# NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## FINANCIAL AND COMPLIANCE REPORTS

### Year Ended June 30, 2019

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

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# Introductory Section

**NORTHERN VIRGINIA TRANSPORTATION AUTHORITY**

**DIRECTORY OF PRINCIPAL OFFICIALS**

## *Voting Members*

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

## *Non-Voting Members*

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

## *Town Representative*

Honorable Derrick Wood, *Town of Dumfries*

## *Certain Authority Staff*

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

# Financial Section

PBMares

# INDEPENDENT AUDITOR'S REPORT

To the Honorable Authority Board Members
Northern Virginia Transportation Authority

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the remaining fund information, and the budgetary comparisons of the Northern Virginia Transportation Authority (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of the Authority, as of June 30, 2019, and the respective changes in financial position and the budgetary comparisons, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-14 and 64-67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
October 10, 2019

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY
## MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Northern Virginia Transportation Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2019.

The Authority is a political subdivision of the Commonwealth of Virginia, created in 2002 by the Northern Virginia Transportation Authority Act, Title 33.2-2500, of the *Code of Virginia*. The Authority is responsible for long-range transportation project planning, prioritization and funding for regional transportation projects in Northern Virginia. The Authority's policies and priorities are guided by two overarching goals: reduce congestion and move the greatest number of people in the most cost-effective manner. These two goals are combined with performance-based criteria such as the ability to improve travel times, reduce delays, connect regional activity centers, and improve safety and air quality. The Authority works toward regional consensus when setting regional transportation policies and priorities for transportation projects. The Authority is also charged with developing and updating the long-range regional transportation plan for Northern Virginia known as TransAction.

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

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

Pursuant to Virginia General Assembly House Bill 1539 (2018) ("HB1539"), beginning on July 1, 2018, the General Assembly repealed two of the Authority's three revenue sources, the regional congestion relief fee and the transient occupancy tax. Thus, the Chapter 766 (HB2313) Transportation Revenues derived from the Congestion Relief Fee and Grantor's Tax are no longer available for appropriation to the Authority or for the payment of debt service on the Authority's 2014 Series Bonds.

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

All moneys received by the Authority and the proceeds of bonds and other debt instruments are required to be used solely for transportation purposes benefiting the member jurisdictions. Of the HB2313 revenues received, 30% are distributed to member jurisdictions based on revenues generated in the jurisdiction, for transportation projects and purposes authorized under Section 33.2-2510 and selected by the member jurisdiction. The remaining 70% of the HB 2313 revenues are first pledged to the payment of bonds and other debt instruments with the remaining revenues available to fund technical and analytical costs in support of Transaction the required regional transportation plan; and regional multimodal transportation projects including mass transit projects that increase capacity for the benefit of the member localities.

## FINANCIAL HIGHLIGHTS

### Highlights for Government-wide Financial Statements

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

- Assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources for the year ended June 30, 2019 by $996,467,632 (net position). Of this amount $754,910, which includes $472,206 consists of the Operating Reserves, represents unrestricted net position, which may be used to meet the Authority's ongoing operating obligations. The Restricted portion of net position totaling $995,627,138, can be used only for regional transportation purposes. It should be noted the funds composing Restricted Net Position have been allocated by the Authority for specific regional transportation projects which meet the goals, purposes, and mandates of the Authority and the HB2313 revenue source.

- The Authority's total outstanding debt for the year ended June 30, 2019 was $57.7 million with $9.2 million in unamortized bond premium related to the series 2014 bonds. This outstanding debt was created in December 2014, when the Authority entered the capital bond market for the first time with bonds designated to replace a short-term Line of Credit with fixed rate, long term, low cost, permanent financing.

- For the fiscal year ended June 30, 2019, contributions, investment income, and intergovernmental revenue, for the Authority's governmental activities totaled $293 million representing a $60 million decrease in revenues compared to June 30, 2018. The decrease in revenue corresponds to a $78 million drop in intergovernmental revenues resulting from the HB1539's (2018) repeal of two of the Authority's three revenue sources and an increase in investment income of $18 million.

- Expenses totaled $148 million for the fiscal year end June 30, 2019 representing a $45 million decrease in expense compared to June 30, 2018. Distribution of 30% Local Distribution amounts to member jurisdictions in accordance with HB2313, represents $79 million of the $148 million total expenses and $65 million represents project sponsor reimbursement amounts for authorized project costs. The 30% Local Distribution amount decreased $23 million corresponding to the decrease in intergovernmental revenue. Project sponsor reimbursement requests decreased $22 million when compared to last fiscal year. The Authority funds projects on a reimbursement, not grant basis. Therefore, the Authority expects project reimbursement requests to fluctuate with changing project development and construction cycles; as well as the promptness of reimbursement requests by project sponsors.

### Highlights for Fund Financial Statements

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

- The Authority's General Fund reported an increase in fund balance of $207,308 compared to an increase of $19,156 for fiscal year 2018. The General Fund balance as of June 30, 2019 totaled $767,616 compared with $560,308 at the end of the previous fiscal year. A portion of the change represents a reimbursement of the Operating Reserve for expenses incurred in the previous fiscal year.

- The Authority's Special Revenue Funds (Local Distribution Fund and Regional Revenue Fund), reported an increase in fund balance of $141,440,726 which is appropriated to fund regional transportation projects approved by the Authority. This increases the overall balance to $1,062,354,191 as of June 30, 2019 compared to $920,913,465 at the end of the previous fiscal year. The fund balance represents amounts appropriated for approved projects for which no reimbursement request has been made by the project sponsor.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

### Government-Wide Financial Statements

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

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

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

Revenue is classified as program or general revenues. Program revenue for fiscal year June 30, 2019 consists of contributions from the member jurisdictions used to cover the Authority's administrative expenses. General revenues for fiscal year June 30, 2019 include the two intergovernmental revenues and adjustments received, collected, and remitted from the Commonwealth of Virginia: specifically, sales tax, and interest earned on the Commonwealth's Northern Virginia Transportation Authority Fund.

### Fund Financial Statements

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

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

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

The Authority maintains four governmental funds: the General Fund, two Special Revenue Funds, and a Debt Service Fund. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Change in Fund Balances for each of these funds. The General Fund includes the Authority's operating and administrative activities. The Local Distribution (30%), Special Revenue Fund reports 30% of the intergovernmental revenue received by the Authority under HB2313 and distributed to the member jurisdictions. The Regional Revenue (70%) Special Revenue Fund reports 70% of the intergovernmental revenue received by the Authority and used to fund transportation projects under HB2313. A Debt Service Fund is used to account for and report financial resources restricted to expenditures for debt service.

The Authority adopts annual appropriated budgets for its General Fund and the two special revenue funds. An internal budgetary comparison statement is maintained for the General Fund and Special Revenue Funds to demonstrate compliance with these budgets, which have been provided in the financial statements for fiscal year 2019.

**Notes to the Basic Financial Statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

Additional information is presented as a supplement to the basic financial statements. Although not required to be presented and not part of the basic financial statements, the schedules are included to provide additional information of interest to certain financial statement users. Supplementary Information includes a Schedule of Changes in Net Position by Jurisdiction for the Local Distribution Fund (30%) and a Schedule of Changes in Restricted Funding for Appropriated Projects in the Regional Revenue Fund (70%).

## FINANCIAL ANALYSIS OF THE AUTHORITY REPORTING ENTITY AS A WHOLE

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

Beginning on July 1, 2018, the General Assembly repealed two of the Authority's revenue sources. Thus, the Chapter 766 (HB2313) Transportation Revenues derived from the Congestion Relief Fee and Grantor's Taxes are no longer available for appropriation to the Authority.

### Statement of Net Position

The following table presents a summary of the Statement of Net Position for the Authority as of June 30, 2019. Data for June 30, 2018 has been included for comparison purposes.

**Summary Statement of Net Position**
**June 30, 2019 and 2018**

| | Governmental Activities | | | |
|---|---|---|---|---|
| | 2019 | 2018 | Increase (Decrease) | % Change |
| Assets: | | | | |
| Current and other assets | $1,081,514,260 | $ 949,989,650 | $ 131,524,610 | 13.8% |
| Capital assets, net | 85,584 | 31,282 | 54,302 | 173.6% |
| Total assets | 1,081,599,844 | 950,020,932 | 131,578,912 | 13.9% |
| Deferred outflows of resources | 244,087 | 261,031 | (16,944) | -6.5% |
| Liabilities: | | | | |
| Current and other liabilities | 20,974,805 | 30,967,531 | (9,992,726) | -32.3% |
| Noncurrent liabilities | 64,376,567 | 67,699,643 | (3,323,076) | -4.9% |
| Total liabilities | 85,351,372 | 98,667,174 | (13,315,802) | -13.5% |
| Deferred inflows of resources | 24,927 | 28,143 | (3,216) | -11.4% |
| Net position: | | | | |
| Net investment in capital assets | 85,584 | 31,282 | 54,302 | 173.6% |
| Restricted | 995,627,138 | 850,959,635 | 144,667,503 | 17.0% |
| Unrestricted | 754,910 | 595,729 | 159,181 | 26.7% |
| Total net position | $ 996,467,632 | $ 851,586,646 | $ 144,880,986 | 17.0% |

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by 996,467,632 at June 30, 2019.

A significant portion of net position, $990 million, or 99% represents funds that have been restricted by HB2313 and $5 million is restricted for debt service. It should be noted the funds composing this net restricted positon have been allocated by the Authority to fund regional transportation projects, which meet the goals, purposes, and mandates of the Authority and the HB2313 revenue source. The remaining balance of $754,910, including $472,206 of the General Fund Operating Reserves, is unrestricted and may be used to meet the Authority's ongoing obligations to its citizens and creditors.

Current assets consist primarily of restricted cash, cash equivalents, investments, and amounts due from the Commonwealth of Virginia. All securities purchased under the investment program are held in the name of the Authority by the custodian. Security Custodian use is required in the Authority's Investment Policy and by the *Code of Virginia*. All security purchase transactions are completed on a 'Delivery vs. Payment' basis as required by the Authority's Investment Policy. As of June 30, 2019, the Authority has approximately $824 million invested in United States Treasuries, Agencies, Corporate Notes, Commercial Paper, Negotiable Certificates of Deposit, Bank Certificates of Deposit, and the Virginia Investment Pool.

