	-	197	197
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, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Over (Under)
Revenues				
Intergovernmental:				
Grantors tax	$ 25,832,566	$ 25,832,566	$ 30,761,099	$ 4,928,533
Sales tax	159,651,238	159,651,238	164,787,401	5,136,163
Transient occupancy tax	17,680,608	17,680,608	19,426,567	1,745,959
NVTA fund interest income	-	-	109,837	109,837
Interest income	52,500	52,500	339,115	286,615
Total revenues	203,216,912	203,216,912	215,424,019	12,207,107
Expenditures				
Current:				
General and administration	-	-	6,333	(6,333)
Project cost distributions	131,188,478	131,188,478	4,058,792	127,129,686
Debt service:				
Principal	-	-	74,642,000	(74,642,000)
Interest	-	-	11,042	(11,042)
Issuance cost/fees	300,000	300,000	767,143	(467,143)
Total expenditures	131,488,478	131,488,478	79,485,310	52,003,168
Excess of revenues over expenditures	71,728,434	71,728,434	135,938,709	64,210,275
Other Financing Sources (Uses)				
Bonds issued	300,000	300,000	69,045,000	68,745,000
Premium on bonds issued	-	-	11,928,792	11,928,792
Transfers	(6,000,000)	(6,000,000)	71,613,342	77,613,342
Total other financing sources (uses), net	(5,700,000)	(5,700,000)	152,587,134	158,287,134
Net change in fund balance	66,028,434	66,028,434	288,525,843	222,497,409
Fund Balance, beginning of year	(66,028,434)	(66,028,434)	198,673,352	264,701,786
Fund Balance, end of year	$ -	$ -	$ 487,199,195	$ 487,199,195

See 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 15.2, of the *Code of Virginia*. The Authority's primary function is to conduct project planning, prioritization and funding for regional transportation purposes in the Northern Virginia region.

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

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

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

B. Government-wide and Fund Financial Statements

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Separate fund financial statements are provided for each of the governmental funds. 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, NVTA considers revenues to be available if they are collected within 90 days after year end. Expenditures are recorded when a liability is incurred under the full accrual method of accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The individual Government Funds are:

> General Fund - The General Fund is the primary operating fund of the Authority and is used to account for and report all revenues and expenditures applicable to the general operations of the Authority which are not accounted for in other funds. Revenues are derived primarily from contributions from member jurisdictions. The General Fund is considered a major fund for financial reporting purposes.

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 HB2313. The Regional Revenue Fund (70%) includes amounts to be used by the Authority solely for regional transportation projects and other entities to fund transportation projects selected by the Authority that are contained in the regional transportation plan, or mass transit capital projects that increase capacity. Both special revenue funds are considered a major fund 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.

D. Budgeting

The Authority adopts an annual operating budget for the planning and administrative activities of the General Fund. The budgeting process enables the Authority to determine the annual contributions required from the member jurisdictions to fund its planning and administrative activities. Accumulated fund balances in excess of anticipated minimum operating cash requirements are used as a revenue source in subsequent budgets. The Authority also adopts a budget for the Local Distribution Fund (30%) which promptly distributes 30% of the revenue from tax proceeds to the nine member jurisdictions based on their respective revenue contribution through the taxes collected by the Commonwealth.

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

E. Other Significant Accounting Policies

1. Cash and Cash Equivalents

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

2. Restricted Cash, Cash Equivalents and Investments

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

3. Prepaid Items

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

4. Capital Assets

Capital assets include property and equipment and computer hardware with an individual cost of more than $5,000 and an estimated useful life in excess of one year. For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. Repairs and maintenance are charged to operations as they are incurred. Additions and betterments are capitalized. The cost of assets retired and accumulated depreciation are removed from the accounts.

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

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

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2015.

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

5. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's retirement plan and the additions to/deductions from the Authority's retirement plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

6. 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.

7. 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 recognized bond issuance costs in the governmental funds as a current period expense in accordance with GASB Statement No. 65. The Authority incurred $767,143 of issuance costs in fiscal year 2015.

8. Fund Equity

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

8. Fund Equity (Continued)

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 $236,578 categorized as committed fund balance as of June 30, 2015. The debt policy adopted by the Authority on December 12, 2013 requires the Authority to maintain an operating reserve sufficient to fund at least 20% of the General Fund operating expenses. This operating reserve may be used at the discretion of the Executive Director, to cover unanticipated increases in the Authority's expenditures. If used, the Executive Director will present a plan to the Authority for restoring the reserve during the next fiscal year budget process.

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.

9. 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.

10. Estimates and Assumptions

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

Note 2. Deposits and Investments

At June 30, 2015, cash, cash equivalents, and investments consisted of the following, at cost, which approximates fair value:

Governmental Activities

Cash	$	592,889
Restricted		
LGIP		284,675,464
John Marshall Bank		11,028,019
SNAP		75,125,315
Regions Bank		80,664,918
Total restricted		451,493,716
Total	$	452,086,605

Maturities of all investments are less than one year.

Deposits

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

Investments

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

The Authority has adopted a formal investment policy. 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.

