

# **NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**Financial and Compliance Reports**

**Year Ended June 30, 2017**



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ASSURANCE, TAX & ADVISORY SERVICES

# **NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

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## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Northern Virginia Transportation Commission (Commission), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Commission, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis on pages 4-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and Schedule of Expenditures of Federal Awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*PBMares, LLP*

Harrisonburg, Virginia  
November 27, 2017

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2017**

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

This discussion and analysis of Northern Virginia Transportation Commission's (NVTC) financial performance provides an overview of NVTC's financial activities for the fiscal year that ended on June 30, 2017. Please read it in conjunction with the accompanying financial statements which follow this section.

### **FINANCIAL HIGHLIGHTS**

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

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

- NVTC's net position totaled \$148.6 million on a government-wide basis as of June 30, 2017. Of this total, \$148.2 million is for business-type activities with the balance for governmental activities.
- For the fiscal year, grants, contributions and other revenue net of transfers of NVTC's governmental activities amounted to \$178.5 million. Expenses were approximately equal to revenue.
- For the fiscal year, revenues and transfers of NVTC's business-type activities were \$63.9 million. Expenses amounted to \$46.0 million.

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

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

- NVTC's governmental funds reported an increase in fund balance of \$70,961 for fiscal year 2017, compared to a decrease of \$16,325 for fiscal year 2016. The governmental funds balance as of June 30, 2017 totaled \$538,696 compared with \$467,735 the end of the previous fiscal year.
- During the fiscal year, the proprietary fund net position increased by \$17.9 million, from \$130.3 million to \$148.2 million.
- NVTC's fiduciary fund reported a decrease of \$1.6 million in net position, held in trust for member jurisdictions, from \$180.1 million to \$178.5 million.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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



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

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

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

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

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

### **Fund Financial Statements**

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

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

NVTC maintains three governmental funds: the General Fund, the Special Revenue Fund – Jurisdiction Transit, and the Special Revenue Fund – I-66 Toll Revenue. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for each of these funds. The General Fund includes the administrative, planning and project activities of NVTC. The Special Revenue Fund – Jurisdiction Transit, reports the intergovernmental revenue received by NVTC and allocated to the member jurisdictions by a formula maintained by NVTC. Once the allocation is determined, the funds are remitted to the fiduciary fund. The Special Revenue Fund – I-66 Toll Revenue, reports Toll Revenue received from the Commonwealth of Virginia according to an agreement entered into between NVTC and the Commonwealth. The two statements included for the governmental funds are the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

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

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

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

### **Supplementary Information**

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

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

### **Statement of Net Position**

The following table presents a summary of the Statement of Net Position for the NVTC reporting entity as of June 30, 2017 and 2016:

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Assets:</b>						
Current and other assets	\$ 15,833,253	\$ 6,080,744	\$ 39,281,881	\$ 27,088,168	\$ 55,115,134	\$ 33,168,912
Capital assets, net	39,846	51,531	173,102,673	171,962,274	173,142,519	172,013,805
Total assets	15,873,099	6,132,275	212,384,554	199,050,442	228,257,653	205,182,717
<b>Liabilities:</b>						
Current and other liabilities	15,432,944	5,757,289	7,019,704	8,653,172	22,452,648	14,410,461
Long-term liabilities	76,665	68,890	57,127,126	60,092,447	57,203,791	60,161,337
Total liabilities	15,509,609	5,826,179	64,146,830	68,745,619	79,656,439	74,571,798
<b>Net position:</b>						
Net investment in capital assets	39,846	51,531	113,240,162	109,253,855	113,280,008	109,305,386
Restricted	-	-	5,624,864	5,609,607	5,624,864	5,609,607
Unrestricted	323,644	254,565	29,372,698	15,441,361	29,696,342	15,695,926
Total net position	\$ 363,490	\$ 306,096	\$ 148,237,724	\$ 130,304,823	\$ 148,601,214	\$ 130,610,919

As noted earlier, net position may serve as a useful indicator of a government's financial position. As shown above, net position totaled \$148.6 million as of June 30, 2017, an increase of \$18.0 million over the previous fiscal year. The largest portion of net position, \$113.3 million or 76 percent, represents the net investment in capital assets (e.g., land, building, improvements, rolling stock, equipment and software), accumulated depreciation and amortization, less the related indebtedness outstanding used to acquire those capital assets. These assets are used to provide service to riders; consequently, these assets are not available for future spending. The resources required to repay this debt must be provided annually from operations and federal, state and local support since it is unlikely that the capital assets themselves will be liquidated to pay liabilities.

A portion of the net position, \$5.6 million or 4 percent represents resources that are restricted, primarily for the commuter rail liability insurance plan.

Current assets consist primarily of grant revenue and motor vehicle fuel sales tax due from the Commonwealth of Virginia and restricted cash for governmental activities, and restricted and non-restricted cash, cash equivalents, inventory, trade accounts receivables, and investments for the business-type activities. As of June 30, 2017, approximately \$12.8 million was due from the Commonwealth of Virginia, of which \$5.4 million is for motor vehicle fuel sales tax, and \$7.4 million for grant revenue. This is a \$2.1 million increase from the previous fiscal year, of which grant revenue increased \$2.1 million or 39 percent, and motor vehicle fuel sales tax receivables remained approximately the same. The increase in the receivable for grant revenue is primarily due to an increase in capital grant revenue not yet received at the end of the fiscal year for the business-type activities. As of June 30, 2017, \$7.4 million of the amount due from the Commonwealth was for the commuter rail service, with a small amount for the jurisdiction transit function of NVTC, and for general and administrative and projects. Cash and cash equivalents

increased approximately \$9.7 million and totaled \$23.2 million as of June 30, 2017, of which all but \$471,227 was for the business-type activities. Restricted cash, cash equivalents and investments totaled \$15.5 million as of June 30, 2017, with \$5.6 million for business-type activities, and \$9.8 million for governmental activities. This is a \$9.8 million increase from the prior year, due almost entirely to the receipt of toll revenue and related interest earnings for governmental activities.

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

### Statement of Changes in Net Position

The following table shows the revenues and expenses and the change in net position of the NVTC reporting entity for the fiscal years ended June 30, 2017 and 2016.

#### Summary Statements of Changes in Net Position Years Ended June 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 19,688,616	\$ 17,585,780	\$ 19,688,616	\$ 17,585,780
Operating grants and contributions	147,941,418	143,422,738	6,063,718	5,448,410	154,005,136	148,871,148
Capital grants and contributions	-	-	16,676,597	7,985	16,676,597	7,985
General revenues:						
Intergovernmental:						
Commuter rail	21,299,239	26,398,505	-	-	21,299,239	26,398,505
Motor vehicle fuel sales tax	30,581,805	29,590,766	-	-	30,581,805	29,590,766
Interest	4,368	1,676	181,484	78,245	185,852	79,921
Other	-	100	1,750	-	1,750	100
Transfers	(21,299,239)	(26,398,505)	21,299,239	26,398,505	-	-
Total revenues	178,527,591	173,015,280	63,911,404	49,518,925	242,438,995	222,534,205
Expenses:						
General and administration	6,507,097	4,664,736	-	-	6,507,097	4,664,736
Jurisdiction transit	171,963,100	168,358,712	-	-	171,963,100	168,358,712
Commuter rail	-	-	45,978,503	45,551,712	45,978,503	45,551,712
Total expenses	178,470,197	173,023,448	45,978,503	45,551,712	224,448,700	218,575,160
Extraordinary item	-	-	-	(941,473)	-	(941,473)
Change in net position	57,394	(8,168)	17,932,901	3,025,740	17,990,295	3,017,572
Beginning net position	306,096	314,264	130,304,823	127,279,083	130,610,919	127,593,347
Ending net position	\$ 363,490	\$ 306,096	\$ 148,237,724	\$ 130,304,823	\$ 148,601,214	\$ 130,610,919

For the fiscal year ended June 30, 2017, revenues totaled \$242.4 million, compared to \$222.5 million in the preceding year, an increase of \$19.9 million or 9 percent. Expenses increased \$5.8 million, or 3 percent. A discussion of the key components of these revenue and expense changes is included in the funds analysis.

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

### **Governmental Funds**

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

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

As of June 30, 2017, the General Fund had a total fund balance of \$538,696 of which \$46,051 was nonspendable and \$492,645 was unassigned. The fund balance increased by \$70,961 or 15 percent from the preceding year due to a favorable budget variance, partially offset by budgeted drawdown of surplus funds.

During fiscal year 2017, NVTC's regional projects incurred a total of \$4,693,225 in direct costs. Three of these projects were funded with federal, state and regional sources totaling \$4,326,729. The \$366,496 in other funding sources includes direct local contributions from the NVTC member jurisdictions and regional agencies, local contributions from allocated state assistance, and contributions from NVTC primarily in the form of payroll and payroll related costs.

**Special Revenue Fund – Jurisdiction Transit.** Prior to fiscal year 2013, this special revenue fund reported intergovernmental revenue for the jurisdictions' transit programs, including local bus systems and the operating and capital subsidies of the Washington Metropolitan Area Transit Authority (WMATA). The intergovernmental revenue included state operating assistance, state capital assistance, and the motor vehicle fuel sales tax. In fiscal year 2013 and 2014, the state contracted directly with the NVTC member jurisdictions for the state operating and capital assistance. Accordingly, in fiscal year 2014 the special revenue fund recognized only the capital assistance contracted with NVTC prior to fiscal year 2013, as well as the motor vehicle fuel sales tax. Beginning in fiscal year 2015, the state contracted again with NVTC for the operating and capital assistance for WMATA. Accordingly, in fiscal year 2017 the special revenue fund recognized state operating and capital assistance for WMATA, capital assistance contracted with NVTC prior to fiscal year 2013, and the motor vehicle fuel sales tax.

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

Intergovernmental revenues increased approximately \$3.6 million or 2 percent from the previous fiscal year. The increase is composed of a \$1.4 million increase, or 1 percent in state assistance, and a \$0.3 million increase, or 1 percent in motor vehicle fuel sales tax revenue.

**Special Revenue Fund – I-66 Toll Revenue.** As part of a 40-year agreement with the Commonwealth of Virginia, NVTC has been assigned the authority to administer a program of projects to be funded using revenue generated by the tolling of I-66 inside the Beltway. The agreement calls for NVTC to receive the toll revenues collected by the Commonwealth, net of certain costs charged against those funds, for multi-modal projects which benefit the toll payers of the I-66 inside the beltway facility. In accordance with the agreement, NVTC has established a special revenue fund to account for the toll revenue and related projects separately from its other activities. The agreement also calls for the advance payment of up to \$10 million to fund an initial round of projects before tolling commences in December 2017. During fiscal year 2017, NVTC received approximately \$9.8 million for projects it rated, selected and approved for funding. That revenue, and interest earned on those funds, is recognized as unearned until such time when the special revenue fund incurs project costs.

### **Proprietary Fund**

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

NVTC's share of operating revenue increased about \$2.1 million or 12 percent, while operating expenses increased approximately \$1.8 million or 6 percent. These increases on a percentage basis mirror the VRE operations as a whole, as NVTC's share of the activity remained relatively constant. Capital contributions and transfers increased 13.2 million or 53 percent.