As mandated in the Authority's investment policy, the investment program priorities are safety, liquidity then yield. Investment activities are undertaken in a conservative nature reflective of these priorities and include a 'buy and hold' orientation. All interest earnings of the investment program benefit the Regional Revenue Fund for appropriation by the Authority to regional transportation projects. Expenses of the investment program are charged in the operating budget of the General Fund and were shared by member jurisdictions based on population during fiscal year June 30, 2019. Effective July 1, 2019, Senate Bill 1468 (2019) adds administrative and operating expenses to those expenses that can be paid by the Northern Transportation Authority Fund. The previous law provided that administrative expenses be allocated to the member localities of Planning District 8.

Restricted cash and cash equivalents totaled approximately $205 million of which $199 million is restricted for regional transportation projects approved and appropriated by the Authority and $6 million is held by the Authority's bond trustee. As of June 30, 2019, approximately $46 million was due from the Commonwealth of Virginia, and $16.2 million is due to the Authority's member localities.

**Statement of Changes in Net Position**

The following table presents the revenues, expenses and change in net position of the Authority for the fiscal year ended June 30, 2019. Data for June 30, 2018 has been included for comparison purposes.

**Summary Statement of Changes in Net Position**
**Years Ended June 30, 2019 and 2018**

| | Governmental Activities | | Increase | % |
|---|---|---|---|---|
| | 2019 | 2018 | (Decrease) | Change |
| Revenues: | | | | |
| Program revenues: | | | | |
| Operating grants and contributions | $ 2,203,249 | $ 1,922,196 | $ 281,053 | 14.6% |
| General revenue: | | | | |
| Intergovernmental | 263,154,358 | 341,178,436 | (78,024,078) | -22.9% |
| Interest income | 27,605,760 | 9,473,130 | 18,132,630 | 191.4% |
| Total revenues | 292,963,367 | 352,573,762 | (59,610,395) | -16.9% |
| Expenses: | | | | |
| General and administration | 1,989,766 | 1,972,075 | 17,691 | 0.9% |
| Jurisdictional distributions | 78,969,188 | 102,390,189 | (23,421,001) | -22.9% |
| Project cost distributions | 64,509,773 | 86,833,587 | (22,323,814) | -25.7% |
| Transaction update & technical svc | 270,977 | 50,711 | 220,266 | 434.4% |
| Interest and issuance costs | 2,342,677 | 2,445,176 | (102,499) | -4.2% |
| Total expenses | 148,082,381 | 193,691,738 | (45,609,357) | -23.5% |
| Change in net position | 144,880,986 | 158,882,024 | (14,001,038) | -8.8% |
| Beginning net position | 851,586,646 | 692,704,622 | 158,882,024 | 22.9% |
| Ending net position | $ 996,467,632 | $ 851,586,646 | $ 144,880,986 | 17.0% |

For the fiscal year ended June 30, 2019, revenues totaled approximately $293 million. Expenses totaled approximately $148 million. The $60 million decrease in revenue corresponds to a $78 million drop in intergovernmental revenues resulting from the HB1513's (2018) repeal of two of the Authority's three revenue sources and an increase of in investment income of $18 million. The increase in investment earnings can be attributed to an increase in fixed income market interest rates and the implementation of portfolio management tools during the year. The $23 million decrease in Jurisdictional distributions is directly related to the decrease in local distribution (30%) revenue. The net increase in general and administrative expenses is the result of the development and installation of a new Project Information Management and Monitoring System & the purchase of investment software licenses in 2019 offset by the 2018 increase in professional services resulting from the General Assembly action to repeal two revenue sources.

The project cost distributions reflect the project development cycle as multiple projects reach different major milestones. These expenditures are ramping up as project sponsors are entering the final phases of their authorized projects. An increasing rate of expenditure is expected for projects previously approved by the Authority for several years until the project life cycle reaches full maturity and stabilizes. The adoption of the Six Year Program will permit project sponsors to have greater project readiness in place, especially for projects approved in the later years of the plan. The next update to the SYP started in July 2019. The two-year update will program regional revenue funds for FY2024 and FY2025. A discussion of the key components of the revenue and expense is included in the fund's analysis.

## FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

### Governmental Funds

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

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

**General Fund.** The General Fund is the operating fund of the Authority. At the end of fiscal year 2019, the General Fund Nonspendable fund balance was $35,355, assigned fund balance of $6,213 and unassigned fund balance was $295,410, while total fund balance equaled $767,616. During fiscal year 2019, the Authority disbursed $7,572 from the equipment reserve to replace worn equipment and purchase a GIS Plotter. The equipment reserve is represented as assigned fund balance in the General Fund.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 15% of total General Fund expenditures, while total fund balance represents approximately 38% of that same amount.

The fund balance of $767,616 includes $430,638 of committed fund balance. The debt policy adopted on December 12, 2013, revised June 19, 2015, requires the Authority to maintain an operating reserve sufficient to fund at a minimum 20% of the General Fund operating expenses. This operating reserve may be used at the discretion of the Executive Director, to cover unanticipated increases in the Authority's expenditures. If used, the Executive Director will present a plan to the Authority for restoring the reserve during the next fiscal year budget process.

The Authority adopted an annual operating budget for General Fund operating activities for use of determining the fiscal year 2019 annual contributions from the member jurisdictions required to fund these activities. Total contributions by the nine member jurisdictions equaled $2,203,249 for fiscal year 2019. Effective July 1, 2019, Senate Bill 1468 (2019) adds administrative and operating expenses to those expenses that can be paid by the Northern Transportation Authority Fund. The previous law provided that administrative expenses be allocated to the member localities of Planning District 8.

**Debt Service Fund.** The debt service fund reports financial resources restricted to the payment of principal and interest for the outstanding related series of transportation bonds. The debt service fund is not one of the Authority's major governmental funds. The debt service fund had a fund balance of $497,757 as of June 30, 2019 on deposit for fiscal year 2020 debt obligations. The Authority contributes monthly to the debt service fund for upcoming debt service payments.

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

The General Assembly of the Commonwealth of Virginia through HB2313 (2013) authorized three revenue sources for the Authority: a 0.7% increase in the sales tax; a 2% increase in the transient occupancy (hotel) tax; and a fifteen cents per hundred dollar of value increase in the grantor's tax (congestion relief fee). These taxes were made effective on July 1, 2013. Beginning on July 1, 2018, the General Assembly repealed two of the Authority's revenue sources. Thus, the Chapter 766 (HB2313) Transportation Revenues derived from the Congestion Relief Fees and Grantor's Taxes are no longer available for appropriation to the Authority.

Of the revenues received, the Local Distribution Fund (30%) reports 30% of the intergovernmental revenue received by the Authority and distributed to the member jurisdictions in accord with HB2313. This revenue can be used by the recipient for additional urban or secondary road construction; capital improvements that reduce congestion; transportation capital improvements which have been approved by the most recent long-range transportation plan adopted by the Authority; or for public transportation purposes.

The remaining 70% is recorded in the Regional Revenue Fund (70%). These funds are to be used by the Authority for debt service and regional transportation projects and purposes benefiting the member jurisdictions and other entities in Planning District 8, to fund transportation projects approved by the Authority that are contained in the regional transportation plan (TransAction) and in accordance with HB2313.

The Regional Revenue Fund balance of $1,062,354,191 as of June 30, 2019 includes $889,764,883 categorized as restricted fund balance for appropriated project funding and $120,000,000 for the Working Capital Reserve.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The details of capital assets as of June 30, 2019 and 2018 are as follows:

| | Governmental Activities | |
|---|---|---|
| | 2019 | 2018 |
| Office furniture and equipment | $ 123,588 | $ 58,589 |
| Less accumulated depreciation and amortization | 38,004 | 27,307 |
| **Total capital assets, net** | $ 85,584 | $ 31,282 |

The Authority's investment in capital assets as of June 30, 2019 amounted to $85,584 (net of accumulated depreciation and amortization) compared to $31,282 as of 2018. $59,938 of the increase is attributed to a new project management system developed and installed during fiscal year 2019.

### Debt Administration

In December 2014, the Authority entered the capital bond market for the first time with bonds designated to replace a short-term Line of Credit obtained in fiscal year 2014 with fixed rate, long term, low cost, permanent financing. Efforts to execute the Authority's approved finance plan resulted in very strong credit ratings of AA+, Aa1 and AA+ with stable outlooks from Fitch, Moody's and Standard & Poor's, respectively. The bonds garnered a favorable market reception on Wall Street, reflected by a 2.5 times subscription rate and a low true interest cost of 3.09%.

At the end of June 30, 2019, the Authority had total debt outstanding of $57,745,000 for Transportation Special Tax Revenue Bonds, Series 2014. The Authority is amortizing the bond premium from the sale over the life of the bonds. The balance of unamortized bond premium at June 30, 2019 is $9,244,815. The bonds are secured by the Authority's Regional Revenue and a debt service reserve of $5,791,342 initially established from the proceeds upon issuance of the bonds. Assets of the debt service reserve fund are to be used solely to pay Series 2014 principal and interest.

**Economic Factors and Fiscal Year 2019's Budget**

- Northern Virginia is both a nationally and globally significant region.
- It is categorized as having a broad, diverse, and stable regional economy.
- The region is the driver of economic activity for the Commonwealth of Virginia. The Northern Virginia region accounts for 57% of the state's overall job growth.
- Virginia's population has grown by 6.5% since the 2010 Census, passing 8.5 million residents in 2018. In aggregate, the Authority's nine member jurisdictions have experienced stable population growth since the 2010 Census with growth rates averaging approximately 2% per year. More than 60% of the growth is concentrated in Northern Virginia, with Prince William County now becoming the second most populated locality. Three of Virginia's four largest localities are located in Northern Virginia.
- Among the nine member jurisdictions, job growth has averaged 0.77% per year over the last decade.
- In aggregate, the number of jobs in the Authority's member jurisdictions are expected to grow at a more moderate pace. Defense cuts and sequestration have slowed the annual job growth rate in Northern Virginia since 2011. Northern Virginia's year over year employment growth was 1.1% in June 2019 which was greater than the State but lagged the national growth rate.
- Unemployment rate in the Authority's jurisdictions is exceptionally low. At June 2019, the average preliminary unemployment rate not seasonally adjusted, in the Authority member jurisdictions was 2.3% compared to 2.9% in the Commonwealth and 3.7% nationally.
- Per capita income average of the Authority's member jurisdictions is approximately $48,661 compared to the Commonwealth at $36,268 and $31,177 nationally per the U.S. Census Bureau, 2013-2017 5-Year American Community Survey. This represents a 2.5% increase from the 2012-2016 5-Year American Community Survey.
- Median family income average for the Authority's member jurisdictions is approximately $124,442 compared to $83,164 in the Commonwealth and $70,850 nationally per the U.S. Census Bureau, 2013-2017 5-Year American Community Survey. This represents an approximate 2.8% increase from the 2012-2016 5-Year American Community Survey.
- The fiscal year 2020 special revenue budgets include a projected 2% increase in sales tax revenue compared to the fiscal year 2019 budget. The increase for sales tax is based on prior years' experience and on information from the Authority's member jurisdictions, which are combined to create an effective estimation process. The resulting rate increase is for fiscal year 2020 only, and is not indicative of projected rate increases in the long term. The Authority will continue to use conservative revenue estimation methods.
- The Authority's General Fund operating budget will increase from $2,597,329 in fiscal year 2019 to $3,407,931 in fiscal year 2020. Effective July 1, 2019, Senate Bill 1468 (2019) adds administrative and operating expenses to those expenses that can be paid by the Northern Transportation Authority Fund; therefore, FY2020 budget will be funded by a transfer from the Regional Revenue Fund. The increase is reflective of three new staff positions, a financial analyst and two additional transportation planners. The budget also includes the development and implementation of the second phase of the Project Monitoring and Management System which will include the ability to electronically submit and manage the approved Standard Project Agreements and the submission of project reimbursement requests.