Note 2. Deposits and Investments (Continued)

Credit Risk

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

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

Custodial Credit Risk

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

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.

Note 2. Deposits and Investments (Continued)

Concentration of Credit Risk

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

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

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

Note 2. Deposits and Investments (Continued)

Concentration of Credit Risk (Continued)

Class	Length	Percent of Total Portfolio & Cash
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

As of June 30, 2015, the Authority had investments of $284,675,464 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.

As of June 30, 2015, the Authority had investments of $75,125,315 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 Standard & Poor’s.

Note 2. Deposits and Investments (Continued)

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, 2015, the Authority had $80,664,918 held by the bond trustees, Regions Bank. Of this amount, $74,647,399 was in the 2014 Project Fund account, $5,555,140 was in the Debt Service Reserve account, and $462,379 is the debt service account for payment of principal and interest.

Note 3. Due To/From Other Governments

At June 30, 2015, due from other governments consisted of the following:

Due from Commonwealth of Virginia:	Local Distribution Fund	Regional Revenue Fund	Total
Grantors Tax	$ 1,542,883	$ 3,600,059	$ 5,142,942
Sales Tax	12,757,052	29,766,456	42,523,508
Transient Occupancy Tax	2,153,911	5,025,792	7,179,703
Total	$ 16,453,846	$ 38,392,307	$ 54,846,153

Amounts due to other governments as of June 30, 2015 consisted of the following:

	Amount
City of Alexandria	$ 1,194,460
Arlington County	2,057,873
City of Fairfax	406,072
Fairfax County	7,510,061
City of Falls Church	146,849
Loudoun County	2,722,421
City of Manassas	274,251
City of Manassas Park	70,187
Prince William County	2,071,820
Total	$ 16,453,994

Note 4. Intergovernmental Revenues, Commonwealth of Virginia

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

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

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

An additional Regional Transient Occupancy Tax (Hotel) at a rate of 2% of the amount of the charge for the occupancy of any room or space.

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated:				
Office furniture and equipment	$ -	$ 42,668	$ -	$ 42,668
Less accumulated depreciation:	-	4,572	-	4,572
Total capital assets being depreciated, net	$ -	$ 38,096	$ -	$ 38,096

Note 6. Defined Benefit Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by 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.

Note 6. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

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

Plan 1	Plan 2	Hybrid Retirement Plan
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for 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.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 6. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees.* • Members in Plan 1 or Plan 2 who elect to opt into the plan during the election window held January 1 – April 30, 2014; in the plan's effective date for opt-in members was July 1, 2014.
Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*** Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Note 6. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contribution Component** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 6. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 6. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
		Vesting (Continued) **Defined Contribution Component (Continued)** • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70 1/2.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component** See definition under Plan 1. **Defined Contribution Component** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Note 6. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 6. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **Defined Contribution Component** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement 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%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** 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%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component** Same as Plan 2. **Defined Contribution Component** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

Note 6. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 6. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Eligible political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported services. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component** Not applicable.

Note 6. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

VRS issues a publicly available CAFR that includes financial statements and required supplementary information for the plans which it administers. A copy of that report may be obtained by writing to Virginia Retirement System, P.O. Box 2500, Richmond, Virginia 23218-2500, or from their website at www.varetire.org.

B. Employees Covered by Benefit Terms

As of June 30, 2015, the following employees were covered by the benefit terms of the pension plan:

Active Members	6

C. Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2015 was 6.79% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation. 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 $33,225 for the year ended June 30, 2015.

Note 6. Defined Benefit Pension Plan (Continued)

D. Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority's retirement plan was based on an actuarial valuation 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, 2014.

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

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

Mortality rates: 14% of deaths are assumed to be service related.

Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

Note 6. Defined Benefit Pension Plan (Continued)

E. 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 is best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	1.26%
Developed Non-U.S. Equity	16.50%	1.04%
Emerging Market Equity	6.00%	0.60%
Fixed Income	15.00%	0.01%
Emerging Debt	3.00%	0.11%
Rate Sensitive Credit	4.50%	0.16%
Non-Rate Sensitive Credit	4.50%	0.23%
Convertibles	3.00%	0.14%
Public Real Estate	2.25%	0.14%
Private Real Estate	12.75%	0.91%
Private Equity	12.00%	1.25%
Cash	1.00%	-0.02%
Total	100.00%	5.83%
	Inflation	2.50%
	* Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Note 6. Defined Benefit Pension Plan (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Authority retirement plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Note 7. Operating Leases and Agreements

Governmental Activities

The Authority leases office space under a 60-month agreement which commenced on October 6, 2014 and expires October 31, 2019. The lease provides for 2.5% annual increases in base rent over the term of the lease, and the pass through of a proportionate share of the building core factor and common areas. The lease contains a provision for the abatement of the first 5.5 months of rent. Rent expense for Governmental Activities as reported in the government wide financial statements totaled $25,294.

As of June 30, 2015, the minimum long-term lease commitments were as shown below:

Year Ending June 30,	Amount
2016	$ 93,900
2017	96,248
2018	98,654
2019	101,120
Total	$ 389,922

Note 8. Long-Term Debt Obligations

During fiscal year 2015, 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.