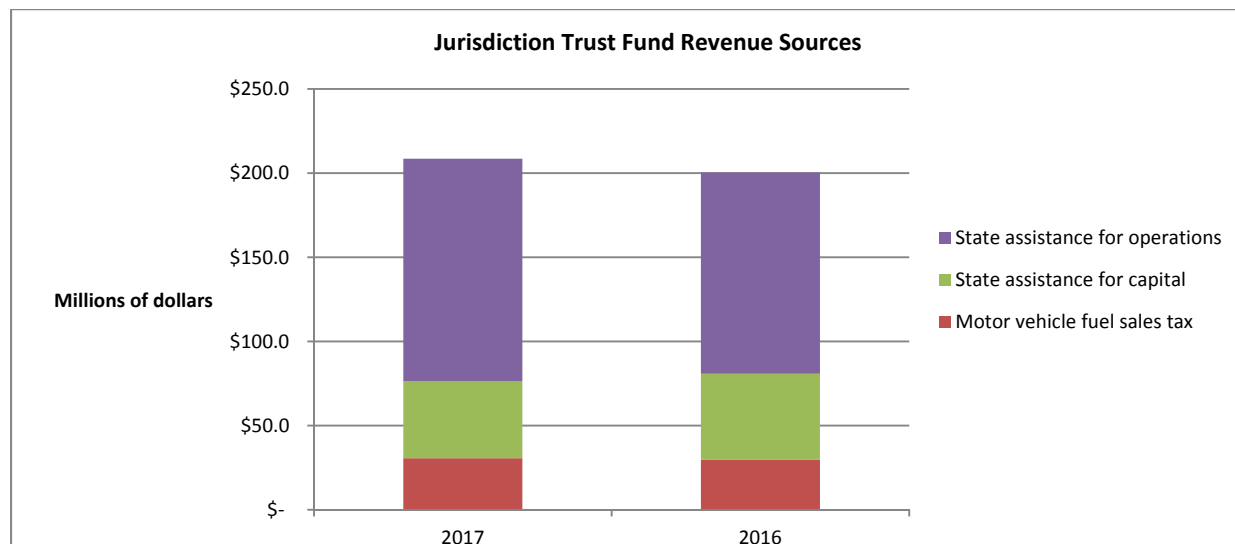
In order to present a full and accurate picture of VRE operations, all financial transaction related to the commuter rail program reported separately in the financial statements of NVTC and PRTC are combined in a separate set of financial statements. These audited financial statements can be obtained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

### **Fiduciary Fund**

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

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

The total additions to the Trust Fund, excluding investment income, increased by \$8.1 million, or 4 percent from the previous year. An analysis of this change is shown below.



State assistance for operations is revenue from the state operating formula assistance program. Operating assistance increased approximately \$12.8 million, or 11 percent from the previous fiscal year, while the state-wide allocated operating assistance increased by 14 percent. The operating assistance program is funded at the statutory fixed rate of 73.5 percent of projected Mass Transit Trust Fund (MTTF) revenue up to \$160 million. Since fiscal year 2009, the operating program receives directly a portion of the state recordation tax to help fund the operating program. Beginning in fiscal year 2014 with increased statewide funding for transit, MTTF revenues above \$160 million are allocated using a performance based formula for operations.

State assistance for capital expenditures recognized by the Jurisdiction Trust Fund during fiscal year 2017 decreased by \$5.6 million or 11 percent from the previous fiscal year. State assistance for capital expenditures during the fiscal year includes revenue from the Mass Transit Trust Fund and the Mass Transit Capital Fund. The state-wide capital program is funded at the statutory fixed rate of 25 percent of projected Mass Transit Trust Fund revenues. The fiscal year 2017 program allocated an additional \$56.6 million from the Mass Transit Capital Fund (Bond Funds) for state-wide needs.

Effective January 1, 2010, the Motor Vehicle Fuel Sales tax is levied on distributors of gasoline and diesel fuel for deliveries within NVTC's jurisdictions at the rate of 2.1 percent. Prior to this, the tax was levied on the retail sales at the rate of 2 percent. Motor Vehicle Fuel Sales tax revenue increased by \$1.0 million, or 3 percent from the previous year, which mirror the slight increase in the price of fuel. This is after an \$8.3 million or 22 percent decrease in fiscal year 2016, and an \$11.4 million or 23.1 percent decrease in fiscal year 2015. Other factors that influence the gas tax revenue include overall demand, price elasticity impacting demand, grade mix, and taxpayer compliance.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

The details of capital assets as of June 30, 2017 and 2016 are as follows:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Rolling stock	\$ -	\$ -	\$ 135,474,546	\$ 132,377,536	\$ 135,474,546	\$ 132,377,536
Vehicles	-	-	83,711	69,155	83,711	69,155
Facilities	-	-	51,740,444	51,747,277	51,740,444	51,747,277
Track and signal improvements	-	-	41,742,675	42,350,282	41,742,675	42,350,282
Equipment and software	-	-	6,063,333	6,063,333	6,063,333	6,063,333
Construction in progress	-	-	11,952,082	6,948,336	11,952,082	6,948,336
Equity in properties of others	-	-	2,893,644	2,893,644	2,893,644	2,893,644
Office equipment, furniture and software	129,490	123,552	2,775,076	2,744,668	2,904,566	2,868,220
	129,490	123,552	252,725,511	245,194,231	252,855,001	245,317,783
Less accumulated depreciation and amortization	89,644	72,021	79,622,838	73,231,957	79,712,482	73,303,978
<b>Total capital assets, net</b>	<b>\$ 39,846</b>	<b>\$ 51,531</b>	<b>\$ 173,102,673</b>	<b>\$ 171,962,274</b>	<b>\$ 173,142,519</b>	<b>\$ 172,013,805</b>

NVTC's investment in capital assets as of June 30, 2017 amounted to \$173.1 million (net of accumulated depreciation and amortization) which represents an increase of \$1.1 million or 1 percent over last year due to new project construction, offset in part by annual depreciation and amortization. A total of \$10.6 million was charged to construction in progress during the fiscal year. Completed projects totaling approximately \$5.6 million were closed from construction in progress to their respective capital accounts and an additional \$0.05 million was charged directly to the capital accounts. Seven fully depreciated railcars were sold in fiscal year 2017.

The major completed project during the fiscal year was the completion of five railcars (\$5.6 million) that were placed into service.

The major additions to construction in progress during the fiscal year were costs related to acquisition of five new Gallery railcars (\$5.2 million), ongoing work toward implementation of Positive Train Control (PTC) (\$1.5 million), work toward both the L'Enfant Storage Track North (\$0.8 million) and L'Enfant Storage Track South (\$0.7 million), and development work for the Mid-Day Storage Yard project (\$0.5 million).

In addition, capital asset valuation adjustments were made to two projects capitalized in fiscal year 2016; Hamilton to Crossroads (Spotsylvania) Third Main Track project (a reduction of \$0.6 million) related to lower than expected actual costs compared to accrued costs and the Spotsylvania Station project (a reduction of \$6,833) related to a refund of project related costs.

### **Debt Administration**

At June 30, 2017, the Commissions had total debt outstanding of \$66.3 million for the VRE commuter rail service, of which \$59.9 million is reported by NVTC.



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

	2017	2016
Capital leases	\$ 6,422,352	\$ 7,079,477
Note payable (includes RRIF)	53,440,159	55,628,942
<b>Total</b>	<b>\$ 59,862,511</b>	<b>\$ 62,708,419</b>

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

State assistance recognized by the Special Revenue fund is expected to increase slightly. This is due to an increase in capital assistance for WMATA subsidies and local systems, slightly offset by a decrease in operating assistance due to a decrease in statewide availability.

The U.S. Energy Information Administration forecasts a small decrease of 1.6 percent in the average price of gasoline nationwide for fiscal year 2017. If that forecast holds true for the NVTC region, and the historical relationship between gas prices and motor vehicle fuel sales tax collections continue, a similar percentage decrease in motor vehicle fuel sales tax revenue for the Special Revenue fund would be realized.

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

The local subsidy for fiscal year 2018 remained constant. Fares were increased by 3.0 percent for fiscal year 2018.

Additional sources of funding will be available in fiscal year 2018 from federal, state and regional sources, although the amounts received will continue to vary from year to year.

### **REQUESTS FOR INFORMATION**

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

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF NET POSITION**  
June 30, 2017

<b>ASSETS</b>	<b>Primary Government</b>		<b>Total Primary Government</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
Cash and cash equivalents	\$ 471,227	\$ 22,703,036	\$ 23,174,263
Due from other governments:			
Commonwealth of Virginia	12,846,921	-	12,846,921
Federal	18,914	-	18,914
Local Jurisdictions	8,975	-	8,975
Trade accounts receivable, net	-	932,775	932,775
Other receivables	-	744,608	744,608
Inventory	-	1,816,509	1,816,509
Deposits and prepaid items	46,051	66,856	112,907
Restricted cash, cash equivalents and investments	9,834,398	5,624,864	15,459,262
Internal balances	(7,393,233)	7,393,233	-
Capital assets:			
Rolling stock	-	135,474,546	135,474,546
Vehicles	-	83,711	83,711
Facilities	-	51,740,444	51,740,444
Track and signal improvements	-	41,742,675	41,742,675
Equipment and software	-	6,063,333	6,063,333
Construction in progress	-	11,952,082	11,952,082
Equity in property of others	-	2,893,644	2,893,644
Office equipment, furniture and software	129,490	2,775,076	2,904,566
Less accumulated depreciation and amortization	(89,644)	(79,622,838)	(79,712,482)
<b>Total assets</b>	<b>15,873,099</b>	<b>212,384,554</b>	<b>228,257,653</b>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF NET POSITION**  
June 30, 2017

	Primary Government		Total Primary Government
	Governmental Activities	Business-type Activities	
<b>LIABILITIES</b>			
Accounts payable	\$ 91,820	\$ 846,717	\$ 938,537
Accrued expenses	16,811	1,884,237	1,901,048
Accrued interest	-	155,412	155,412
Due to fiduciary fund	5,351,528	-	5,351,528
Unearned revenue	9,834,398	849,266	10,683,664
Contract retainage	-	291,229	291,229
Noncurrent liabilities:			
Due within one year:			
Compensated absences	38,309	14,404	52,713
Note payable	-	2,290,688	2,290,688
Capital lease obligation	-	687,751	687,751
Due in more than one year:			
Lease liability	100,078	-	100,078
Compensated absences	76,665	243,054	319,719
Note payable	-	51,149,471	51,149,471
Capital lease obligation	-	5,734,601	5,734,601
<b>Total liabilities</b>	<u>15,509,609</u>	<u>64,146,830</u>	<u>79,656,439</u>
<b>NET POSITION</b>			
Net investment in capital assets	39,846	113,240,162	113,280,008
Restricted for liability insurance plan	-	5,235,253	5,235,253
Restricted grants or contributions	-	389,611	389,611
Unrestricted	323,644	29,372,698	29,696,342
<b>Total net position</b>	<u>\$ 363,490</u>	<u>\$ 148,237,724</u>	<u>\$ 148,601,214</u>

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

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total Primary Government
<b>Primary government:</b>							
Governmental activities:							
General and administration	\$ 6,507,097	\$ -	\$ 6,560,123	\$ -	\$ 53,026	\$ -	\$ 53,026
Jurisdiction transit	171,963,100	-	141,381,295	-	(30,581,805)	-	(30,581,805)
Total governmental activities	178,470,197	-	147,941,418	-	(30,528,779)	-	(30,528,779)
Business-type activities:							
Commuter rail	45,978,503	19,688,616	6,063,718	16,676,597	-	(3,549,572)	(3,549,572)
<b>Total business-type activities</b>	<b>45,978,503</b>	<b>19,688,616</b>	<b>6,063,718</b>	<b>16,676,597</b>	<b>-</b>	<b>(3,549,572)</b>	<b>(3,549,572)</b>
<b>Total primary government</b>	<b>\$ 224,448,700</b>	<b>\$ 19,688,616</b>	<b>\$ 154,005,136</b>	<b>\$ 16,676,597</b>	<b>(30,528,779)</b>	<b>(3,549,572)</b>	<b>(34,078,351)</b>
<b>General revenues:</b>							
Intergovernmental revenue - commuter rail					21,299,239	-	21,299,239
Intergovernmental revenue - motor vehicle fuel sales tax					30,581,805	-	30,581,805
Gain on disposal of asset					-	1,750	1,750
Interest income					4,368	181,484	185,852
Transfers					(21,299,239)	21,299,239	-
<b>Total general revenues</b>					<b>30,586,173</b>	<b>21,482,473</b>	<b>52,068,646</b>
<b>Change in net position</b>					<b>57,394</b>	<b>17,932,901</b>	<b>17,990,295</b>
Net position, beginning of year					306,096	130,304,823	130,610,919
Net position, end of year					<u>\$ 363,490</u>	<u>\$ 148,237,724</u>	<u>\$ 148,601,214</u>