  The second phase will also provide a public dashboard that will allow citizens the ability to monitor approved projects.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those interested. If you have any questions about this report or need additional financial information, contact Michael Longhi, Chief Financial Officer, Northern Virginia Transportation Authority, 3040 Williams Drive, Suite 200, Fairfax, Virginia 22031, or by email to michael.longhi@thenovaauthority.org.

# Basic Financial Statements

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## STATEMENT OF NET POSITION
**June 30, 2019**

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ 805,560 |
| Accrued investment earnings | 4,139,197 |
| Due from other governments | 46,993,327 |
| Deposits and prepaid items | 35,355 |
| Restricted: | |
| Cash and cash equivalents | 205,074,207 |
| Investments | 824,466,614 |
| Capital assets (net): | |
| Office furniture, computer equipment and licenses | 85,584 |
| **Total assets** | 1,081,599,844 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Pension plan | 212,371 |
| OPEB | 31,716 |
| **Total deferred outflows of resources** | 244,087 |
| **LIABILITIES** | |
| Accounts payable | 32,310 |
| Accrued liabilities | 391,098 |
| Due to other governments | 17,016,715 |
| Bond reserves | 804,682 |
| Current portion of bonds payable | 2,730,000 |
| Noncurrent liabilities: | |
| Net pension liability | 32,752 |
| Net OPEB liability | 84,000 |
| Bonds payable, net | 64,259,815 |
| **Total liabilities** | 85,351,372 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Pension plan | 16,927 |
| OPEB | 8,000 |
| **Total deferred inflows of resources** | 24,927 |
| **NET POSITION** | |
| Net investment in capital assets | 85,584 |
| Restricted | 995,627,138 |
| Unrestricted | 754,910 |
| **Total net position** | $ 996,467,632 |

See Notes to Financial Statements.

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## STATEMENT OF ACTIVITIES
### Year Ended June 30, 2019

| | Expenses | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Change in Net Position: Governmental Activities |
|---|---|---|---|
| Functions/Programs | | | |
| Governmental activities: | | | |
| General and administration | $ 1,989,766 | $ 2,203,249 | $ 213,483 |
| Jurisdictional distributions (30%) | 78,969,188 | - | (78,969,188) |
| Project cost distributions | 64,509,773 | - | (64,509,773) |
| Transaction update and technical services | 270,977 | - | (270,977) |
| Interest | 2,342,677 | - | (2,342,677) |
| **Total governmental activities** | $ 148,082,381 | $ 2,203,249 | (145,879,132) |
| General revenues: | | | |
| Intergovernmental revenue: | | | |
| Grantors tax | | | (34,270) |
| Sales tax | | | 262,753,437 |
| Transient occupancy tax | | | (27,226) |
| Commonwealth fund interest income | | | 462,417 |
| Investment earnings | | | 27,605,760 |
| **Total general revenues** | | | 290,760,118 |
| **Change in net position** | | | 144,880,986 |
| Net Position, beginning of year | | | 851,586,646 |
| Net Position, end of year | | | $ 996,467,632 |

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## BALANCE SHEET – GOVERNMENTAL FUNDS
## June 30, 2019

| | | Special Revenue Funds | | Non-Major | |
|---|---|---|---|---|---|
| | General Fund | Local Distribution Fund | Regional Revenue Fund | Debt Service Fund | Total Governmental Funds |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 805,560 | $ - | $ - | $ - | $ 805,560 |
| Other receivables | - | - | 4,139,197 | - | 4,139,197 |
| Due from other governments | - | 13,746,024 | 33,247,303 | - | 46,993,327 |
| Deposits and prepaid items | 35,355 | - | - | - | 35,355 |
| Restricted cash, cash equivalents and investments | - | 453 | 1,029,042,611 | 497,757 | 1,029,540,821 |
| **Total assets** | $ 840,915 | $ 13,746,477 | $ 1,066,429,111 | $ 497,757 | $ 1,081,514,260 |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 32,310 | $ - | $ - | $ - | $ 32,310 |
| Accrued liabilities | 40,989 | - | - | - | 40,989 |
| Bond reserves | - | - | 804,682 | - | 804,682 |
| Due to other governments | - | 13,746,477 | 3,270,238 | - | 17,016,715 |
| **Total liabilities** | 73,299 | 13,746,477 | 4,074,920 | - | 17,894,696 |
| **FUND BALANCES** | | | | | |
| Nonspendable | 35,355 | - | - | - | 35,355 |
| Restricted | - | - | 44,045,879 | 497,757 | 44,543,636 |
| Restricted - debt service reserve | - | - | 8,543,429 | - | 8,543,429 |
| Restricted - working capital reserve | - | - | 120,000,000 | - | 120,000,000 |
| Restricted - for appropriated project funding | - | - | 889,764,883 | - | 889,764,883 |
| Committed | 430,638 | - | - | - | 430,638 |
| Assigned | 6,213 | - | - | - | 6,213 |
| Unassigned | 295,410 | - | - | - | 295,410 |
| **Total fund balances** | 767,616 | - | 1,062,354,191 | 497,757 | 1,063,619,564 |
| **Total liabilities and fund balances** | $ 840,915 | $ 13,746,477 | $ 1,066,429,111 | $ 497,757 | $ 1,081,514,260 |

# NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

# RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
## June 30, 2019

| | | |
|---|---|---|
| Reconciliation of fund balances on the Balance Sheet for the governmental funds to the net position of the governmental activities on the Statement of Net Position: | | |
| Fund balances - governmental funds | | $ 1,063,619,564 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds: | | |
| Capital assets | $ 123,588 | |
| Less: accumulated depreciation and amortization | (38,004) | |
| | | 85,584 |
| Financial statement elements related to pensions are applicable to future periods and, therefore, not reported in the governmental funds: | | |
| Net pension liability | (32,752) | |
| Deferred outflows of resources | 212,371 | |
| Deferred inflows of resources | (16,927) | |
| | | 162,692 |
| Financial statement elements related to Group Life Insurance Program (OPEB) expenditures are applicable to future periods and, therefore, not reported in the governmental funds: | | |
| Net OPEB liability | (84,000) | |
| Deferred outflows of resources | 31,716 | |
| Deferred inflows of resources | (8,000) | |
| | | (60,284) |
| Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. | | (234,995) |
| Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds. | | (115,114) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | | |
| Revenue bonds | (57,745,000) | |
| Premiums on bonds | (9,244,815) | |
| | | (66,989,815) |
| Net position - governmental activities | | $ 996,467,632 |

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
## Year Ended June 30, 2019

| | | Special Revenue Funds | | Non-Major | |
|---|---|---|---|---|---|
| | General Fund | Local Distribution Fund | Regional Revenue Fund | Debt Service Fund | Total Governmental Funds |
| **Revenues** | | | | | |
| Intergovernmental: | | | | | |
| Sales tax | $ - | $ 78,826,031 | $ 183,927,406 | $ - | $ 262,753,437 |
| Commonwealth fund interest income | - | 138,725 | 323,692 | - | 462,417 |
| Amounts refunded to the Commonwealth | - | (18,449) | (43,047) | - | (61,496) |
| Investment earnings | - | 22,881 | 27,540,566 | 42,313 | 27,605,760 |
| Contribution member jurisdictions | 2,203,249 | - | - | - | 2,203,249 |
| **Total revenues** | 2,203,249 | 78,969,188 | 211,748,617 | 42,313 | 292,963,367 |
| **Expenditures** | | | | | |
| Current: | | | | | |
| General and administration | 1,995,941 | - | - | - | 1,995,941 |
| Jurisdictional distributions (30%) | - | 78,969,188 | - | - | 78,969,188 |
| Project cost distributions | - | - | 64,509,773 | - | 64,509,773 |
| Transaction update and technical services | - | - | 270,977 | - | 270,977 |
| Debt service: | | | | | |
| Principal | - | - | - | 2,600,000 | 2,600,000 |
| Interest | - | - | - | 2,949,950 | 2,949,950 |
| **Total expenditures** | 1,995,941 | 78,969,188 | 64,780,750 | 5,549,950 | 151,295,829 |
| **Excess (deficiency) of revenues over (under) expenditures** | 207,308 | - | 146,967,867 | (5,507,637) | 141,667,538 |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers | - | - | (5,527,141) | 5,527,141 | - |
| **Total other financing sources (uses)** | - | - | (5,527,141) | 5,527,141 | - |
| **Net change in fund balances** | 207,308 | - | 141,440,726 | 19,504 | 141,667,538 |
| Fund Balances, beginning of year | 560,308 | - | 920,913,465 | 478,253 | 921,952,026 |
| Fund Balances, end of year | $ 767,616 | $ - | $ 1,062,354,191 | $ 497,757 | $ 1,063,619,564 |

# NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
## Year Ended June 30, 2019

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

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ 141,667,538 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount by which capital outlays exceeded depreciation in the current period. | | |
| Add - capital outlay | $ 64,999 | |
| Deduct - depreciation expense | (10,697) | |
| | | 54,302 |
| Deferred outflows of resources - pension plan contributions subsequent to measurement date | | 64,911 |
| Deferred outflows of resources - OPEB contributions subsequent to measurement date | | 5,716 |
| Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. | | |
| Pension expense | | (82,249) |
| Governmental funds report OPEB contributions as expenditures. However, in the Statement of Activites, the cost of GLI benefits earned net of employee contributions is reported as OPEB expense. | | |
| OPEB expense | | (5,469) |
| The issuance of long-term debt (e.g., bonds, leases, line of credit) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items. A summary of the item supporting this adjustment is as follows: | | |
| Principal payment on revenue bonds | | 2,600,000 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The following is a summary of items supporting this adjustment: | | |
| Compensated absences | (31,036) | |
| Change in accrued interest payable | 10,834 | |
| Amortization of premiums on bonds payable | 596,439 | |
| | | 576,237 |
| **Change in net position of governmental activities** | | $ 144,880,986 |