Note 8. Long-Term Debt Obligations (Continued)

Transportation Special Tax Revenue Bonds

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

$69,045,000 2014 Transportation Special Tax Revenue Bonds due in annual principal payments of $2,310,000 to $5,285,000 through June 2034, interest at 3.00% to 5.00%	$ 67,560,000

The following is a summary of long-term liability activity for the year ended June 30, 2015:

Changes in Long-Term Debt Obligations:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Compensated Absences	$ 8,768	$ 33,254	$ 23,864	$ 18,158	$ 18,158
Transportation Special Tax Revenue Bonds	-	69,045,000	1,485,000	67,560,000	2,310,000
Unamortized Premiums	-	11,928,792	298,220	11,630,572	-
Total governmental activities	$ 8,768	$ 81,007,046	$ 1,807,084	$ 79,208,730	$ 2,328,158

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 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.

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

Year ending June 30,	Principal	Interest	Totals
2016	$ 2,310,000	$ 3,238,550	$ 5,548,550
2017	2,405,000	3,146,150	5,551,150
2018	2,500,000	3,049,950	5,549,950
2019	2,600,000	2,949,950	5,549,950
2020	2,730,000	2,819,950	5,549,950
2021-2025	15,575,000	12,168,200	27,743,200
2026-2030	19,760,000	7,980,250	27,740,250
2031-2034	19,680,000	2,520,000	22,200,000
Total	$ 67,560,000	$ 37,873,000	$ 105,433,000

Note 9. Line of Credit

During fiscal year 2014, the Authority approved financing for certain transportation projects to be financed with proceeds from a line of credit obtained in June 2014. The line was retired in December 2014 upon the issuance of the Transportation Special Tax Revenue Bonds, Series 2014.

Note 10. 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 11. Pending GASB Statements

At June 30, 2015, 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. 72, *Fair Value Measurement and Application*, will improve measurement and application by state and local governments for fair value. Statement No. 72 will be effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will improve accounting and financial reporting by state and local governments for pensions. It will also improve the comparability of pension-related information. Statement No. 73 will be effective for fiscal years beginning after June 15, 2015.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will improve financial reporting by state and local governments for OPEB. It also provides information for changes of OPEB liabilities from year to year. Statement No. 74 will be effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will improve financial reporting for state and local governments by providing greater reporting guidance to provide less variation in financial reporting. Statement No. 76 will be effective for fiscal years beginning after June 15, 2015.

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

SUPPLEMENTARY INFORMATION

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENDITURES
Year Ended June 30, 2015

Expenditures	
Salaries and wages	$ 648,340
Employee group insurance	122,705
Professional services	66,385
Employer payroll taxes	48,082
Office furniture and equipment	42,668
Technical and hosting services	32,355
Office rent	25,294
Copier printing and duplication	12,652
Office supplies	7,152
Authority meeting	6,442
Phone services	5,827
Professional development and training	4,674
Computer and software purchases	4,242
Insurance and liability bonds	3,689
Mileage and transportation	3,647
Miscellaneous	1,991
Total expenditures	$ 1,036,145

NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

SCHEDULE OF CHANGES IN NET POSITION BY JURISDICTION
LOCAL DISTRIBUTION FUND (30%)
Year Ended June 30, 2015

	City of Alexandria	Arlington County	City of Fairfax	Fairfax County	City of Falls Church	Loudoun County	City of Manassas	City of Manassas Park	Prince William County	Totals
Revenues										
Intergovernmental:										
Commonwealth of Virginia										
Grantors tax	$ 1,132,589	$ 1,398,777	$ 91,094	$ 6,049,657	$ 88,828	$ 2,674,630	$ 101,889	$ 47,506	$ 1,598,358	$ 13,183,328
Sales tax	4,286,657	7,224,816	2,067,947	31,932,665	670,483	12,186,874	1,427,610	369,403	10,456,717	70,623,172
Transient occupancy tax	997,269	2,800,315	79,046	3,199,860	51,307	775,235	17,660	-	404,980	8,325,672
NVTA fund interest income	4,528	9,331	431	19,270	289	8,105	347	146	4,626	47,073
Interest Income	251	430	72	1,577	36	609	72	36	502	3,585
Total revenues	6,421,294	11,433,669	2,238,590	41,203,029	810,943	15,645,453	1,547,578	417,091	12,465,183	92,182,830
Expenditures										
Distribution of 30% local funds	6,421,328	11,433,704	2,238,593	41,203,102	810,945	15,645,476	1,547,581	417,091	12,465,207	92,183,027
Total expenditures	6,421,328	11,433,704	2,238,593	41,203,102	810,945	15,645,476	1,547,581	417,091	12,465,207	92,183,027
Net change in fund balance	(34)	(35)	(3)	(73)	(2)	(23)	(3)	-	(24)	(197)
Fund Balance, beginning of year	34	35	3	73	2	23	3	-	24	197
Fund Balance, end of year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

COMPLIANCE SECTION

PBMares[SM]

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with 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, and the remaining fund information of Northern Virginia Transportation Authority (Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 2, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 2, 2015