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

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2017

	<b>Major Funds</b>			
	<b>General Fund</b>	<b>Special Revenue Fund - Jurisdiction Transit</b>	<b>Special Revenue Fund - I-66 Toll Revenue</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 471,227	\$ -	\$ -	\$ 471,227
Due from other governments:				
Commonwealth of Virginia	7,433,331	5,413,590	-	12,846,921
Federal	18,914	-	-	18,914
Local jurisdictions	8,975	-	-	8,975
Due from fiduciary fund	62,062	-	-	62,062
Due from proprietary fund	16,335	-	-	16,335
Restricted cash	-	-	9,834,398	9,834,398
Deposits and prepaid items	46,051	-	-	46,051
<b>Total assets</b>	<b>\$ 8,056,895</b>	<b>\$ 5,413,590</b>	<b>\$ 9,834,398</b>	<b>\$ 23,304,883</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 91,820	\$ -	\$ -	\$ 91,820
Accrued salaries	16,811	-	-	16,811
Unearned revenue	-	-	9,834,398	9,834,398
Due to proprietary fund	7,409,568	-	-	7,409,568
Due to fiduciary fund	-	5,413,590	-	5,413,590
<b>Total liabilities</b>	<b>7,518,199</b>	<b>5,413,590</b>	<b>9,834,398</b>	<b>22,766,187</b>
<b>FUND BALANCES</b>				
Nonspendable				
Deposits and prepaid items	46,051	-	-	46,051
Unassigned	492,645	-	-	492,645
<b>Total fund balances</b>	<b>538,696</b>	<b>-</b>	<b>-</b>	<b>538,696</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,056,895</b>	<b>\$ 5,413,590</b>	<b>\$ 9,834,398</b>	<b>\$ 23,304,883</b>

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	\$ 538,696
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$129,490 and the accumulated depreciation and amortization is \$89,644.	39,846
Lease liability only recognized in the government-wide financial statements.	(100,078)
Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds.	(114,974)
Net position - governmental activities	<u>\$ 363,490</u>

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

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2017

	<b>Major Funds</b>			
	<b>General Fund</b>	<b>Special Revenue Fund - Jurisdiction Transit</b>	<b>Special Revenue Fund - I-66 Toll Revenue</b>	<b>Total Governmental Funds</b>
Revenues:				
Intergovernmental revenues:				
Grants and contributions:				
Commonwealth of Virginia	\$ 23,645,932	\$ 141,381,295	\$ -	\$ 165,027,227
Federal	3,763,271	-	-	3,763,271
Regional	49,413	-	-	49,413
Local jurisdictions	320,746	-	-	320,746
Motor vehicle fuel sales tax	-	30,581,805	-	30,581,805
Project chargebacks	80,000	-	-	80,000
Interest income	4,368	-	-	4,368
<b>Total revenues</b>	<b>27,863,730</b>	<b>171,963,100</b>	<b>-</b>	<b>199,826,830</b>
Expenditures:				
Current:				
General and administration	1,794,367	-	-	1,794,367
Project costs	4,693,225	-	-	4,693,225
Payments to fiduciary fund	-	171,963,100	-	171,963,100
Capital outlay	5,938	-	-	5,938
<b>Total expenditures</b>	<b>6,493,530</b>	<b>171,963,100</b>	<b>-</b>	<b>178,456,630</b>
Other financing uses:				
<b>Transfer out</b>	<b>(21,299,239)</b>	<b>-</b>	<b>-</b>	<b>(21,299,239)</b>
<b>Change in fund balances</b>	<b>70,961</b>	<b>-</b>	<b>-</b>	<b>70,961</b>
Fund balances, beginning of year	467,735	-	-	467,735
Fund balances, end of year	<u>\$ 538,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 538,696</u>
Change in fund balances - total governmental funds				\$ 70,961
Amounts reported for governmental activities in the Statement of Activities are different because:				
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.				
Add - capital outlay				5,938
Deduct - depreciation and amortization expense				(17,623)
Amortization of lease liability is only recognized in the government-wide financial statements.				10,519
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.				(12,401)
Change in net position of governmental activities				<u>\$ 57,394</u>

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

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2017

	<u>Commuter Rail Service Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 22,703,036
Accounts receivable:	
Due from General Fund	7,393,233
Trade receivables, net of allowance for doubtful accounts	932,775
Other receivables	744,608
Inventory	1,816,509
Deposits and prepaid items	66,856
Restricted cash, cash equivalents and investments	<u>5,624,864</u>
<b>Total current assets</b>	<u>39,281,881</u>
Capital assets:	
Rolling stock	135,474,546
Vehicles	83,711
Facilities	51,740,444
Track and signal improvements	41,742,675
Equipment and software	6,063,333
Construction in progress	11,952,082
Equity in property of others	2,893,644
Office equipment, furniture and software	<u>2,775,076</u>
	252,725,511
Less accumulated depreciation and amortization	<u>(79,622,838)</u>
<b>Total capital assets, net</b>	<u>173,102,673</u>
<b>Total assets</b>	<u><u>\$ 212,384,554</u></u>



**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2017

	<u>Commuter Rail Service Fund</u>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities:	
Accounts payable	\$ 846,717
Compensated absences	14,404
Accrued expenses	1,884,237
Accrued interest	155,412
Unearned revenue	849,266
Contract retainage	291,229
Note payable	2,290,688
Current portion of capital lease obligations	<u>687,751</u>
<b>Total current liabilities</b>	<u>7,019,704</u>
Noncurrent liabilities:	
Capital lease obligations	5,734,601
Note payable	51,149,471
Compensated absences	<u>243,054</u>
<b>Total noncurrent liabilities</b>	<u>57,127,126</u>
<b>Total liabilities</b>	<u>64,146,830</u>
Net position:	
Net investment in capital assets	113,240,162
Restricted for liability insurance plan	5,235,253
Restricted grants or contributions	389,611
Unrestricted	<u>29,372,698</u>
<b>Total net position</b>	<u>148,237,724</u>
<b>Total liabilities and net position</b>	<u><u>\$ 212,384,554</u></u>

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

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**Year Ended June 30, 2017**

	<b>Commuter Rail Service Fund</b>
Operating revenues:	
Passenger revenue	\$ 19,549,157
Equipment rentals and other	139,459
<b>Total operating revenues</b>	<b>19,688,616</b>
Operating expenses:	
Contract operations and maintenance	11,963,235
Other operations and maintenance	6,686,376
Property leases and access fees	7,507,260
Insurance	1,835,942
Marketing and sales	1,170,810
General and administrative	5,042,080
<b>Total operating expenses</b>	<b>34,205,703</b>
<b>Operating loss before depreciation and amortization</b>	<b>(14,517,087)</b>
Depreciation and amortization	(8,868,584)
<b>Operating loss</b>	<b>(23,385,671)</b>
Nonoperating revenues (expenses):	
Subsidies:	
Jurisdictional contributions	5,507,191
Regional transportation funding - NVT A	556,527
Interest income:	
Operating funds	132,003
Insurance trust	49,280
Other restricted funds	201
Gain on disposal of asset	1,750
Interest, amortization and other nonoperating expenses, net	(2,904,216)
<b>Total nonoperating revenues, net</b>	<b>3,342,736</b>
<b>Loss before capital contributions and transfers, net</b>	<b>(20,042,935)</b>
Capital contributions and transfers:	
Other local contributions	162,839
Contribution from PRTC	16,513,758
Transfers in	21,299,239
<b>Total capital contributions and transfers</b>	<b>37,975,836</b>
<b>Change in net position</b>	<b>17,932,901</b>
Net position, beginning	130,304,823
Net position, ending	<b>\$ 148,237,724</b>

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

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
Year Ended June 30, 2017

	<b>Commuter Rail Service Fund</b>
Cash flows from operating activities:	
Receipts from customers	\$ 19,847,212
Payments to suppliers	(31,962,190)
Payments to employees	(3,217,972)
<b>Net cash used in operating activities</b>	<b>(15,332,950)</b>
Cash flows from noncapital financing activities:	
Governmental subsidies	22,689,233
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(10,818,097)
Capital grants and assistance	2,257,157
Proceeds from sale of capital assets	1,750
Principal paid on capital lease obligations	(657,125)
Principal paid on note	(2,188,783)
Interest paid on capital lease obligation	(316,434)
Interest paid on bonds and note	(2,598,877)
Contribution from General Fund	16,513,021
<b>Net cash provided by capital and related financing activities</b>	<b>2,192,612</b>
Cash flows from investing activities:	
Interest received on investments	177,760
<b>Increase in cash and cash equivalents</b>	<b>9,726,655</b>
Cash and cash equivalents, beginning	18,601,245
Cash and cash equivalents, ending	<b>\$ 28,327,900</b>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (23,385,671)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	8,868,584
Decrease (increase) in:	
Accounts receivable	75,312
Other receivables	14,350
Inventory	29,373
Prepaid items and other	(2,756)
Increase (decrease) in:	
Accounts payable and accrued expenses	(1,001,077)
Unearned revenue	68,935
<b>Net cash used in operating activities</b>	<b>\$ (15,332,950)</b>
Schedule of noncash capital activities:	
Capital assets acquired through accounts payable	\$ 313,524
Capital assets acquired through accrued liabilities	1,281,623

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

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
June 30, 2017

	<u>Jurisdiction Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 182,302,742
Due from special revenue fund - Motor vehicle fuel sales tax	5,411,549
Due from special revenue fund - Commonwealth of Virginia grants	2,041
Due from other governments - Commonwealth of Virginia grants	887,281
Prepaid items	<u>103,044</u>
<b>Total assets</b>	<u>188,706,657</u>
<b>LIABILITIES</b>	
Due to member jurisdictions	10,161,796
Due to general fund	<u>62,062</u>
<b>Total liabilities</b>	<u>10,223,858</u>
<b>NET POSITION</b>	
Net position held in trust for member jurisdictions	<u><u>\$ 178,482,799</u></u>

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

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
Year Ended June 30, 2017

	<b>Jurisdiction Trust Fund</b>
Additions:	
Contributions from government	\$ 171,963,100
Intergovernmental revenues	36,627,693
Investment income	<u>1,126,415</u>
<b>Total additions</b>	<u>209,717,208</u>
Deductions:	
Funds disbursed to WMATA:	
Capital improvement program	12,715,819
Project development	406,000
Metrorail operating	56,438,945
Metrobus operating	92,683,532
Metroaccess operating	12,377,462
Metro debt service	26,472
Other funds disbursed:	
Other capital disbursements	8,387,875
Other operating disbursements	<u>28,276,922</u>
<b>Total deductions</b>	<u>211,313,027</u>
<b>Change in net position</b>	(1,595,819)
Net position held in trust for member jurisdictions:	
Beginning of year	<u>180,078,618</u>
End of year	<u><u>\$ 178,482,799</u></u>

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

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

# **NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

## **NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

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

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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



# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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

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

NVTC reports the following major enterprise fund:

##### Commuter Rail Service Fund

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

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

#### D. Budgeting

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

#### E. Other Significant Accounting Policies

##### 1. Cash and cash equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less. Investments in U.S. government securities and commercial paper are carried at fair value based on quoted market prices. The investment in the Local Government Investment Pool (LGIP or Pool) is reported at amortized cost.

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

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

##### 3. Allowance for uncollectible accounts

The allowance for uncollectible accounts is calculated by using historical collection data and specific account analysis. The allowance was approximately \$98,000 at June 30, 2017 for the proprietary fund.