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
### Year Ended June 30, 2019

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Over (Under) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Contribution member jurisdictions | $ 2,203,249 | $ 2,203,249 | $ 2,203,249 | $ - |
| **Total revenues** | 2,203,249 | 2,203,249 | 2,203,249 | - |
| **Expenditures** | | | | |
| Current: | | | | |
| General and administration | 2,166,690 | 2,202,471 | 1,995,941 | (206,530) |
| **Total expenditures** | 2,166,690 | 2,202,471 | 1,995,941 | (206,530) |
| **Excess of revenues over expenditures** | 36,559 | 778 | 207,308 | 206,530 |
| **Net change in fund balance** | 36,559 | 778 | 207,308 | 206,530 |
| Fund Balance, beginning of year | - | - | 560,308 | 560,308 |
| Fund Balance, end of year | $ 36,559 | $ 778 | $ 767,616 | $ 766,838 |

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – LOCAL DISTRIBUTION
### Year Ended June 30, 2019

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Over (Under) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Intergovernmental: | | | | |
| Grantors tax | $ - | $ - | $ (10,281) | $ (10,281) |
| Sales tax | 77,677,869 | 77,677,869 | 78,826,031 | 1,148,162 |
| Transient occupancy tax | - | - | (8,168) | (8,168) |
| Commonwealth fund interest income | 21,318 | 21,318 | 138,725 | 117,407 |
| Investment earnings | - | - | 22,881 | 22,881 |
| **Total revenues** | 77,699,187 | 77,699,187 | 78,969,188 | 1,270,001 |
| **Expenditures** | | | | |
| Current: | | | | |
| Jurisdictional distributions (30%) | 77,699,187 | 77,699,187 | 78,969,188 | (1,270,001) |
| **Total expenditures** | 77,699,187 | 77,699,187 | 78,969,188 | (1,270,001) |
| **Excess of revenues over expenditures** | - | - | - | - |
| **Net change in fund balance** | - | - | - | - |
| Fund Balance, beginning of year | - | - | - | - |
| Fund Balance, end of year | $ - | $ - | $ - | $ - |

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – REGIONAL REVENUE FUND
## Year Ended June 30, 2019

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Over (Under) |
|---|---|---|---|---|
| **Revenues** | | | | |
| Intergovernmental: | | | | |
| Grantors tax | $ - | $ - | $ (23,989) | $ (23,989) |
| Sales tax | 181,248,357 | 181,248,357 | 183,927,406 | 2,679,049 |
| Transient occupancy tax | - | - | (19,058) | (19,058) |
| Commonwealth fund interest income | 54,040 | 54,040 | 323,692 | 269,652 |
| Investment earnings | 10,000,000 | 10,000,000 | 27,540,566 | 17,540,566 |
| **Total revenues** | 191,302,397 | 191,302,397 | 211,748,617 | 20,446,220 |
| **Expenditures** | | | | |
| Current: | | | | |
| Transaction update & technical services | 677,930 | 677,930 | 270,977 | 406,953 |
| Project cost distributions | 954,282,449 | 954,282,449 | 64,509,773 | 889,772,676 |
| **Total expenditures** | 954,960,379 | 954,960,379 | 64,780,750 | 890,179,629 |
| **Excess (deficiency) of revenues over (under) expenditures** | (763,657,982) | (763,657,982) | 146,967,867 | 910,625,849 |
| **Other Financing Uses** | | | | |
| Transfers for debt service | (5,549,950) | (5,549,950) | (5,527,141) | 22,809 |
| **Total other financing uses** | (5,549,950) | (5,549,950) | (5,527,141) | 22,809 |
| **Net change in fund balance** | (769,207,932) | (769,207,932) | 141,440,726 | 910,648,658 |
| Fund Balance, beginning of year | - | - | 920,913,465 | 920,913,465 |
| Fund Balance, end of year | $ (769,207,932) | $ (769,207,932) | $ 1,062,354,191 | $ 1,831,562,123 |

## Note 1. Summary of Significant Accounting Policies

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

### A. Reporting Entity

The Authority is a political subdivision of the Commonwealth of Virginia, created in 2002 by the Northern Virginia Transportation Authority Act, Title 33.2-2500, of the *Code of Virginia*. The Authority is responsible for long-range transportation project planning, prioritization and funding for regional transportation projects in Northern Virginia. The Authority's policies and priorities are guided by two overarching goals: reduce congestion and move the greatest number of people in the most cost-effective manner. These two goals are combined with performance-based criteria such as the ability to improve travel times, reduce delays, connect regional activity centers, and improve safety and air quality. The Authority works toward regional consensus when setting regional transportation policies and priorities for transportation projects. The Authority is also charged with developing and updating the long-range regional transportation plan, Transaction, for Northern Virginia.

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

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

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

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

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

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

### A. Reporting Entity (Continued)

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

All moneys received by the Authority and the proceeds of bonds and other debt instruments are required to be used solely for transportation purposes benefiting the member jurisdictions. Of the HB2313 revenues received, 30% are distributed to member jurisdictions based on revenues generated in the jurisdiction, for transportation projects and purposes authorized under Section 33.2-2510 and selected by the member jurisdiction. The remaining 70% of the HB2313 revenues are first pledged to the payment of bonds and other debt instruments with the remaining revenues available to fund technical and analytical costs in support of Transaction the required regional transportation plan; and regional multimodal transportation projects including mass transit projects that increase capacity for the benefit of the member localities.

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

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

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

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

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

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

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

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

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

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

**Government-wide Financial Statements** – Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues, consisting of taxes and fees from the Commonwealth of Virginia and local operating contributions, are recognized in the period the funding is made available.

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

*General Fund* – The General Fund is the primary operating fund of the Authority and is used to account for and report all revenues and expenditures applicable to the general operations of the Authority which are not accounted for in other funds. Revenues are derived from contributions from member jurisdictions or a transfer from the Regional Revenue Fund as permitted under SB1468 (2019). The General Fund is considered a major fund for financial reporting purposes.

*Special Revenue Funds* – Special revenue funds account for and report the proceeds of specific revenue sources restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Authority has two special revenue funds. The Local Distribution Fund (30%) reports 30% of the intergovernmental revenue received by the Authority. The 30% funds are distributed to the member jurisdictions on a pro rata basis with each localities' share being the total of the revenues received that are generated or attributable to the locality divided by the total for use according to HB2313. The Regional Revenue Fund (70%) includes amounts to be used by the Authority solely for regional transportation projects and other entities to fund transportation projects selected by the Authority that are contained in the regional transportation plan, or mass transit capital projects that increase capacity. Both special revenue funds are considered major funds for financial reporting purposes.

*Debt Service Fund* – The Debt Service Fund is used to account for and report financial resources that are restricted or committed for expenditures related to principal and interest obligations.

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

**D. Budgeting**

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

To fund the various transportation projects approved by the Authority, the Regional Revenue Fund (70%) budget includes all debt service obligations costs of issuance, expenses in support of TransAction, the regional transportation plan, and funding of the Working Capital Reserve as well as PayGo projects. Effective from fiscal year 2020, the Authority, as part of its annual budget adoption, has the option to assess a proportionate share of the operating and administrative expenses to member jurisdictions or to transfer the operational and administrative budget amount from the Regional Revenue Fund in accordance with SB1468 (2019).

**E. Other Significant Accounting Policies**

1. Cash and Cash Equivalents

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

2. Investments

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

3. Restricted Cash, Cash Equivalents and Investments

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

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

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

4. Fair Value Measurements

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

5. Prepaid Items

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

6. Capital Assets

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

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

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

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2019.

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

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

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

7. Pensions

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

8. Group Life Insurance Program

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

9. Compensated Absences

The Authority's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from the Authority's service. The liability for such leave is reported as incurred in the government-wide statements. Vacation leave for the Authority employees is granted to all full and part-time employees and is earned based upon the length of employment. Employees with zero to ten (10) years of service may carryover a maximum of 240 hours of accumulated leave. Employees with more than 10 years of service may carryover 360 hours of leave. The allowed accumulated leave earned yet not paid has been recorded as a liability on the Statement of Net Position. Accumulated sick leave lapses when employees leave the Authority and, therefore, upon separation from service, no monetary obligation exists.

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

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

10. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. The Authority does recognize bond issuance costs in the governmental funds as a current period expense.

11. Deferred Outflows/Inflows of Resources

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

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

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

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

12. Fund Equity

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

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

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

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

*Assigned fund balance* classification includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

The General Fund balance includes $430,638 categorized as committed fund balance as of June 30, 2019. The debt policy adopted by the Authority on December 12, 2013 and revised June 19, 2015, requires the Authority to maintain an operating reserve sufficient to fund at least 20% of the General Fund operating expenses. The operating reserve may be used at the discretion of the Executive Director, to cover unanticipated increases in the Authority's expenditures. If used, the Executive Director will present a plan to the Authority for restoring the reserve during the next fiscal year budget process.

The Regional Revenue Fund balance includes $1,062,354,191 categorized as restricted fund balance as of June 30, 2019. This balance is predominately comprised of $889,764,883 appropriated for Authority approved project funding. The Authority's debt policy requires $120,000,000 be set aside for a Working Capital Reserve and $8,543,429 is set aside for debt service and a debt service reserve. The $44,045,879 million is restricted for future appropriation for approved projects by the Authority's board.

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

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

12. Fund Equity (Continued)

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

13. Net Position

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

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

14. Estimates and Assumptions

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

15. Interfund Transfers

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

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

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

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

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

16. Subsequent Events

The Authority has evaluated subsequent events through October 10, 2019, which was the date the financial statements were available to be issued. The following occurred effective July 1, 2019:

Pursuant to Virginia General Assembly House Bill 2718 and Senate Bill 1716 (2019) ("HB2718/SB1716"), effective on July 1, 2019, the General Assembly approved new revenue sources to improve interstates across Virginia. The new revenue sources are being phased in over the next three years. The Authority is expected to eventually receive approximately $20 million per year for use in Planning District 8, which will be programmed by the Authority following the same process currently in place.

**Note 2. Deposits and Investments**

**Deposits**

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

At June 30, 2019, cash and cash equivalents consisted of the following, at cost, which approximates fair value:

| | |
|---|---|
| **Governmental Activities** | |
| Cash and cash equivalents: | |
| Unrestricted | $ 805,560 |
| Restricted: | |
| Demand Deposits | 127,776,196 |
| Commonwealth of Virginia LGIP | 25,227,276 |
| John Marshall Bank Insured Cash Sweep | 19,160,438 |
| John Marshall Bank - 4 week CDARS | 17,500,000 |
| Virginia Municipal League Investment Pool | 9,035,382 |
| Regions Bank (SNAP) | 6,374,915 |
| **Total restricted** | 205,074,207 |
| **Total** | $ 205,879,767 |

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

**Investments**

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

**Investment Policy**

The Authority adopted a formal investment policy in December 2014. The goal of the policy is to minimize risk and to ensure the availability of cash to meet Authority expenditures, while generating revenue from the use of funds, which might otherwise remain idle. The primary objectives of the Authority's investment activities in priority order are safety, liquidity, and yield. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities. The full investment policy can be found on the Authority website at http://thenovaauthority.org/; Policy-13-Investment-Policy.

**Credit Risk**

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

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

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

**Credit Risk (Continued)**

The Authority's rated investments as of June 30, 2019 were rated by both Standard & Poor's and Moody's. The table below reflects the Standard & Poor's ratings for the Authority's investment portfolio as of June 30, 2019.

| | | Standard & Poor's Ratings | | | |
|---|---|---|---|---|---|
| | Fair Value | AAA | AAAm | AA | A1 |
| Corporate Notes | $ 265,126,814 | $ 31,314,241 | $ - | $ 233,812,573 | $ - |
| United States Treasuries | 247,314,266 | - | - | 247,314,266 | - |
| United States Agencies | 114,874,401 | - | - | 114,874,401 | - |
| Negotiable Certificates of Deposit | 100,351,450 | - | - | - | 100,351,450 |
| Commercial Paper | 49,164,958 | - | - | - | 49,164,958 |
| Local Government Investment Pools | 34,262,658 | - | 34,262,658 | - | - |
| **Total** | $ 811,094,547 | $ 31,314,241 | $ 34,262,658 | $ 596,001,240 | $ 149,516,408 |

**Custodial Credit Risk**

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

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

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

**Interest Rate Risk**

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

At June 30, 2019, the Authority had the following investments and maturities:

| | Investment Maturity (in years) | | | |
|---|---|---|---|---|
| | Fair Value | Less than 1 year | 1-2 years | 2-3 years |
| Corporate Notes | $ 265,126,814 | $ 200,558,560 | $ 43,025,402 | $ 21,542,852 |
| United States Treasuries | 247,314,266 | 185,873,788 | 51,218,578 | 10,221,900 |
| United States Agencies | 114,874,401 | 69,779,781 | 35,213,550 | 9,881,070 |
| Negotiable Certificates of Deposit | 100,351,450 | 100,351,450 | - | - |
| CDARS | 47,634,725 | 47,634,725 | - | - |
| Commercial Paper | 49,164,958 | 49,164,958 | - | - |
| **Total** | $ 824,466,614 | $ 653,363,262 | $ 129,457,530 | $ 41,645,822 |

**Concentration of Credit Risk**

The Authority's investment policy provides limitations on the percentage of the portfolio that can be invested in each type of security, as indicated in the following chart. The portfolio is in compliance with each of the stated limits as of June 30, 2019.

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

| **Class** | **Length** | **Percent of Total Portfolio and Cash** |
|---|---|---|
| Stocks, bonds, notes and other evidences of indebtedness of the Commonwealth of Virginia | 60 months of less | 75% |
| Stocks, bonds, notes and other evidences of indebtedness of the United States | 60 months or less | 100% |
| Stocks, bonds, notes and other evidences of indebtedness of any county, city, town, district, authority or other public body of the Commonwealth of Virginia | 36 months or less | 75% |
| Legally authorized stocks, bonds, notes and other evidences of indebtedness of any city, county, town or district situated in any one of the states of the United States | 36 months or less | 75% |

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

**Concentration of Credit Risk (Continued)**

| Class | Length | Percent of Total Portfolio and Cash |
|---|---|---|
| Savings accounts or time deposits (CDs) in any bank or savings and loan association within the Commonwealth of Virginia | 24 months or less | 60% |
| Repurchase Agreements | 12 months or less | 20% |
| Bankers' Acceptances | 12 months or less | 10% |
| Prime Quality Commercial Paper | 270 days or less | 35% with a 5% per issuer limit |
| High Quality Corporate Notes | 36 months or less | 50% |
| Certificates representing ownership in either treasury bond principal at maturity or its coupons for accrual periods | 36 months or less | 25% |
| The Local Government Investment Pool (LGIP) | N/A | 100% |
| Open End Mutual Funds | N/A | Maximum 20% in any one fund. Prior three year history must exceed internal performance by 25bps, net of management fee |
| The State Non-Arbitrage Pool (SNAP) | N/A | 100% of bond proceeds or debt related reserve account |
| Negotiable certificates of deposit and negotiable bank deposit notes | 24 months or less | 25% |

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

**Concentration of Credit Risk (Continued)**

| Class | Length | Percent of Total Portfolio and Cash |
|---|---|---|
| External Management Contract | 3 years or less | 25% of net balance of pooled investments, using lowest portfolio amount as target point. Prior three year history must exceed internal performance by 25bps, net of management fee |

**External Investment Pools**

As of June 30, 2019, the Authority had investments of $25,227,276 in the LGIP for governmental activities. The LGIP is a professionally managed money market fund, which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of $1 per share. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. LGIP is managed in accordance with GASB Statement No. 79. The portfolio securities are valued by the amortized cost method, and on a weekly basis this valuation is compared to current market to monitor any variance. Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

As of June 30, 2019, the Authority had investments of $6,374,915 in the Commonwealth of Virginia State Non-Arbitrage Program ("SNAP"). SNAP has been established by the Treasury Board of the Commonwealth of Virginia pursuant to the SNAP Act (Chapter 47, Title 2.2, *Code of Virginia* 1950, as amended) to provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of tax-exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code. The SNAP Fund is managed to maintain a dollar-weighted average portfolio maturity of 60 days or less and seeks to maintain a constant net asset value per share of $1. The SNAP Fund invests in obligations of the United States Government and its agencies, high quality debt obligations of U.S. companies and obligations of financial institutions, and is rated "AAAm" by S&P. SNAP is managed in accordance with GASB Statement No. 79. The portfolio securities are valued by the amortized cost method, and on a daily basis this valuation is compared to current market to monitor any variance. Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

## Note 2. Deposits and Investments (Continued)

### External Investment Pools (Continued)

The Authority had investments of $9,035,382 in the VIP Stable NAV Liquidity Pool at June 30, 2019. This pooled investment was created during fiscal year 2017 specifically to offer local governments an investment option with a stable net asset value, while providing daily liquidity and a competitive yield. The VIP seeks to maintain a constant net asset value per share of $1. The Stable NAV pool is rated AAAm by S&P. VIP Stable NAV is managed in accordance with GASB Statement No. 79. The portfolio securities are valued by the amortized cost method, and on a daily basis this valuation is compared to current market to monitor any variance. Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

### Bond Proceeds

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

Bond proceeds shall be invested in SNAP and alternate investment pools that provide assistance to local governments in the investment of bond proceeds and the preparation of rebate calculations in compliance with treasury arbitrage regulations in accordance with the *Code of Virginia* requirements or the Authority's own investment policy. As of June 30, 2019, the Authority had $8,528,731 held by the bond trustees, Regions Bank. Of this amount, $2,254,330 was in the 2014 Project Fund account, $3,622,828 and $2,153,816 of U.S. Treasuries was in the Debt Service Reserve account and $497,757 is in the debt service account for payment of principal and interest.

## Note 3. Fair Value Measurement

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

| | |
|---|---|
| **Level 1** | Valuation based on quoted prices in active markets for identical assets or liabilities. |
| **Level 2** | Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities. |
| **Level 3** | Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities. |

**Note 3. Fair Value Measurement (Continued)**

The inputs or methodology used for valuing securities is not necessarily an indication of the risk associated with investing in those securities. The following table shows the Authority's investments by fair value level as of June 30, 2019:

| Investments by Fair Value Level | June 30, 2019 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Corporate Notes | $ 265,126,814 | $ 265,126,814 | $ - | $ - |
| United States Treasuries | 247,314,266 | 247,314,266 | - | - |
| United States Agencies | 114,874,401 | 114,874,401 | - | - |
| Negotiable Certificates of Deposit | 100,351,450 | 100,351,450 | - | - |
| CDARS | 47,634,725 | 47,634,725 | - | - |
| Commercial Paper | 49,164,958 | 49,164,958 | - | - |

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

**Note 4. Due To/From Other Governments**

At June 30, 2019, due from other governments consisted of the following:

| | Local Distribution Fund | Regional Revenue Fund | Total |
|---|---|---|---|
| Commonwealth of Virginia: | | | |
| Sales Tax | $ 13,712,013 | $ 31,994,698 | $ 45,706,711 |
| NVTA Fund Interest | 34,011 | 79,357 | 113,368 |
| Fairfax County | - | 1,173,248 | 1,173,248 |
| **Total** | $ 13,746,024 | $ 33,247,303 | $ 46,993,327 |

**Note 4. Due To/From Other Governments (Continued)**

Amounts due to other governments as of June 30, 2019 consisted of the following:

| | Local Distribution Fund | Regional Revenue Fund | Total |
|---|---|---|---|
| Commonwealth of Virginia: | | | |
| Transient Occupancy Tax | $ 242,354 | $ 565,493 | $ 807,847 |
| Arlington County | 1,265,928 | 21,094 | 1,287,022 |
| Fairfax County | 5,837,976 | - | 5,837,976 |
| Loudoun County | 2,691,728 | 337,788 | 3,029,516 |
| Prince William County | 2,084,300 | - | 2,084,300 |
| City of Alexandria | 699,398 | 70,103 | 769,501 |
| City of Fairfax | 366,541 | - | 366,541 |
| City of Falls Church | 157,530 | 37,904 | 195,434 |
| City of Manassas | 317,029 | 167,386 | 484,415 |
| City of Manassas Park | 83,693 | - | 83,693 |
| Virginia Department of Transportation | - | 32,539 | 32,539 |
| Virginia Railway Express | - | 239,319 | 239,319 |
| Potomac Rappahannock Transportation Commission | - | 1,798,612 | 1,798,612 |
| | $ 13,746,477 | $ 3,270,238 | $ 17,016,715 |

**Note 5. Intergovernmental Revenues, Commonwealth of Virginia**

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

An additional Retail Sales Tax of 0.7% is added to the standard rate of retail sales tax imposed by the *Code of Virginia*. The additional tax is not levied upon food purchased for human consumption.