##### 4. Inventory

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

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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

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

5. Prepaid items

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

6. Capital assets

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

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

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

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

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

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

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2017.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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

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

##### 7. Compensated absences

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

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

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

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

##### 8. Fund equity

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

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

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

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

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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

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

9. Indirect expenditure allocation

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

10. Net position

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

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

11. Estimates and assumptions

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

12. Inter-fund transfers

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

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

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

13. Subsequent events

NVTC has evaluated subsequent events through November 27, 2017, which was the date the financial statements were available to be issued.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Note 2. Deposits and Investments

At June 30, 2017, cash, cash equivalents, and investments consisted of the following, at cost which approximates fair value:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total
Cash	\$ 346,602	\$ 4,613,327	\$ -	\$ 4,959,929
LGIP	124,625	18,089,709	182,302,742	200,517,076
	471,227	22,703,036	182,302,742	205,477,005
Restricted:				
Cash	-	389,611	-	389,611
LGIP	9,834,398	26,818	-	9,861,216
Insurance trust fund – pooled funds	-	5,208,435	-	5,208,435
	9,834,398	5,624,864	-	15,459,262
<b>Total</b>	<b>\$ 10,305,625</b>	<b>\$ 28,327,900</b>	<b>\$ 182,302,742</b>	<b>\$ 220,936,267</b>

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 percent to 130 percent of excess deposits. Accordingly, all deposits are considered fully collateralized.

### Investments

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

As of June 30, 2017, the reporting entity had investments of \$210,378,292 in the LGIP for governmental activities, business-type activities, and the fiduciary fund. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. Investments in the LGIP are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an “AAAm” rating by Standard & Poor’s. The maturity of LGIP is less than one year.

The Commonwealth of Virginia Department of Treasury manages the VRE Insurance Trust. State statutes govern the portion of assets invested in the Commonwealth’s pooled accounts, while the remainder is invested by an external portfolio manager. At June 30, 2017, a total of \$10,416,871 was invested in the Insurance Trust, of which \$5,208,435 is included in the NVTC reporting entity. From fiscal year 2011 through fiscal year 2015, any earnings on these investments were retained by the Commonwealth of Virginia. In fiscal year 2017, earnings on the Insurance Trust in the amount of \$98,560 were credited to VRE, of which \$49,280 was included in the NVTC reporting entity. The Insurance Trust Fund has not been assigned a rating.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Investments (Continued)

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

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

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

#### Credit risk

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

#### Custodial credit risk

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

#### Interest rate risk

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

#### Concentration of credit risk

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

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

When applicable, NVTC categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

NVTC has no investments subject to fair value measurements as of June 30, 2017.

### Note 3. Due From Other Governments

At June 30, 2017, due from other governments consisted of the following:

	Project and Administrative	Jurisdiction Transit	Total
Due from Commonwealth of Virginia:			
Motor vehicle fuel sales tax	\$ -	\$ 5,411,549	\$ 5,411,549
Grants	7,433,331	2,041	7,435,372
	7,433,331	5,413,590	12,846,921
Due from Federal Transit Administration:			
Grants	18,914	-	18,914
Due from Local Jurisdictions:			
Local grant match	8,975	-	8,975
	\$ 7,461,220	\$ 5,413,590	\$ 12,874,810

Amounts due from the Commonwealth for the Project and Administrative activities include \$7,409,568 for commuter rail and \$23,763 for other projects.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

### Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets being depreciated or amortized:					
Office equipment, furniture and software	\$ 123,552	\$ 5,938	\$ -	\$ -	\$ 129,490
Less accumulated depreciation or amortization	72,021	17,623	-	-	89,644
<b>Governmental activities capital assets, net</b>	<b>\$ 51,531</b>	<b>\$ (11,685)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 39,846</b>
<b>Business-type activities:</b>					
Capital assets not being depreciated or amortized:					
Construction in progress	\$ 6,948,336	\$ 10,578,457	\$ -	\$ (5,574,711)	\$ 11,952,082
Capital assets being depreciated or amortized:					
Rolling stock	132,377,536	-	(2,477,701)	5,574,711	135,474,546
Vehicles	69,155	14,556	-	-	83,711
Facilities	51,747,277	-	(6,833)	-	51,740,444
Track and signal improvements	42,350,282	-	(607,607)	-	41,742,675
Equipment and software	6,063,333	-	-	-	6,063,333
Equity in property of others	2,893,644	-	-	-	2,893,644
Office equipment, furniture and software	2,744,668	30,408	-	-	2,775,076
<b>Total capital assets being depreciated or amortized</b>	<b>238,245,895</b>	<b>44,964</b>	<b>(3,092,142)</b>	<b>5,574,711</b>	<b>240,773,429</b>
Less accumulated depreciation or amortization for:					
Rolling stock	34,758,504	5,312,798	(2,477,703)	-	37,593,599
Vehicles	45,168	7,420	-	-	52,588
Facilities	17,649,293	1,545,647	-	-	19,194,940
Track and signal improvements	11,882,621	1,399,075	-	-	13,281,696
Equipment and software	4,958,901	377,482	-	-	5,336,383
Equity in property of others	1,733,385	84,949	-	-	1,818,334
Office equipment, furniture and software	2,204,085	141,213	-	-	2,345,298
<b>Total accumulated depreciation or amortization</b>	<b>73,231,957</b>	<b>8,868,584</b>	<b>(2,477,703)</b>	<b>-</b>	<b>79,622,838</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>165,013,938</b>	<b>(8,823,620)</b>	<b>(614,438)</b>	<b>5,574,711</b>	<b>161,150,591</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 171,962,274</b>	<b>\$ 1,754,837</b>	<b>\$ (614,438)</b>	<b>\$ -</b>	<b>\$ 173,102,673</b>

Note: The chart above reflects the completion of the five new railcars project at a value of \$5.57 million. VRE sold seven fully depreciated Gallery-style railcars to Metra in Chicago in fiscal year 2017, with a value of \$4.96 million (\$2.48 million, NVTC reporting entity). The chart also reflects the reduction of \$.6 million in track and signal asset value for the NVTC reporting entity. This reduction is due to an over estimation and accrual of expected remaining project costs at the time the asset went into service and was capitalized in fiscal year 2016. Subsequent payment activity identified this over-accrual, leading to the reduction of the final asset cost. Similarly, a reduction of \$6,832 to facilities assets for the NVTC reporting entity was related to a small refund of project costs after the project was capitalized in fiscal year 2016.



## NORTHERN VIRGINIA TRANSPORTATION COMMISSION

### NOTES TO THE FINANCIAL STATEMENTS

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#### Note 4. Capital Assets (Continued)

Depreciation and amortization expenses for the year ended June 30, 2017 charged to the functions of the primary government are as follows:

	Governmental Activities	Business-type Activities
<b>Primary government:</b>		
General and administration	\$ 17,623	\$ -
Commuter rail	-	8,868,584

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

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

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

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

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

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

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

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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

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

Financial information from VRE's fiscal year 2017 audited financial statements is shown below.

#### VIRGINIA RAILWAY EXPRESS STATEMENT OF NET POSITION June 30, 2017

##### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets:	
Cash and cash equivalents	\$ 49,101,840
Accounts receivable:	
Due from PRTC – FTA and other	16,143,311
Commonwealth of Virginia grants	7,409,568
Trade and other, net of allowance	3,360,369
Inventory	3,928,722
Prepaid expenses and other	144,596
Restricted cash, cash equivalents and investments	11,249,729
<b>Total current assets</b>	<u>91,338,135</u>
Noncurrent assets:	
Capital assets (net of \$159,245,676 accumulated depreciation and amortization)	346,205,344
<b>Total noncurrent assets</b>	<u>346,205,344</u>
<b>Total assets</b>	437,543,479
Deferred outflows of resources – pension plan	646,262
<b>Total assets and deferred outflows of resources</b>	<u>\$ 438,189,741</u>

##### LIABILITIES AND NET POSITION

Current liabilities:	
Accounts payable and accrued liabilities	\$ 8,592,555
Unearned revenue	1,836,781
Contract retainage	582,456
Current portion of:	
Capital lease obligations	1,375,502
Note payable	2,290,688
<b>Total current liabilities</b>	<u>14,677,982</u>
Noncurrent liabilities:	
Pension liability	311,424
Capital lease obligations	11,469,202
Note payable	51,149,471
Compensated absences	525,674
<b>Total noncurrent liabilities</b>	<u>63,455,771</u>
<b>Total liabilities</b>	<u>78,133,753</u>
Net position:	
Net investment in capital assets	279,920,481
Restricted for liability insurance plan	10,470,506
Restricted grants or contributions	779,223
Unrestricted assets	68,885,778
<b>Total net position</b>	<u>360,055,988</u>
<b>Total liabilities and net position</b>	<u>\$ 438,189,741</u>

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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

#### VIRGINIA RAILWAY EXPRESS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Year Ended June 30, 2017

Operating revenues	\$ 42,582,290
Operating expenses	73,979,660
<b>Operating loss before depreciation and amortization</b>	<u>(31,397,370)</u>
Depreciation and amortization	(17,737,170)
<b>Operating loss</b>	<u>(49,134,540)</u>
Nonoperating revenues (expenses):	
Subsidies:	
Commonwealth of Virginia grants	18,265,581
Federal grants – with PRTC as grantee	15,937,225
Jurisdictional contributions	17,250,240
Regional transportation funding (NVTA)	461,889
Interest income:	
Operating funds	285,495
Insurance trust	98,560
Other restricted funds	402
Gain on disposal of assets	3,500
Interest, amortization and other nonoperating expenses, net	(3,217,756)
<b>Total nonoperating revenues, net</b>	<u>49,085,136</u>
Capital grants and assistance:	
Commonwealth of Virginia grants	3,033,657
Federal grants – with PRTC as grantee	15,204,474
Regional transportation funding (NVTA)	651,163
Local contributions	162,839
<b>Total capital grants and assistance</b>	<u>19,052,133</u>
<b>Change in net position</b>	19,002,729
Net position, beginning of year	<u>341,053,259</u>
Net position, ending	<u>\$ 360,055,988</u>

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

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

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 7. Pension Plans

Employees of the reporting entity are covered under two separate plans. The NVTC Pension Trust covers eligible employees of the governmental activities of NVTC, while the Virginia Retirement System covers the eligible employees of the business-type activities of the VRE joint venture through employment with PRTC.

#### NVTC – Target Benefit Plan

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

The plan is funded in amounts determined by an actuarial consultant. Employer contributions for the year ended June 30, 2017 totaled \$108,171 (11.9 percent of covered payroll). Required employee contributions for the year ended June 30, 2017 totaled \$17,751 (1.9 percent of covered payroll). Since 1994, participants have been required to contribute 2.0 percent of covered salary, not to exceed 50 percent of the aggregate gross annual contribution for benefits. NVTC contributes the balance of the cost of the Plan. NVTC's payroll for employees covered by the plan for the year ended June 30, 2017 was approximately \$912,000.

### Note 8. Operating Leases and Agreements

#### Governmental activities

NVTC leases office space under a 125-month agreement which commenced on January 1, 2011 and expires May 31, 2021. The lease provides for 3 percent annual increases in base rent over the term of the lease, and the pass-through of a proportionate share of the annual increases in common building expenses. The lease contains a provision for the abatement of the first five months of rent. For the government-wide financial statements, the cumulative minimum rent for the entire lease is amortized on a straight-line basis over the lease term, with an equal amount of rent expense recognized each month. Rent expense for governmental activities as reported in the government-wide financial statements totals \$203,914 (\$214,433 paid less \$10,519 amortization). The Statement of Net Position reported a liability of \$100,078 related to the lease. The remaining liability will be amortized over the remaining lease.

NVTC entered into a 5-year office equipment lease and maintenance agreement, both of which expire December 31, 2020. Minimum monthly payments under these agreements equal \$406 per month, with payments totaling \$4,872 for the year ended June 30, 2017.