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

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2019 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Capital assets being depreciated and amortized: | | | | |
| Office furniture and equipment | $ 58,589 | $ 64,999 | $ - | $ 123,588 |
| Less accumulated depreciation and amortization | 27,307 | 10,697 | - | 38,004 |
| **Total capital assets being depreciated and amortized, net** | $ 31,282 | $ 54,302 | $ - | $ 85,584 |

**Note 7. Pension Plan**

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

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

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

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

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

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

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

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

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

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

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

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

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

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

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

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

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

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

**Note 7. Pension Plan (Continued)**

A. Plan Description (Continued)

| Plan 1 | Plan 2 | Hybrid Retirement Plan |
|---|---|---|
| **Disability Coverage**<br><br>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service regardless of when it was earned, purchased or granted. | **Disability Coverage**<br><br>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted. | **Disability Coverage**<br><br>Eligible political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.<br><br>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits. |
| **Purchase of Prior Service**<br><br>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay. | **Purchase of Prior Service**<br><br>Same as Plan 1. | **Purchase of Prior Service**<br><br>**Defined Benefit Component**<br>Same as Plan 1, with the following exceptions:<br>• Hybrid Retirement Plan members are ineligible for ported services.<br><br>**Defined Contribution Component**<br>Not applicable. |

**Note 7. Pension Plan (Continued)**

B. Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | |
|---|---|
| Inactive members active elsewhere in VRS | 1 |
| Active members | 8 |
| **Total covered employees** | 9 |

C. Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Authority's contractually required contribution rate for the year ended June 30, 2019 was 7.5% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $64,911 and $86,928 for the years ended June 30, 2019 and 2018, respectively.

D. Net Pension Liability

The Authority's net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

**Note 7. Pension Plan (Continued)**

E. Actuarial Assumptions

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

**Mortality Rates**

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

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

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Non-10 Largest – Non-Hazardous Duty:

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

**Note 7. Pension Plan (Continued)**

F. Long-Term Expected Rate of Return

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

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

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

G. Discount Rate

The discount rate used to measure the total pension asset was 7.0%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Note 7. Pension Plan (Continued)**

H. Changes in the Net Pension Liability

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|---|---|---|---|
| **Balances at June 30, 2017** | $ 345,676 | $ 307,287 | $ 38,389 |
| Changes for the year: | | | |
| Service cost | 102,928 | - | 102,928 |
| Interest | 24,197 | - | 24,197 |
| Difference between expected and actual experience | 27,939 | - | 27,939 |
| Contributions – employer | - | 86,928 | (86,928) |
| Contributions – employee | - | 47,287 | (47,287) |
| Net investment income | - | 26,628 | (26,628) |
| Administrative expense | - | (113) | 113 |
| Other changes | - | (29) | 29 |
| **Net changes** | 155,064 | 160,701 | (5,637) |
| **Balances at June 30, 2018** | $ 500,740 | $ 467,988 | $ 32,752 |

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

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

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| Authority's Net Pension Liability (asset) | $ 109,121 | $ 32,752 | $ (30,715) |

**Note 7. Pension Plan (Continued)**

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

For the year ended June 30, 2019, the Authority recognized pension expense of $82,180. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between expected and actual experience | $ 147,460 | $ - |
| Changes of assumptions | - | 11,247 |
| Net difference between projected and actual earnings on pension plan investments | - | 5,680 |
| Employer contributions subsequent to measurement date | 64,911 | - |
| **Total** | $ 212,371 | $ 16,927 |

The $64,911 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020.

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

| Year Ending June 30, | Amount |
|---|---|
| 2020 | $ 28,403 |
| 2021 | 28,027 |
| 2022 | 27,123 |
| 2023 | 29,631 |
| 2024 | 16,062 |
| Thereafter | 1,287 |
| | $ 130,533 |

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf or by writing to the System's Chief Financial Officer at, P.O. Box 2500, Richmond, Virginia 23218-2500.

**Note 8. Group Life Insurance Program**

A. Plan Description

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

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

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

| GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS |
|---|
| **Eligible Employees**<br>The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.<br><br>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest. |
| **Benefit Amounts**<br>The benefits payable under the GLI have several components.<br>• **Natural Death Benefit -** The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.<br>• **Accidental Death Benefit** - The accidental death benefit is double the natural death benefit.<br>• **Other Benefit Provisions** - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<br>o Accidental dismemberment benefit<br>o Safety belt benefit<br>o Repatriation benefit<br>o Felonious assault benefit<br>o Accelerated death benefit option |
| **Reduction in Benefit Amounts**<br>The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. |
| **Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)**<br>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI. The minimum benefit was set at $8,000 by statute. This amount is increased annually based on the YRS Plan 2 COLA and was increased to $8,279 effective July 1, 2018. |

**Note 8. Group Life Insurance Program (Continued)**

B. Contributions

The contribution requirements for the GLI are governed by section 51.1-506 and section 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the Authority were $5,716 and $5,469 for the years ended June 30, 2019 and June 30, 2018, respectively.

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

At June 30, 2019, the Authority reported a liability of $84,000 for its proportionate share of the net GLI OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on the Authority's actuarially determined employer contributions to the GLI for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was $5,469 or .00553% as compared to $4,772 or .00497% at June 30, 2017.

For the year ended June 30, 2019, the Authority recognized OPEB expense of $5,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Net difference between expected and actual experience | $ 4,000 | $ 1,000 |
| Changes of assumptions | - | 4,000 |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | 3,000 |
| Changes in proportion | 22,000 | - |
| Employer contributions subsequent to measurement date | 5,716 | - |
| **Total** | $ 31,716 | $ 8,000 |

**Note 8. Group Life Insurance Program (Continued)**

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

The $5,716 reported as deferred outflows of resources related to the GLI OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2020 | $ 3,000 |
| 2021 | 3,000 |
| 2022 | 3,000 |
| 2023 | 4,000 |
| 2024 | 3,000 |
| Thereafter | 2,000 |
| | $ 18,000 |

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

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

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

Mortality rates:

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

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

**Note 8. Group Life Insurance Program (Continued)**

D. Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI represents the program's net OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI is as follows (amounts expressed in thousands):

| | Group Life Insurance OPEB Program |
|---|---|
| Total GLI OPEB Liability | $ 3,113,508 |
| Plan Fiduciary Net Position | 1,594,773 |
| Employers' Net GLI OPEB Liability | $ 1,518,735 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 51.22% |

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

**Note 8. Group Life Insurance Program (Continued)**

F. Long-Term Expected Rate of Return

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

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

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

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the Authority for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

**Note 8. Group Life Insurance Program (Continued)**

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

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

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---|---|---|
| The Authority's proportionate share of the GLI Net OPEB Liability | $ 110,000 | $ 84,000 | $ 63,000 |

I. GLI Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

**Note 9. Operating Leases and Agreements**

**Governmental Activities**

The Authority leases office space under a 60-month agreement, which commenced on October 6, 2014 and expires October 31, 2019. The lease was amended effective June 1, 2017 in consideration for additional office space. The lease provides for 2.5% annual increases in base rent over the term of the lease, and the pass through of a proportionate share of the building core factor and common areas. Rent expense for Governmental Activities as reported in the government-wide financial statements totaled $137,787. The Authority is in negotiations to renew this lease for the current office space for fiscal year 2020 through 2025. The lease is expected to be extended from October 31, 2019 to October 31, 2021 with an option to extend this agreement in increments of one year or more, or until August 5, 2025 whichever comes first. The lease provides for 2.5% annual increases in base rent over the lease term, and pass through of a proportionate share of building core factor and common areas.

## Note 10. Long-Term Debt Obligations

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

The Authority has outstanding Transportation Special Tax Revenue Bonds of $57,745,000. The bonds are limited obligations of the Authority and payable solely from the revenues and other property pledged by the Authority for such purpose. The pledged revenues are derived from a portion of the revenue generated by additional sales and use taxes levied by the General Assembly of Virginia. The Authority's right to receive such funds is subject to appropriation by the General Assembly. The General Assembly has the ability to eliminate or change such taxes and fees at any time. The Authority has no taxing power. Bonds are issued pursuant to a Master Indenture of Trust dated December 1, 2014. The Authority has no outstanding line of credit, direct borrowings or direct placements.

### Transportation Special Tax Revenue Bonds

The special tax revenue bonds are direct obligations of the Authority and secured by the Authority's Regional Revenue and a debt service reserve of $5,791,342 based on the maximum annual debt service calculation. These bonds were issued pursuant to the Master Indenture of Trust dated December 1, 2014 and the First Supplemental Indenture of Trust dated December 1, 2014. The bonds are issued as serial bonds and are the first series of transportation bonds to be issued under the Master Indenture.

| | |
|---|---|
| $69,045,000 2014 Transportation Special Tax Revenue Bonds due in annual principal payments of $2,450,000 to $5,285,000 through June 2034, interest at 4.00% to 5.00% | $ 57,745,000 |

### Changes in Long-Term Debt Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2019:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due in One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 84,078 | $ 77,828 | $ 46,792 | $ 115,114 | $ 115,114 |
| Transportation Special Tax Revenue Bonds | 60,345,000 | - | 2,600,000 | 57,745,000 | 2,730,000 |
| Unamortized Premiums | 9,841,254 | - | 596,439 | 9,244,815 | - |
| **Total governmental activities** | $ 70,270,332 | $ 77,828 | $ 3,243,231 | $ 67,104,929 | $ 2,845,114 |

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

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

## Note 10. Long-Term Obligations (Continued)

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

| Year(s) Ending June 30, | Principal | Interest | Totals |
|---|---|---|---|
| 2020 | $ 2,730,000 | $ 2,819,950 | $ 5,549,950 |
| 2021 | 2,865,000 | 2,683,450 | 5,548,450 |
| 2022 | 2,950,000 | 2,597,500 | 5,547,500 |
| 2023 | 3,100,000 | 2,450,000 | 5,550,000 |
| 2024 | 3,255,000 | 2,295,000 | 5,550,000 |
| 2025-2029 | 18,820,000 | 8,921,250 | 27,741,250 |
| 2030-2034 | 24,025,000 | 3,721,250 | 27,746,250 |
| | $ 57,745,000 | $ 25,488,400 | $ 83,233,400 |

## Note 11. Risk Management

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

## Note 12. Pending GASB Statements

At June 30, 2019, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

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

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

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

# Required Supplementary Information

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## SCHEDULE OF AUTHORITY CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM
**Pension Plan**

| | Fiscal Year June 30, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually required contribution (CRC) | $ 64,911 | $ 86,928 | $ 78,378 | $ 42,427 | $ 33,173 |
| Contributions in relation to the CRC | 64,911 | 86,928 | 78,378 | 42,427 | 33,173 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Employer's covered-employee payroll | $ 865,480 | $ 917,690 | $ 826,772 | $ 624,845 | $ 488,557 |
| Contributions as a percentage of covered-employee payroll | 7.50% | 9.47% | 9.48% | 6.79% | 6.79% |

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

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

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

| | Fiscal Year June 30, 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| **Total Pension Liability** | | | | |
| Service cost | $ 102,928 | $ 78,247 | $ 70,900 | $ - |
| Interest | 24,197 | 14,560 | - | - |
| Difference between expected and actual experience | 27,939 | 60,765 | 137,107 | - |
| Changes of assumptions | - | (15,903) | - | - |
| **Net change in total pension liability** | 155,064 | 137,669 | 208,007 | - |
| Total pension liability - beginning | 345,676 | 208,007 | - | - |
| Total pension liability - ending (a) | $ 500,740 | $ 345,676 | $ 208,007 | $ - |
| **Plan Fiduciary Net Position** | | | | |
| Contributions - employer | $ 86,928 | $ 78,378 | $ 42,427 | $ 30,617 |
| Contributions - employee | 47,287 | 42,081 | 31,288 | 49,918 |
| Net investment income | 26,628 | 27,878 | 3,770 | 951 |
| Administrative expense | (113) | (42) | (11) | 65 |
| Other | (29) | (30) | (1) | (2) |
| **Net change in plan fiduciary net position** | 160,701 | 148,265 | 77,473 | 81,549 |
| Plan fiduciary net position - beginning | 307,287 | 159,022 | 81,549 | - |
| Plan fiduciary net position - ending (b) | $ 467,988 | $ 307,287 | $ 159,022 | $ 81,549 |
| The Authority's net pension liability (asset) - ending (a)-(b) | $ 32,752 | $ 38,389 | $ 48,985 | $ (81,549) |
| Plan fiduciary net position as a percentage of total pension liability | 93% | 89% | 76% | 0% |
| Covered-employee payroll | $ 917,690 | $ 826,772 | $ 624,845 | $ 488,557 |
| The Authority's net pension liability (asset) as a percentage of covered-employee payroll | 4% | 5% | 8% | -17% |

**Notes to Schedule:**

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

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

NON-LEOS:

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

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

# NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## SCHEDULE OF THE AUTHORITY'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM
## For the Measurement Dates of June 30, 2018 and 2017

| | Fiscal Year June 30, 2018 | 2017 |
|---|---|---|
| **Total Group Life Insurance OPEB Liability** | | |
| The Authority's Portion of the Net GLI OPEB Liability | 0.00553% | 0.00497% |
| The Authority's Proportionate Share of the Net GLI OPEB Liability | $ 84,000 | $ 75,000 |
| The Authority's Covered Payroll | $ 1,051,730 | $ 917,664 |
| The Authority's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 7.99% | 8.17% |
| Plan Fiduciary Net Position as a percentage of the Total LGI OPEB Liability | 51.22% | 48.86% |

**Notes to Schedule:**

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

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

**Non-Largest Ten Locality Employers-General Employees**

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

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

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## SCHEDULE OF AUTHORITY CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM

| | Fiscal Year June 30, 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Contractually required contribution (CRC) | $ 5,716 | $ 5,469 | $ 4,772 | $ 3,281 | $ 2,275 |
| Contributions in relation to the CRC | 5,716 | 5,469 | 4,772 | 3,281 | 2,275 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Employer's covered-employee payroll | $ 1,099,231 | $ 1,051,730 | $ 917,664 | $ 683,642 | $ 473,980 |
| Contributions as a percentage of covered-employee payroll | 0.520% | 0.520% | 0.520% | 0.480% | 0.480% |

# Supplementary Information

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENDITURES
**Year Ended June 30, 2019**

| | | |
|---|---|---|
| **General and Administrative Expenditures:** | | |
| Personnel expenses | | $ 1,459,778 |
| Salaries and wages | $ 1,105,389 | |
| Benefits and retirement | 354,389 | |
| Professional services | | 188,011 |
| Legislative services fees | 60,406 | |
| Financial advisory services fees | 41,498 | |
| Public outreach and regional event support costs | 28,428 | |
| Auditing and accounting services fees | 26,500 | |
| Investment custody services fees | 20,260 | |
| Legal services/bond counsel fees | 6,426 | |
| Bond trustee services fees | 2,688 | |
| Payroll and bank services fees | 1,805 | |
| Technical and technology hosting services | | 142,062 |
| GIS and Project Management and Monitoring systems | 66,926 | |
| Financial reporting and accounting systems | 48,881 | |
| Network-IT-Hosting services | 20,198 | |
| Web development and hosting services | 6,057 | |
| Office lease charges | | 137,787 |
| Professional development, memberships, industry and training conferences | | 20,381 |
| Copier printing and duplication charges | | 9,577 |
| Phone services | | 7,678 |
| Computer hardware and software purchases | | 7,676 |
| Office supplies, furniture and equipment expenses | | 7,282 |
| Insurance and liability bonds cost | | 5,791 |
| Mileage and transportation costs | | 5,305 |
| Hosted meeting expenses | | 3,394 |
| Recruitment advertising | | 1,106 |
| Miscellaneous expenses | | 113 |
| **Total general and administrative expenditures** | | **$ 1,995,941** |

## NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## SCHEDULE OF CHANGES IN NET POSITION BY JURISDICTION
## LOCAL DISTRIBUTION FUND (30%)
## Year Ended June 30, 2019

| | Arlington County | Fairfax County | Loudoun County | Prince William County | City of Alexandria | City of Fairfax | City of Falls Church | City of Manassas | City of Manassas Park | Totals |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | | | |
| Intergovernmental: | | | | | | | | | | |
| Commonwealth of Virginia | | | | | | | | | | |
| Grantors tax | $ (413) | $ (222) | $ - | $ (7,697) | $ (1,949) | $ - | $ - | $ - | $ - | $ (10,281) |
| Sales tax | 7,920,857 | 33,270,193 | 15,468,208 | 11,950,905 | 5,056,576 | 2,277,344 | 848,866 | 1,580,441 | 452,641 | 78,826,031 |
| Transient occupancy tax | 9,306 | (228,441) | 75,780 | 51,060 | 33,681 | 35,016 | 12,957 | 2,473 | - | (8,168) |
| Commonwealth fund interest income | 14,117 | 58,960 | 27,107 | 20,928 | 8,860 | 3,922 | 1,466 | 2,594 | 771 | 138,725 |
| Investment earnings | 2,288 | 9,610 | 4,348 | 3,432 | 1,602 | 686 | 228 | 458 | 229 | 22,881 |
| **Total revenues** | 7,946,155 | 33,110,100 | 15,575,443 | 12,018,628 | 5,098,770 | 2,316,968 | 863,517 | 1,585,966 | 453,641 | 78,969,188 |
| **Expenditures** | | | | | | | | | | |
| Distribution of 30% local funds | 7,946,155 | 33,110,100 | 15,575,443 | 12,018,628 | 5,098,770 | 2,316,968 | 863,517 | 1,585,966 | 453,641 | 78,969,188 |
| **Total expenditures** | 7,946,155 | 33,110,100 | 15,575,443 | 12,018,628 | 5,098,770 | 2,316,968 | 863,517 | 1,585,966 | 453,641 | 78,969,188 |
| **Net change in fund balance** | - | - | - | - | - | - | - | - | - | - |
| Fund Balance, beginning of year | - | - | - | - | - | - | - | - | - | - |
| Fund Balance, end of year | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

# NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## SCHEDULE OF CHANGES IN RESTRICTED FUNDING FOR APPROPRIATED PROJECTS – REGIONAL REVENUE FUND
## Year Ended June 30, 2019