As of June 30, 2017, the minimum long-term lease commitments were as shown below:

Years Ending June 30,	Amount
2018	\$ 209,009
2019	215,121
2020	221,421
2021	206,628
Total	<u>\$ 852,179</u>

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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

#### Business-type activities

Operating Access Agreements with the CSX and Norfolk Southern railroads provide the Commissions the right to use tracks owned by the railroads in the provision of commuter rail passenger service. These agreements require the Commissions to pay the railroads a monthly base fee and to reimburse the railroads for any incremental cost incurred by the railroads as a result of providing tracks for commuter rail service. For the year ended June 30, 2017, annual track usage fees totaled approximately \$9,545,000 and facility and other identified costs totaled approximately \$531,000.

The agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and mid-day maintenance, electrical power and other services became effective on July 1, 2015. For the year ended June 30, 2017, costs for track access and equipment storage totaled approximately \$6,502,000, and mid-day maintenance, utility and other services totaled approximately \$4,636,000. Cost adjustments will be made in fiscal year 2017 to reflect changes to various published cost indices and the number of trains that have access to and are stored and serviced at the terminal. After October 1, 2015, charges for terminal access will be in accordance with the cost-sharing arrangement for the Northeast Corridor passenger rail infrastructure mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA).

The Commissions have a contract with Keolis Rail Services Virginia, LLC for train operations and maintenance for a five year period beginning July 1, 2015. The cost of train operations and maintenance for the year ended June 30, 2017 totaled approximately \$21,331,000. Costs are based on an annual budget prepared in advance. Costs in fiscal year 2017 reflect contractual increases and the addition of a new train during the fiscal year. Costs for fiscal year 2018 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

### Note 9. Long-Term Debt Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 102,573	\$ 91,688	\$ 79,287	\$ 114,974	\$ 38,309
<b>Total governmental activities</b>	<b>102,573</b>	<b>91,688</b>	<b>79,287</b>	<b>114,974</b>	<b>38,309</b>
Business-type activities:					
Capital leases	7,079,477	-	657,125	6,422,352	687,751
Note payable	55,628,942	-	2,188,783	53,440,159	2,290,688
Compensated absences	241,347	172,034	155,923	257,458	14,404
<b>Total business-type activities</b>	<b>62,949,766</b>	<b>172,034</b>	<b>3,001,831</b>	<b>60,119,969</b>	<b>2,992,843</b>
<b>Total Primary Government</b>	<b>\$ 63,052,339</b>	<b>\$ 263,722</b>	<b>\$ 3,081,118</b>	<b>\$ 60,234,943</b>	<b>\$ 3,031,152</b>

Federal arbitrage regulations apply to VRE's Gallery IV capitalized lease.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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

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

	Total	NVTC Reporting Entity
\$25,100,000 capitalized lease obligation (NVTC reporting entity, \$12,550,000); \$965,679 due semi-annually (NVTC reporting entity, \$482,840), interest at 4.59%, maturing in 2025, collateralized with Gallery IV railcars with a carrying value of \$16,323,930 (NVTC reporting entity, \$8,161,965)	\$ 12,810,417	\$ 6,405,208

Future minimum lease payments as of June 30, 2017 are as follows:

Years Ending June 30,	Total	NVTC Reporting Entity
2018	\$ 1,931,357	\$ 965,679
2019	1,931,357	965,678
2020	1,931,357	965,679
2021	1,931,357	965,678
2022	1,931,357	965,678
2023-2025	5,794,072	2,897,036
Total minimum lease payments	15,450,857	7,725,428
Lease amount representing interest	2,640,440	1,320,220
Present value of lease payments	\$ 12,810,417	\$ 6,405,208

#### Capitalized Lease – Copiers

	Total	NVTC Reporting Entity
\$73,425 capitalized lease obligation; \$1,329 due monthly, interest at 9.39%, maturing in 2020; \$330 due monthly, interest at 11.73%, maturing in 2018, collateralized with three multifunction copiers with a carrying value of \$25,380 (NVTC reporting entity, \$12,690)	\$ 34,287	\$ 17,144

Future minimum lease payments as of June 30, 2017 are as follows:

Years Ending June 30,	Total	NVTC Reporting Entity
2018	\$ 19,248	\$ 9,624
2019	15,948	7,974
2020	2,658	1,329
Total minimum lease payments	37,854	18,927
Less amount representing interest	3,567	1,783
<b>Present value of lease payments</b>	<b>\$ 34,287</b>	<b>\$ 17,144</b>

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION

### NOTES TO THE FINANCIAL STATEMENTS

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

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

In fiscal year 2008, an agreement in the name of NVTC was entered into with the Federal Railroad Administration for a loan of up to \$72.5 million to purchase 50 Gallery railcars; in fiscal year 2009 the terms were amended to include ten additional Gallery railcars. A series of sixteen promissory notes were originally authorized and during fiscal year 2012 the balance of the individual notes were combined into a consolidated note. The note is secured by the revenues of VRE and the railcars. The carrying value of the railcars was \$74,655,342 at June 30, 2017.

\$63,844,842 promissory note; due in quarterly maturities of  
\$1,195,258 through March 2033, plus quarterly interest at 4.74% \$ 53,440,159

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

Years Ending June 30,	Principal	Interest	Total Required
2018	\$ 2,290,688	\$ 2,492,825	\$ 4,783,513
2019	2,401,211	2,382,302	4,783,513
2020	2,513,907	2,269,606	4,783,513
2021	2,641,432	2,142,081	4,783,513
2022	2,765,809	2,017,704	4,783,513
2023-2027	15,964,023	7,953,540	23,917,563
2028-2032	20,204,782	3,712,781	23,917,563
2033	4,658,307	125,206	4,783,513
	<u>\$ 53,440,159</u>	<u>\$ 23,096,045</u>	<u>\$ 76,536,204</u>

#### Note 10. Risk Management and Liability Insurance Plan

NVTC and the VRE commuter rail operation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. Commercial insurance is purchased to address these risks, including workers' compensation and employee health and accidental insurance. The Virginia Department of Treasury, Division of Risk Management has established the terms of VRE's Commuter Rail Operations Liability Plan (the Insurance Plan). The Insurance Plan consists of a combination of self-insurance reserves and purchased insurance in amounts actuarially determined to meet the indemnification requirements of the Operating Access Agreements and the Purchase of Services Agreement and for liability and property damage. The Commissions indemnify each of the railroads in an amount up to the passenger rail liability cap (currently at \$295,000,000) for any claims against persons or property associated with commuter rail operations. Settled claims have not exceeded commercial coverage during any of the past three fiscal years. The liability for incurred but not reported claims was approximately \$149,000 at June 30, 2017, of which \$74,500 was included in the NVTC reporting entity.

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 10. Risk Management and Liability Insurance Plan (Continued)

The Division of Risk Management manages the Insurance Trust Fund pursuant to provisions of the Insurance Plan. Since November 2006, all plan assets have been invested in the Department of Treasury common pool. Activity in the Insurance Trust Fund for the year ended June 30, 2017 is as follows:

	Total	NVTC Reporting Entity
Beginning balance, July 1	\$ 10,386,757	\$ 5,193,378
Contribution to reserves	3,900,000	1,950,000
Insurance premiums paid	(3,909,349)	(1,954,675)
Investment income	98,560	49,280
Actuarial and administrative charges	(59,097)	(29,548)
Ending balance, June 30	\$ 10,416,871	\$ 5,208,435

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

### Note 11. Significant Commitments and Contingencies

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

#### Governmental activities

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

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

#### Business-type activities

At June 30, 2017, there were disputes between VRE and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal (with VRE as grantee) and Commonwealth of Virginia grants and local funds will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenses incurred as of June 30, 2017:

Stations and parking lots	\$ 3,723,340
Rolling stock	19,400,653
Maintenance and layover yards	1,956,777
Track and signal improvements	169,411
Other administrative	1,282,759
<b>Total</b>	<b>\$ 26,532,940</b>



# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 12. Pending GASB Statements

At June 30, 2017, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by NVTC. The statements which might impact NVTC are as follows:

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. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (ARO's). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's. Statement No. 83 will be effective for fiscal years beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017*, will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. Statement No. 85 will be effective for fiscal years beginning after June 15, 2017.

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

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

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

### Note 13. Subsequent Events

The Commissions sold seven fully depreciated Pullman-Standard Gallery-style railcars to Foxville & Northern Railroad Co., LLC in July 2017. The cars were sold for \$500 per unit, and there was no remaining Federal interest at the time the sale was completed.

In July 2017, the Commissions approved the execution of a 15-year lease with one 5-year option for additional office space in an amount not to exceed \$3,902,008. The office space is owned by the International Association of Refrigerated Warehouses and is located at 1500 King Street in Alexandria, adjacent to the current VRE offices. The agreement was executed in September 2017.

In August 2017, the Commissions entered into contracts to purchase fuel at set prices for delivery in August 2017 through October 2017. The fuel will be used in the normal course of operations and is not being purchased for resale. The total commitment is for 126,000 gallons of fuel at a cost of approximately \$220,000.

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2017**

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY JURISDICTION**  
**JURISDICTION TRUST FUND**  
Year Ended June 30, 2017

	City of Alexandria	Arlington County	City of Fairfax	Fairfax County	City of Falls Church	Loudoun County	Totals
Additions:							
Contributions from government:							
Commonwealth of Virginia	\$ 21,366,165	\$ 31,670,740	\$ 1,866,687	\$ 85,401,670	\$ 1,076,033	\$ -	\$ 141,381,295
Motor Vehicle Fuel Sales Tax	2,139,621	2,481,997	1,023,461	16,236,748	1,206,724	7,493,254	30,581,805
Intergovernmental revenues, grants:							
Commonwealth of Virginia	5,570,506	8,934,996	467,430	21,385,107	269,654	-	36,627,693
Investment income	82,008	235,582	22,885	619,796	5,154	160,990	1,126,415
<b>Total additions</b>	<b>29,158,300</b>	<b>43,323,315</b>	<b>3,380,463</b>	<b>123,643,321</b>	<b>2,557,565</b>	<b>7,654,244</b>	<b>209,717,208</b>
Deductions:							
Funds disbursed to WMATA:							
Capital improvement program	4,258,880	7,502,419	487,127	-	467,393	-	12,715,819
Project development	133,000	261,000	6,000	-	6,000	-	406,000
Metrail operating	5,907,268	10,920,365	884,078	38,239,430	487,804	-	56,438,945
Metrobus operating	18,161,604	15,330,963	626,513	57,338,619	1,225,833	-	92,683,532
Metroaccess operating	-	-	300,465	12,021,329	55,668	-	12,377,462
Metro debt service	-	-	-	-	26,472	-	26,472
Other funds disbursed:							
Other capital disbursements	-	6,507,017	-	88,978	90,088	1,701,792	8,387,875
Other operating disbursements	-	5,204,572	1,199,531	11,025,478	-	10,847,341	28,276,922
<b>Total deductions</b>	<b>28,460,752</b>	<b>45,726,336</b>	<b>3,503,714</b>	<b>118,713,834</b>	<b>2,359,258</b>	<b>12,549,133</b>	<b>211,313,027</b>
<b>Change in net position</b>	<b>697,548</b>	<b>(2,403,021)</b>	<b>(123,251)</b>	<b>4,929,487</b>	<b>198,307</b>	<b>(4,894,889)</b>	<b>(1,595,819)</b>
Net position held in trust for member jurisdictions							
Beginning of year	16,377,427	35,500,825	3,834,367	98,361,708	719,747	25,284,544	180,078,618
End of year	<u>\$ 17,074,975</u>	<u>\$ 33,097,804</u>	<u>\$ 3,711,116</u>	<u>\$ 103,291,195</u>	<u>\$ 918,054</u>	<u>\$ 20,389,655</u>	<u>\$ 178,482,799</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF GENERAL, ADMINISTRATIVE AND PROJECT EXPENDITURES**  
**GENERAL FUND**  
**Year Ended June 30, 2017**

	<b>Total</b>	<b>General and Administrative</b>	<b>Projects</b>
Expenditures:			
Advertising	\$ 250	\$ 250	\$ -
Audit and legal	65,025	65,025	-
Capital outlay	5,938	5,938	-
Commissioners' per diem	13,750	13,750	-
Computer	7,423	7,423	-
Conference and training	14,931	14,931	-
Copier duplicating	8,691	8,691	-
Disability insurance	5,426	5,238	188
Employee group insurance	85,333	82,375	2,958
Employee retirement	110,452	106,623	3,829
Employer payroll taxes	77,705	75,012	2,693
Leave - annual, holiday, and sick	152,905	147,605	5,300
Memberships and subscriptions	1,187	1,187	-
Miscellaneous	5,848	5,848	-
Office supplies	1,912	1,912	-
Office rent	215,830	215,830	-
Insurance and liability bonds	6,682	6,682	-
Parking and transit	14,043	14,043	-
Postage and shipping	1,183	1,183	-
Project consultants and other project costs	4,711,585	65,668	4,645,917
Public information	747	747	-
Salaries and wages	927,996	895,706	32,290
State liaison	35,974	35,974	-
Telephone and data	9,279	9,279	-
Travel and meetings	13,435	13,385	50
<b>Total expenditures</b>	<b>\$ 6,493,530</b>	<b>\$ 1,800,305</b>	<b>\$ 4,693,225</b>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT REVENUES AND EXPENDITURES  
GENERAL FUND  
Year Ended June 30, 2017**

	<b>Jurisdiction Grants &amp; Projects</b>	<b>NTD</b>	<b>Fare Collection</b>	<b>Route 7</b>	<b>Totals</b>
Revenues:					
Commonwealth of Virginia	\$ 477,545	\$ -	\$ 36,500	\$ -	\$ 514,045
Federal	3,763,271	-	-	-	3,763,271
Regional	-	-	-	49,413	49,413
Local	-	282,688	36,499	-	319,187
NVTC match	-	4,383	32,860	10,066	47,309
<b>Total revenue</b>	<b>\$ 4,240,816</b>	<b>\$ 287,071</b>	<b>\$ 105,859</b>	<b>\$ 59,479</b>	<b>\$ 4,693,225</b>
Expenditures:					
Consultants	\$ -	\$ 282,688	\$ 73,000	\$ 49,413	\$ 405,101
Costs incurred	4,240,816	-	-	-	4,240,816
Fringe benefits	-	1,388	10,405	3,175	14,968
Salaries and wages	-	2,995	22,446	6,849	32,290
Travel	-	-	8	42	50
<b>Total expenditures</b>	<b>\$ 4,240,816</b>	<b>\$ 287,071</b>	<b>\$ 105,859</b>	<b>\$ 59,479</b>	<b>\$ 4,693,225</b>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROJECT REVENUES AND EXPENDITURES**  
**GENERAL FUND**  
Project Costs to Date - Active Projects  
Period Ended June 30, 2017

	<b>Jurisdiction Grants &amp; Projects</b>	<b>NTD and Bus Data Collection</b>	<b>Fare Collection</b>	<b>Route 7</b>	<b>Totals</b>
Revenues:					
Commonwealth of Virginia	\$ 1,546,056	\$ 1,675,569	\$ 188,000	\$ 43,500	\$ 3,453,125
Federal	9,429,627	113,067	-	349,537	9,892,231
Regional	-	-	-	834,665	834,665
Local	5,000	1,209,070	187,999	43,750	1,445,819
NVTC match	71,101	59,105	98,164	99,549	327,919
<b>Total revenue</b>	<b>\$ 11,051,784</b>	<b>\$ 3,056,811</b>	<b>\$ 474,163</b>	<b>\$ 1,371,001</b>	<b>\$ 15,953,759</b>
Expenditures:					
Advertising	\$ 306	\$ 1,210	\$ -	\$ -	\$ 1,516
Consultants	442,735	2,982,658	376,000	1,271,587	5,072,980
Copier duplicating	-	-	-	37	37
Costs incurred	10,537,946	-	-	-	10,537,946
Fringe benefits	22,963	21,691	29,185	29,479	103,318
Parking	8	60	360	144	572
Postage	-	960	-	307	1,267
Public information	-	-	-	362	362
Salaries and wages	47,718	49,861	68,459	68,546	234,584
Telephone	108	21	-	-	129
Travel	-	350	159	539	1,048
<b>Total expenditures</b>	<b>\$ 11,051,784</b>	<b>\$ 3,056,811</b>	<b>\$ 474,163</b>	<b>\$ 1,371,001</b>	<b>\$ 15,953,759</b>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS  
Year Ended June 30, 2017**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Unearned) Revenue 6/30/2016</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Unearned) Revenue 6/30/2017</u>	<u>Cumulative Expenditures</u>
<b>Northern Virginia Transportation Commission</b>									
<b>Virginia Department of Rail and Public Transportation (DRPT)</b>									
Capital:									
Fiscal Year 2017	12/13/2016	73017-45	\$ 19,535,598	\$ -	\$ 18,044,177	\$ 18,044,177	\$ 18,044,177	\$ -	\$ 18,044,177
Fiscal Year 2017	12/13/2016	73017-46	13,618,279	-	13,196,593	13,196,593	13,196,593	-	13,196,593
Fiscal Year 2017	12/13/2016	73017-47	1,902,644	-	1,842,333	1,842,333	1,842,333	-	1,842,333
Fiscal Year 2017	12/13/2016	73017-48	18,001	-	18,000	18,000	18,000	-	18,000
Fiscal Year 2017	12/13/2016	73017-49	883,103	-	-	-	-	-	-
Fiscal Year 2017	12/13/2016	73017-50	306,000	-	87,083	87,083	87,083	-	87,083
Fiscal Year 2016	8/3/2015	73016-54	31,621,455	-	-	-	-	-	24,876,105
Fiscal Year 2016	8/3/2015	73016-55	2,615,481	-	-	-	-	-	2,037,003
Fiscal Year 2016	8/3/2015	73016-57	889,893	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-48	754,380	-	-	-	-	-	570,953
Fiscal Year 2012	10/18/2011	73012-49	17,926,808	-	-	-	-	-	8,981,360
Fiscal Year 2012	10/18/2011	73012-52	28,590	-	-	-	-	-	27,470
Fiscal Year 2012	10/18/2011	73012-54	445,500	-	-	-	-	-	427,545
Fiscal Year 2012	10/18/2011	73012-61	1,350,000	-	-	-	-	-	557,409
Fiscal Year 2012	10/18/2011	73012-65	750,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-66	1,250,000	-	-	-	-	-	1,244,292
Fiscal Year 2012	10/18/2011	73012-67	750,000	-	-	-	-	-	630,464
Fiscal Year 2012	10/18/2011	73012-68	100,000	-	-	-	-	-	64,570
Fiscal Year 2012	10/18/2011	73012-69	150,000	-	-	-	-	-	82,576
Fiscal Year 2012	10/18/2011	73012-72	225,000	-	-	-	-	-	91,969
Fiscal Year 2012	10/18/2011	73012-74	525,000	-	-	-	-	-	281,363
Fiscal Year 2012	10/18/2011	73012-76	350,000	-	-	-	-	-	321,181
Fiscal Year 2012	10/18/2011	73012-77	100,000	-	-	-	-	-	43,186
Fiscal Year 2011	7/17/2012	72511-03	771,612	-	887	887	887	-	887
Fiscal Year 2011	10/5/2010	72511-04	100,000	-	-	-	-	-	-
Fiscal Year 2011	11/30/2015	72511-07	757,000	-	399,928	399,928	399,928	-	399,928
Fiscal Year 2011	10/5/2010	73011-29	53,000	-	-	-	-	-	6,155
Fiscal Year 2010	7/17/2012	72510-08	209,575	-	-	-	-	-	-
Fiscal Year 2011	7/18/2012	72510-10	133,250	-	42,832	42,832	42,832	-	79,636
Fiscal Year 2010	8/4/2011	72510-17	915,893	-	-	-	-	-	-
Fiscal Year 2010	12/28/2010	72510-18	221,540	-	-	-	-	-	-
Fiscal Year 2010	2/2/2011	72510-25	133,250	-	-	-	-	-	-
Fiscal Year 2010	7/2/2009	72509-22	190,190	-	-	-	-	-	-

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)  
Year Ended June 30, 2017**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Unearned) Revenue 6/30/2016</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Unearned) Revenue 6/30/2017</u>	<u>Cumulative Expenditures</u>
<b>Northern Virginia Transportation Commission (continued)</b>									
<b>Virginia Department of Rail and Public Transportation (DRPT) (continued)</b>									
Capital (continued):									
Fiscal Year 2009	10/1/2010	72509-25	\$ 200,600	\$ -	\$ 3,844	\$ 3,844	\$ 3,844	\$ -	\$ 16,477
Fiscal Year 2009	7/1/2008	73009-37	160,000	-	-	-	-	-	7,982
Fiscal Year 2009	7/1/2008	73009-38	160,000	-	-	-	-	-	138,968
Fiscal Year 2009	7/1/2008	73009-44	4,626,150	-	1,069,126	1,069,126	1,069,126	-	3,900,082
Fiscal Year 2009	7/2/2009	72508-09	175,560	-	-	-	-	-	-
Fiscal Year 2009	7/2/2009	72508-10	100,320	-	3,586	5,627	5,627	2,041	19,904
Fiscal Year 2008	8/12/2008	72508-12	125,400	-	-	-	-	-	-
Fiscal Year 2008	8/5/2010	72508-13	59,500	-	-	-	-	-	13,234
Fiscal Year 2008	8/12/2008	72508-16	59,500	-	-	-	-	-	750
Fiscal Year 2008	9/19/2008	72508-19	100,320	-	25,325	30,054	30,054	4,729	84,167
Fiscal Year 2008	4/5/2012	72508-52	320,000	-	5,953	5,953	5,953	-	10,148
Fiscal Year 2008	10/16/2007	73008-48	209,245	-	7,474	7,474	7,474	-	71,434
Fiscal Year 2007	8/12/2008	72507-31	118,973	-	-	-	-	-	51,410
Fiscal Year 2007	8/12/2008	72507-35	56,678	-	-	-	-	-	-
Fiscal Year 2007	7/2/2009	72507-29	166,563	-	-	-	-	-	-
Operating:									
Fiscal Year 2017	7/28/2016	72017-25	108,637,140	-	108,637,140	108,637,140	108,637,140	-	108,637,140
Demonstration \ Experimental:									
Fiscal Year 2015:									
Intern Program	8/3/2015	71216-03	40,000	1,180	24,854	33,707	33,707	10,033	34,887
Intern Program	9/2/2014	71215-04	40,000	13,244	13,244	-	-	-	40,000
Fiscal Year 2014:									
NEPP Technical Assist.	9/2/2014	71315-03	400,000	14,000	41,500	36,500	36,500	9,000	88,000
Other:									
FY 2014 WMATA Reconciliation			-	-	(970,302)	(970,302)	(970,302)	-	(970,302)
FY 2015 WMATA Reconciliation			-	-	(991,868)	(991,868)	(991,868)	-	(991,868)
Settlement			-	-	429,959	429,959	429,959	-	429,959
<b>Total State Assistance - NVTC</b>			<b>215,336,991</b>	<b>28,424</b>	<b>141,931,668</b>	<b>141,929,047</b>	<b>141,929,047</b>	<b>25,803</b>	<b>185,494,610</b>



**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)  
Year Ended June 30, 2017**

Grant	Contract Date	Grant Number	Grant Award	Accrued (Unearned) Revenue 6/30/2016	Cash Received	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 6/30/2017	Cumulative Expenditures
<b><u>Virginia Railway Express</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT)</b>									
Capital:									
Fiscal Year 2017	10/14/2016	73017-82	\$ 497,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiscal Year 2017	12/7/2016	73017-83	19,461	-	-	-	-	-	-
Fiscal Year 2016	9/16/2015	50012	12,045,657	487,136	2,135,791	2,210,814	2,210,814	562,159	3,398,146
Fiscal Year 2016	2/26/2016	50013	16,065,000	2,217	123,891	330,377	330,377	208,703	332,594
Fiscal Year 2016	2/2/2016	72516-07	68,973	-	-	31,150	31,150	31,150	31,150
Fiscal Year 2016	10/14/2016	73016-84	867,200	80,528	104,532	90,345	90,345	66,341	170,873
Fiscal Year 2016	10/19/2016	73016-85	1,320,960	19,052	-	223,533	223,533	242,585	242,585
Fiscal Year 2016	10/19/2026	73016-86	304,000	-	-	-	-	-	-
Fiscal Year 2016	10/14/2016	73016-92	309,017	58,052	212,561	250,965	250,965	96,456	309,017
Fiscal Year 2016	10/19/2016	73016-93	790,564	404,295	-	386,269	386,269	790,564	790,564
Fiscal Year 2015	8/3/2015	50002	4,539,850	615,894	1,593,057	1,262,437	1,262,437	285,274	4,539,850
Fiscal Year 2015	8/3/2015	50003	4,634,540	97,371	1,022,535	1,010,829	1,010,829	85,665	2,773,577
Fiscal Year 2015	10/14/2016	73015-93	320,000	-	-	215,537	215,537	215,537	215,537
Fiscal Year 2015	2/29/2016	73015-94	1,705,189	5,671	22,228	1,342,259	1,342,259	1,325,702	1,380,881
Fiscal Year 2015	2/8/2016	73015-95	840,000	15,709	55,265	194,833	194,833	155,277	231,355
Fiscal Year 2015	10/14/2016	73015-96	64,000	-	-	-	-	-	-
Fiscal Year 2015	10/19/2016	73015-97	96,981	-	-	96,981	96,981	96,981	96,981
Fiscal Year 2015	10/14/2016	73015-98	879,572	330,817	291,216	(37,733)	(37,733)	1,868	293,084
Fiscal Year 2015	10/14/2016	73015-99	309,017	309,017	309,017	-	-	-	309,017
Fiscal Year 2014	2/2/2016	72514-07	800,000	-	-	-	-	-	-
Fiscal Year 2014	10/13/2016	73014-70	55,000	-	48,482	55,000	55,000	6,518	55,000
Fiscal Year 2014	1/6/2014	73014-71	275,000	600	66,044	65,444	65,444	-	275,000
Fiscal Year 2014	10/14/2016	73014-72	212,449	212,449	212,449	-	-	-	212,449
Fiscal Year 2014	10/14/2016	73014-76	539,000	349,649	404,011	89,484	89,484	35,122	439,133
Fiscal Year 2013	1/6/2014	72513-12	400,000	-	6,998	36,336	36,336	29,338	36,336
Fiscal Year 2013	4/24/2013	73113-46	11,391,184	320,615	334,674	216,283	216,283	202,224	9,956,133
Fiscal Year 2012	1/6/2014	73012-79	108,000	-	-	89,195	89,195	89,195	89,195
Fiscal Year 2011	1/6/2014	72510-67	300,000	-	-	-	-	-	-
Fiscal Year 2011	7/22/2011	73111-20	135,899	28,296	53,298	66,116	66,116	41,114	107,192
Fiscal Year 2010	1/6/2014	72510-68	200,000	-	-	-	-	-	-
Fiscal Year 2010	6/10/2011	72510-74	50,000	-	-	-	-	-	-
Fiscal Year 2010	1/21/2011	72510-75	821,902	-	-	-	-	-	183,051
Fiscal Year 2009	3/23/2016	73109-51	418,540	8,618	57,742	382,550	382,550	333,426	391,168
Operating:									
Fiscal Year 2017	7/25/2016	72017-24	10,550,679	-	10,550,679	10,550,679	10,550,679	-	10,550,679

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)  
Year Ended June 30, 2017**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Unearned) Revenue 6/30/2016</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Unearned) Revenue 6/30/2017</u>	<u>Cumulative Expenditures</u>
<b><u>Virginia Railway Express (continued)</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT) (continued)</b>									
Other Special Projects	7/15/2014	71315-04	\$ 125,000	\$ 8,989	\$ 8,989	\$ -	\$ -	\$ -	\$ 99,682
Rail Enhancement Fund:									
Gainsville-Haymarket	5/10/2013	76509-02	2,785,714	371,899	686,201	404,415	404,415	90,113	1,412,233
Third Track Spotsylvania	5/10/2013	76513-11	13,856,292	1,531,304	852,383	(494,602)	(494,602)	184,319	13,326,205
Eligible expenditures accrued, not yet assigned to specific grants		N/A	N/A	4,195	-	2,229,743	2,229,743	2,233,938	2,229,743
<b>Total State Assistance - VRE</b>			88,701,645	5,262,373	19,152,043	21,299,239	21,299,239	7,409,569	54,478,410
<b>Total State Assistance - NVTC and VRE</b>			<u>\$ 304,038,636</u>	<u>\$ 5,290,797</u>	<u>\$ 161,083,711</u>	<u>\$ 163,228,286</u>	<u>\$ 163,228,286</u>	<u>\$ 7,435,372</u>	<u>\$ 239,973,020</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS  
Year Ended June 30, 2017**

Grant / Contracted Jurisdiction	Contract Date	Grant Number	Grant Award	Accrued (Unearned) Revenue 6/30/2016	Cash Received	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 6/30/2017	Cumulative Expenditures
<b><u>Northern Virginia Transportation Commission. Jurisdiction Trust Fund (contracted directly with individual jurisdictions)</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT)</b>									
Capital:									
Fiscal Year 2017:									
Arlington County	10/26/2016	73017-51	\$ 141,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Arlington County	10/26/2016	73017-52	547,400	-	111,220	111,220	111,220	-	111,220
Arlington County	10/26/2016	73017-53	174,250	-	-	-	-	-	-
Arlington County	10/26/2016	73017-54	1,387,200	-	23,614	23,614	23,614	-	23,614
Arlington County	10/26/2016	73017-55	12,750	-	-	-	-	-	-
Arlington County	10/26/2016	73017-56	8,500	-	-	-	-	-	-
Arlington County	10/26/2016	73017-57	172,380	-	-	-	-	-	-
Arlington County	10/26/2016	73017-58	2,210,000	-	326,076	326,076	326,076	-	326,076
City of Alexandria	10/14/2016	73017-60	2,652,000	-	-	-	-	-	-
Fairfax County	10/14/2016	73017-61	4,182,000	-	-	-	-	-	-
Fairfax County	10/14/2016	73017-62	612,000	-	-	-	-	-	-
Fairfax County	10/14/2016	73017-63	680,000	-	-	-	-	-	-
Fairfax County	10/14/2016	73017-64	124,100	-	-	-	-	-	-
Fairfax County	10/14/2016	73017-65	306,000	-	-	-	-	-	-
Fairfax County	10/14/2016	73017-66	76,500	-	37,060	37,060	37,060	-	37,060
Fairfax County	10/14/2016	73017-67	12,750	-	-	-	-	-	-
Fairfax County	10/14/2016	73017-68	272,000	-	266,081	272,000	272,000	5,919	272,000
Fairfax County	10/14/2016	73017-69	340,000	-	-	37,359	37,359	37,359	37,359
Fairfax County	10/14/2016	73017-70	2,176,000	-	1,302,095	1,302,095	1,302,095	-	1,302,095
Fairfax County	10/14/2016	73017-72	680,000	-	-	-	-	-	-
Fiscal Year 2016:									
Arlington County	10/19/2015	73016-59	155,720	-	135,983	135,983	135,983	-	135,983
Arlington County	10/19/2015	73016-60	39,950	-	8,421	10,507	10,507	2,086	15,408
Arlington County	10/19/2015	73016-61	1,734,000	-	-	13,748	13,748	13,748	17,534
Arlington County	10/19/2015	73016-62	46,410	-	9,636	9,636	9,636	-	21,881
Arlington County	10/19/2015	73016-63	811,185	-	-	291,462	291,462	291,462	291,462
Arlington County	10/19/2015	73016-64	170,000	-	211	211	211	-	211
Arlington County	10/19/2015	73016-67	51,000	-	-	-	-	-	-
City of Alexandria	11/2/2015	73016-68	1,836,000	-	-	-	-	-	-
City of Alexandria	11/2/2015	73016-69	17,000	-	15,373	15,373	15,373	-	15,373
City of Alexandria	11/2/2015	73016-70	816,000	-	-	-	-	-	-
Fairfax County	9/24/2015	73016-72	340,000	-	171,275	340,000	340,000	168,725	340,000

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)  
Year Ended June 30, 2017**

Grant / Contracted Jurisdiction	Contract Date	Grant Number	Grant Award	Accrued (Unearned) Revenue 6/30/2016	Cash Received	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 6/30/2017	Cumulative Expenditures
<b><u>Northern Virginia Transportation Commission. Jurisdiction Trust Fund (contracted directly with individual jurisdictions) (continued)</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT) (continued)</b>									
Capital (continued):									
Fairfax County	9/24/2015	73016-73	\$ 1,870,000	\$ 72,227	\$ 340,811	\$ 374,433	\$ 374,433	\$ 105,849	\$ 446,660
Fairfax County	9/24/2015	73016-74	2,040,000	-	-	-	-	-	-
Fairfax County	9/24/2015	73016-75	408,000	-	-	-	-	-	-
Fairfax County	9/24/2015	73016-76	1,870,000	31,606	141,106	154,068	154,068	44,568	481,714
Fairfax County	9/24/2015	73016-77	850,000	10,404	177,612	167,208	167,208	-	194,257
Fairfax County	9/24/2015	73016-78	1,088,000	-	-	-	-	-	-
Fairfax County	9/24/2015	73016-79	2,074,000	-	160,980	160,980	160,980	-	1,294,504
Fairfax County	9/24/2015	73016-81	42,500	-	-	-	-	-	-
Fairfax County	9/24/2015	73016-82	357,000	-	-	-	-	-	-
Fiscal Year 2015:									
Arlington County	9/12/2014	73015-54	211,480	-	48,057	48,057	48,057	-	211,480
Arlington County	9/12/2014	73015-56	538,220	-	5,628	7,238	7,238	1,610	7,512
Arlington County	9/12/2014	73015-57	17,000	-	771	771	771	-	3,629
Arlington County	9/12/2014	73015-58	737,800	-	-	-	-	-	238,319
Arlington County	9/12/2014	73015-59	44,880	-	-	-	-	-	-
Arlington County	9/12/2014	73015-61	2,885,580	-	2,885,580	2,885,580	2,885,580	-	2,885,580
Arlington County	9/12/2014	73015-64	850,000	-	-	-	-	-	-
Arlington County	9/12/2014	73015-65	98,940	-	-	-	-	-	71,402
Arlington County	9/12/2014	73015-66	523,600	-	-	-	-	-	-
Arlington County	9/12/2014	73115-62	2,720,000	-	25,500	25,500	25,500	-	25,500
City of Alexandria	9/2/2014	73015-67	1,700,000	-	914,705	914,705	914,705	-	914,705
City of Alexandria	9/2/2014	73015-68	170,000	-	-	170,000	170,000	170,000	170,000
City of Alexandria	9/2/2014	73015-69	2,380,000	-	1,815,494	1,815,494	1,815,494	-	1,815,494
Fairfax County	10/7/2014	73015-74	5,780,000	-	-	-	-	-	5,482,575
Fairfax County	10/7/2014	73015-75	3,400,000	-	-	-	-	-	-
Fairfax County	10/7/2014	73015-78	76,500	76,500	76,500	-	-	-	76,500
Fairfax County	10/7/2014	73015-80	68,000	-	-	-	-	-	-
Fairfax County	10/7/2014	73015-81	68,000	-	62,944	68,000	68,000	5,056	68,000
Fairfax County	10/7/2014	73015-82	170,000	-	-	-	-	-	46,531
Fairfax County	10/7/2014	73015-83	850,000	10,236	97,996	87,760	87,760	-	179,985
Fairfax County	10/7/2014	73015-84	102,000	41,154	80,598	39,444	39,444	-	102,000

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
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Year Ended June 30, 2017**

Grant / Contracted Jurisdiction	Contract Date	Grant Number	Grant Award	Accrued (Unearned) Revenue 6/30/2016	Cash Received	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 6/30/2017	Cumulative Expenditures
<b><u>Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions) (continued)</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT) (continued)</b>									
Capital (continued):									
Fairfax County	10/7/2014	73015-85	\$ 595,000	\$ -	\$ 531,098	\$ 531,098	\$ 531,098	\$ -	\$ 595,000
Fairfax County	10/7/2014	73015-87	782,000	20,556	20,556	-	-	-	782,000
Fairfax County	10/7/2014	73015-88	2,040,000	-	973,531	973,531	973,531	-	973,531
Fairfax County	10/7/2014	73015-89	340,000	40,622	108,554	67,932	67,932	-	150,146
Fairfax County	10/7/2014	73015-90	47,600	8,708	47,600	38,892	38,892	-	47,600
City of Falls Church	11/21/2014	73015-73	239,700	-	89,562	90,088	90,088	526	170,193
Fiscal Year 2014:									
Arlington County	1/8/2014	73014-40	1,100,000	-	-	-	-	-	-
Arlington County	1/29/2014	73014-41	825,000	-	-	-	-	-	386,823
Arlington County	1/8/2014	73014-42	483,560	-	-	-	-	-	435,923
Arlington County	1/8/2014	73014-43	1,119,360	-	-	-	-	-	1,064,892
Arlington County	1/8/2014	73014-44	1,119,360	-	-	-	-	-	1,064,892
Arlington County	1/8/2014	73014-45	27,500	-	-	-	-	-	18,473
Arlington County	1/8/2014	73014-47	357,500	-	15,016	55,389	55,389	40,373	251,757
Arlington County	1/8/2014	73014-50	1,842,500	-	70,770	70,770	70,770	-	1,842,500
Arlington County	1/8/2014	73014-52	41,431	-	-	-	-	-	33,943
Arlington County	1/8/2014	73114-58	1,587,304	-	-	-	-	-	1,467,993
Arlington County	1/8/2014	73114-59	8,331,362	-	-	-	-	-	7,705,383
City of Alexandria	10/8/2013	73014-54	2,029,500	-	-	-	-	-	2,019,309
City of Alexandria	10/8/2013	73014-55	660,000	-	290,368	290,368	290,368	-	290,368
City of Alexandria	1/6/2014	73114-53	817,168	-	-	-	-	-	788,949
City of Alexandria	1/6/2014	73114-54	7,289,093	-	-	-	-	-	4,141,132
City of Fairfax	8/26/2013	73014-56	23,100	-	-	-	-	-	20,797
City of Fairfax	8/26/2013	73014-57	11,000	-	-	-	-	-	10,036
City of Fairfax	1/6/2014	73114-62	63,216	-	-	-	-	-	45,250
City of Fairfax	1/6/2014	73114-63	331,782	-	-	-	-	-	237,509
Fairfax County	2/20/2014	73014-58	68,750	-	-	-	-	-	59,049
Fairfax County	2/20/2014	73014-59	4,801,500	-	-	-	-	-	4,693,388
Fairfax County	2/20/2014	73014-61	440,000	16,503	16,503	-	-	-	421,151
Fairfax County	4/23/2014	73014-63	2,200,000	36,827	1,861,402	1,824,575	1,824,575	-	1,882,002
Fairfax County	2/20/2014	73014-65	247,500	31,385	31,385	-	-	-	247,500
Fairfax County	2/20/2014	73014-66	27,500	-	-	-	-	-	10,451

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)  
Year Ended June 30, 2017**

Grant / Contracted Jurisdiction	Contract Date	Grant Number	Grant Award	Accrued (Unearned) Revenue 6/30/2016	Cash Received	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue 6/30/2017	Cumulative Expenditures
<b><u>Northern Virginia Transportation Commission. Jurisdiction Trust Fund (contracted directly with individual jurisdictions) (continued)</u></b>									
<b>Virginia Department of Rail and Public Transportation (DRPT) (continued)</b>									
Capital (continued):									
Fairfax County	2/20/2014	73014-68	\$ 55,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fairfax County	2/20/2014	73014-69	1,925,000	107,966	1,009,355	901,389	901,389	-	1,464,404
Fairfax County	2/20/2014	73114-67	2,795,744	-	-	-	-	-	2,579,124
Fairfax County	2/20/2014	73114-68	14,674,066	-	-	-	-	-	13,537,620
Falls Church	1/6/2014	73114-72	65,496	-	-	-	-	-	55,665
Falls Church	1/6/2014	73114-73	343,750	-	-	-	-	-	292,184
Fiscal Year 2013:									
Arlington County	11/13/2012	73113-28	275,000	-	-	-	-	-	274,504
Arlington County	11/13/2012	73113-29	82,500	-	-	-	-	-	69,002
Arlington County	11/13/2012	73113-31	1,755,000	-	-	-	-	-	-
City of Fairfax	10/4/2012	73113-34	16,500	-	-	-	-	-	13,559
City of Fairfax	10/4/2012	73113-74	203,491	-	-	-	-	-	199,286
City of Fairfax	10/4/2012	73113-75	44,537	-	-	-	-	-	43,617
Fairfax County	10/4/2012	73113-35	5,335,000	-	-	-	-	-	5,051,831
Fairfax County	10/4/2012	73113-36	4,001,250	-	-	-	-	-	3,747,690
Fairfax County	10/4/2012	73113-38	49,500	-	-	-	-	-	44,790
Fairfax County	10/4/2012	73113-39	1,375,000	38,824	38,824	-	-	-	1,375,000
Fairfax County	10/4/2012	73113-42	495,000	-	-	-	-	-	-
Fairfax County	10/4/2012	73113-45	660,000	-	-	-	-	-	653,612
Operating:									
Arlington County	10/26/2016	73017-20	2,778,235	-	2,778,235	2,778,235	2,778,235	-	2,778,235
City of Alexandria	10/14/2016	72017-21	3,857,916	-	3,857,916	3,857,916	3,857,916	-	3,857,916
City of Fairfax	10/28/2016	72017-22	780,874	-	780,874	780,874	780,874	-	780,874
Fairfax County	10/14/2016	72017-23	16,347,226	-	16,347,226	16,347,226	16,347,226	-	16,347,226
<b>Total State Assistance - Jurisdiction Trust Fund</b>			<b>\$ 154,581,066</b>	<b>\$ 543,518</b>	<b>\$ 38,110,102</b>	<b>\$ 38,453,865</b>	<b>\$ 38,453,865</b>	<b>\$ 887,281</b>	<b>\$ 102,687,702</b>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION  
SUPPLEMENTARY INFORMATION  
SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2017**

	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Unearned) Revenue 6/30/16</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Unearned) Revenue 6/30/17</u>	<u>Cumulative Expenditures</u>
<b><u>Northern Virginia Transportation Commission</u></b>									
<b>Federal Transit Administration</b>									
King Street Access Improvements	20.507	VA 95-0082	\$ 4,144,941	\$ -	\$ 1,064,971	\$ 1,064,971	\$ 1,064,971	\$ -	\$ 1,064,971
Potomac Yard Transitway	20.507	VA 95-0106	3,028,000	-	1,599,712	1,599,712	1,599,712	-	1,599,712
Eisenhower Ave. Intermodal Station	20.500	VA 04-0022	1,442,203	-	-	-	-	-	182,820
Alexandria Potomac Yard Busway	20.500	VA 04-0024	997,710	-	171,326	171,326	171,326	-	783,252
Falls Church Intermodal	20.500	VA 04-0029	1,668,154	-	101,300	120,214	120,214	18,914	709,897
Alexandria Transit Service Improvements	20.500	VA 04-0033	1,761,000	-	-	-	-	-	61,405
Eisenhower Ave Bus Loop	20.500	VA 04-0048	1,640,700	-	15,375	15,375	15,375	-	65,904
Alexandria VanDorn/Beauregard AA/EA	20.522	VA 39-0004	800,000	-	-	-	-	-	408,240
Alexandria BRT Potomac Yards-NWST	20.500	VA 03-0117	1,490,000	-	791,673	791,673	791,673	-	1,288,607
<b>Total Federal Assistance - NVTC</b>			<u>\$ 16,972,708</u>	<u>\$ -</u>	<u>\$ 3,744,357</u>	<u>\$ 3,763,271</u>	<u>\$ 3,763,271</u>	<u>\$ 18,914</u>	<u>\$ 6,164,808</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**COMPLIANCE SECTION**

**YEAR ENDED JUNE 30, 2017**



# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

<b>Federal Grantor / Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
Department of Transportation			
Direct Payments:			
Federal Transit Cluster:			
Capital Investment Grants:			
VA 04-0029	20.500	\$ 120,214	\$ 120,214
VA 03-0117	20.500	791,673	791,673
VA 04-0024	20.500	171,326	171,326
VA 04-0048	20.500	15,375	15,375
<b>Federal Transit - Capital Investment Grants</b>	20.500	<u>1,098,588</u>	<u>1,098,588</u>
Formula Grants:			
VA 95-0082	20.507	1,064,971	1,064,971
VA 95-0106	20.507	1,599,712	1,599,712
<b>Federal Transit - Formula Grants</b>	20.507	<u>2,664,683</u>	<u>2,664,683</u>
<b>Total Federal Transit Cluster</b>		<u>3,763,271</u>	<u>3,763,271</u>
<b>Total Department of Transportation</b>		<u>3,763,271</u>	<u>3,763,271</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 3,763,271</u>	<u>\$ 3,763,271</u>

*The accompanying notes are an integral part of this financial statement.*

## NORTHERN VIRGINIA TRANSPORTATION COMMISSION

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2017

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#### **Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Northern Virginia Transportation Commission (NVTC) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of NVTC, it is not intended to and does not present the financial position or changes in net position of NVTC.

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

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

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

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

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

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

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## **NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2017**

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#### **Note 2. Summary of Significant Accounting Policies (Continued)**

For fiscal year 2017, NVTC recognized amounts in the Schedule associated with prior year expenditures. Expenditures should be recognized in the fiscal year spent for reporting purposes. In the current fiscal year, \$3,629,605 of prior year expenditures associated with the Federal Transit Cluster were included in the Schedule. Prior year expenditures associated with the cluster were reflected in the current year due to timing in which NVTC received draw down requests and supporting documentation from the NVTC member jurisdictions in which NVTC manages the federal grants.

Pass-through identifying numbers are presented where available.

#### **Note 3. Indirect Cost Rate**

NVTC has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Northern Virginia Transportation Commission (Commission), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 27, 2017.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*PBMares, LLP*

Harrisonburg, Virginia  
November 27, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY UNIFORM GUIDANCE**

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

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

We have audited the Northern Virginia Transportation Commission's (Commission) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Commission's major federal programs for the year ended June 30, 2017. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

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

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

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

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

## **Purpose of this Report**

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

*PBMares, LLP*

Harrisonburg, Virginia  
November 27, 2017

# NORTHERN VIRGINIA TRANSPORTATION COMMISSION

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2017

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### Section I. SUMMARY OF AUDITOR'S RESULTS

#### *Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_\_\_ Yes    √ No

Significant deficiencies identified?

\_\_\_\_\_ Yes    √ None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes    √ No

#### *Federal Awards*

Internal control over major programs:

Material weaknesses identified?

\_\_\_\_\_ Yes    √ No

Significant deficiencies identified?

\_\_\_\_\_ Yes    √ None Reported

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

Any audit findings disclosed that are required  
to be reported in accordance with section  
2 CFR 200.516(a)?

\_\_\_\_\_ Yes    √ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
Federal Transit Cluster:	
20.500	Federal Transit – Capital Investment Grants
20.507	Federal Transit – Formula Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

√ Yes    \_\_\_\_\_ No

### Section II. FINANCIAL STATEMENT FINDINGS

None

### Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**NORTHERN VIRGINIA TRANSPORTATION COMMISSION**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended June 30, 2017**

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