| Project Sponsor | Appropriation Year | Standard Project Agreement Title | NVTA Appropriated Funding | Contracted Amount Paid as of 6/30/2019 | Remaining Appropriation at 6/30/2019 | Percentage of Draw Down | Phases Funded |
|---|---|---|---|---|---|---|---|
| Arlington County | 2014 | Silver/Blue Line Mitigation (Four New Buses) | $ 1,000,000 | $ 797,696 | $ - | 100.0% | Acq |
| Arlington County | 2014 | Crystal City Multimodal Center | 1,500,000 | 1,326,173 | 173,827 | 88.4% | CN |
| Arlington County | 2014 | Boundary Channel Drive Interchange | 4,335,000 | 2,196,516 | 2,138,484 | 50.7% | Des, CN |
| Arlington County | 2014 | Columbia Pike Multimodal St Improvements West End FR FFX County line to Four Mile Ru | 12,000,000 | 1,882,800 | 10,117,200 | 15.7% | CN |
| Arlington County | 2015 | Glebe Road Corridor Intelligent Transportation System (ITS) Improvements | 2,000,000 | 506,438 | 1,493,562 | 25.3% | Pre Eng, CN |
| Arlington County | 2015 | Columbia Pike Multimodal St Improvements East End B/T 2 interchanges w Washington Bl | 10,000,000 | 945,809 | 9,054,191 | 9.5% | Des, CN |
| Arlington County | 2015 | Ballston Metrorail Station West Entrance | 12,000,000 | 37,643 | 11,962,357 | 0.3% | Final Des |
| Arlington County | 2017 | Lee Highway Corridor Intelligent Transportation System Enhancements | 3,000,000 | 249,224 | 2,750,776 | 8.3% | Des, Eng, ROW, CN |
| Arlington County | 2017 | Crystal City Streets:12th St Transitway, Clark/Bell Realignment, & Intersection Improveme | 11,600,000 | 1,462,237 | 10,137,763 | 12.6% | Des, Eng, Env, CN |
| Arlington County | 2019 | Intelligent Transportation System Improvements | 10,000,000 | - | 10,000,000 | 0.0% | CN |
| Arlington County | 2019 | ART Operations and Maintenance Facilities | 39,027,000 | - | 39,027,000 | 0.0% | Des, ROW, CN, Acq |
| Fairfax County | 2014 | Innovation Center Metrorail Station | 41,000,000 | 37,738,402 | 3,261,598 | 92.0% | Des/Build |
| Fairfax County | 2015 | US 1 Richmond Hwy ( Mt. Vernon Memorial Hwy to Napper Rd) | 1,000,000 | 1,000,000 | - | 100.0% | Env, Pre Eng |
| Fairfax County | 2015 | Frontier Drive Extension & Braided Ramps UPC 106742 | 2,000,000 | 2,000,000 | - | 100.0% | Des, Env, Pre Eng |
| Fairfax County | 2015 | Route 28 Widening (Prince William County Line to Route 29) | 5,000,000 | 1,960,460 | 3,039,540 | 39.2% | Des, Pre Eng, ROW |
| Fairfax County | 2015 | Rolling Road Widening(Old Keene Mill Rd to Franconia Springfield Pkwy) | 5,000,000 | 3,125,000 | 1,875,000 | 62.5% | Des, Eng, Env, ROW, CN |
| Fairfax County | 2015 | Connector Bus Service Expansion – Capital Purchase 12 Buses | 6,000,000 | 5,922,262 | - | 100.0% | Acq |
| Fairfax County | 2015 | Fairfax County Parkway Improvements | 10,000,000 | 4,000,000 | 6,000,000 | 40.0% | Study, Env, Pre Eng |
| Fairfax County | 2015 | West Ox Bus Garage Phase II | 20,000,000 | 10,894,910 | 9,105,090 | 54.5% | CN |
| Fairfax County | 2015 | Innovation Center Metrorail Station | 28,000,000 | 27,837,813 | 162,187 | 99.4% | CN |
| Fairfax County | 2017 | I-66/Route 28 Interchange Improvements -$300,000,000 | - | - | - | WITHDRAWN | Des, Eng, Env, ROW, CN |
| Fairfax County | 2017 | Route 28 Widening (Prince William County Line to Route 29) | 5,000,000 | - | 5,000,000 | 0.0% | Des, Pre Eng |
| Fairfax County | 2017 | Route 7 Widening Phase I (Colvin Forest Dr to Jarrett Valley Dr) | 10,000,000 | - | 10,000,000 | 0.0% | ROW |
| Fairfax County | 2017 | Route 286 Fairfax County Parkway Widening (Route 123 to Route 29) | 10,000,000 | - | 10,000,000 | 0.0% | ROW |
| Fairfax County | 2019 | Richmond Hwy Bus Rapid Transit Phase I & II | 250,000,000 | - | 250,000,000 | 0.0% | Des, ROW, CN |
| Loudoun County | 2014 | 2-Transit Buses - 40ft | 880,000 | 880,000 | - | 100.0% | Acq |
| Loudoun County | 2014 | Leesburg Park and Ride | 1,000,000 | 276,578 | 723,422 | 27.7% | ROW/CN |
| Loudoun County | 2014 | Belmont Ridge Road (Rt 659) North of Dulles Greenway Widening | 20,000,000 | 20,000,000 | - | 100.0% | CN |
| Loudoun County | 2015 | Acquisition of 4 Buses | 1,860,000 | 1,860,000 | - | 100.0% | Acq |
| Loudoun County | 2015 | Belmont Ridge Road (VA Route 659)- Turo Parish Road to Croson Ln | 19,500,000 | 2,055,449 | 17,444,551 | 10.5% | CN |
| Loudoun County | 2015 | Loudoun County Parkway (VA Route 607) – U.S. 50 to Creighton Rd. | 31,000,000 | 11,595,000 | 19,405,000 | 37.4% | CN |
| Loudoun County | 2019 | Route 9 Traffic Calming/Hillsboro | 12,112,000 | 1,469,313 | 10,642,687 | 12.13% | Des, ROW, CN, Utility |
| Loudoun County | 2019 | Evergreen Mills Road Widening: Loudoun County Parkway to NorthStar Blvd | 14,000,000 | - | 14,000,000 | 0.00% | Des, ROW, CN, Utility |
| Loudoun County | 2019 | Dulles West Boulevard Widening: Loudoun County Parkway to Northstar Blvd | 47,800,000 | - | 47,800,000 | 0.0% | Des, ROW, CN, Utility |
| Prince William County | 2014 | Route 1 from Featherstone Road to Mary's Way | 3,000,000 | 2,546,448 | 453,552 | 84.9% | Des |
| Prince William County | 2014 | Route 28 from Linton Hall Road to Fitzwater Drive | 28,000,000 | 23,353,701 | 4,646,299 | 83.4% | ROW, CN |
| Prince William County | 2015 | Route 28 (Manassas Bypass) Study - Godwin Drive Extended | 2,500,000 | 1,194,925 | 1,305,075 | 47.8% | Study |
| Prince William County | 2015 | Route 28 Widening from Route 234 Bypass to Linton Hall Road | 16,700,000 | 4,059,858 | 12,640,142 | 24.3% | Pre Eng, CN |
| Prince William County | 2015 | Route 1 Widening from Featherstone Road to Mary's Way | 49,400,000 | 31,703,264 | 17,696,736 | 64.2% | ROW, Con |
| Prince William County | 2017 | Route 28 Widening to Six Lanes (Route 234 Bypass to Linton Hall Road) | 10,000,000 | - | 10,000,000 | 0.0% | CN |
| Prince William County | 2017 | Route 1 Widening to Six Lanes (Featherstone Road to Mary’s Way) | 11,000,000 | - | 11,000,000 | 0.0% | CN |
| Prince William County | 2019 | Summit School Rd Extension and Telegraph Rd Widening | 11,000,000 | - | 11,000,000 | 0.0% | Des, ROW, CN |
| Prince William County | 2019 | RT28 corridor improvements (Fitzwater Dr to Pennsylvania Ave) | 15,000,000 | - | 15,000,000 | 0.0% | CN |
| Prince William County | 2019 | Construct Interchange at Prince William Parkway and University Boulevard | 24,200,000 | - | 24,200,000 | 0.0% | CN |
| Prince William County | 2019 | Construct Interchange at Route 234 and Brentsville Road | 54,900,000 | - | 54,900,000 | 0.0% | Des, ROW, CN |

# NORTHERN VIRGINIA TRANSPORTATION AUTHORITY

## SCHEDULE OF CHANGES IN RESTRICTED FUNDING FOR APPROPRIATED PROJECTS – REGIONAL REVENUE FUND (Continued)
## Year Ended June 30, 2019

| Project Sponsor | Appropriation Year | Standard Project Agreement Title | NVTA Appropriated Funding | Contracted Amount Paid as of 6/30/2019 | Remaining Appropriation at 6/30/2019 | Percentage of Draw Down | Phases Funded |
|---|---|---|---|---|---|---|---|
| City of Alexandria | 2014 | Shelters and Real Time Transit Info for DASH/WMATA | $ 450,000 | $ 450,000 | $ - | 100.0% | CN |
| City of Alexandria | 2014 | Traffic Signal Upgrades/Transit Signal Priority | 660,000 | 127,975 | 532,025 | 19.4% | Des, CN |
| City of Alexandria | 2014 | Dash bus expansion (5 new hybrid buses) | 1,462,500 | 1,462,500 | - | 100.0% | Acq |
| City of Alexandria | 2014 | Potomac Yard Metro Station EIS | 2,000,000 | 2,000,000 | - | 100.0% | Pre Eng |
| City of Alexandria | 2015 | Duke Street Transit Signal Priority | 190,000 | 190,000 | - | 100.0% | Des, CN |
| City of Alexandria | 2015 | Potomac Yard Metrorail Station | 1,500,000 | 1,500,000 | - | 100.0% | Pre Eng, Final Des |
| City of Alexandria | 2015 | West End Transitway(Van Dorn - Beauregard) | 2,400,000 | 878,366 | 1,521,634 | 36.6% | Final Des |
| City of Alexandria | 2017 | Potomac Yard Metrorail Station | 66,000,000 | 8,000,000 | 58,000,000 | 12.1% | Des, CN (Des-Build) |
| City of Alexandria | 2019 | Alexandria Bus Network ITS | 149,752 | - | 149,752 | 0.0% | Des, CN |
| City of Fairfax | 2014 | Chain Bridge Rd Widening / Improve from Rt 29/50 to Eaton Place | 5,000,000 | 5,000,000 | - | 100.0% | Des, ROW, CN |
| City of Fairfax | 2015 | Kamp Washington Intersection Improvements-Rt 50 & Rt 29 & Rt 236 | 1,000,000 | 1,000,000 | - | 100.0% | CN |
| City of Fairfax | 2015 | Jermantown / Route 50 Roadway Improvements | 1,000,000 | 1,000,000 | - | 100.0% | CN |
| City of Fairfax | 2015 | CUE 35-foot transit Bus Acquisition | 3,000,000 | 2,536,210 | - | 100.0% | Acq |
| City of Fairfax | 2015 | Northfax - Intersection and drainage improvements at Route 29/50 and Route 123 | 10,000,000 | 10,000,000 | - | 100.0% | CN |
| City of Fairfax | 2019 | Roadway Network Northfax West | 2,500,000 | - | 2,500,000 | 0.0% | Des, ROW, CN |
| City of Fairfax | 2019 | Jermantown Rd Corridor Improvement Project | 21,000,000 | - | 21,000,000 | 0.0% | Des, ROW, CN |
| City of Falls Church | 2014 | Pedestrian Bridge providing safe access to E Falls Church Metro | 130,228 | 130,228 | - | 100.0% | Des, CN |
| City of Falls Church | 2014 | Bus Stop Changes Incl provision of shelters & pedestrian inform & Consolidation | 200,000 | 200,000 | - | 100.0% | Des, ROW, CN |
| City of Falls Church | 2014 | Pedestrian Access to Transit | 700,000 | 700,000 | - | 100.0% | Des, ROW, CN |
| City of Falls Church/NVRPA | 2019 | Falls Church Enhanced Regional Bike Routes (W&OD) | 3,244,959 | 61,836 | 3,183,123 | 1.91% | Des, CN |
| City of Manassas | 2015 | Route 28 Widening South to the City Limits | 3,294,000 | 179,982 | 3,114,018 | 5.5% | Pre Eng, ROW, CN |
| Town of Dumfries | 2015 | Widen Rt 1(Fraley Blvd) Brady's Hill Rd to Rt 234 (Dumfries Rd) | 6,900,000 | 1,486,840 | 5,413,160 | 21.5% | Pre Eng |
| Town of Herndon | 2014 | Herndon Pkwy Intersection Improvements Van Buren | 500,000 | 25,811 | 474,189 | 5.2% | Des, ROW, CN |
| Town of Herndon | 2014 | Herndon Pkwy Intersection Improvements Sterling Rd | 500,000 | 498,397 | - | 100.0% | Des, ROW |
| Town of Herndon | 2014 | Herndon Metrorail Intermodal Access Improvements | 1,100,000 | - | 1,100,000 | 0.0% | Des, ROW |
| Town of Herndon | 2015 | East Elden Street Improvements & Widening Project | 10,400,000 | - | 10,400,000 | 0.0% | ROW |
| Town of Leesburg | 2014 | New grade-separated interchange on Edwards Ferry Road at RT 15 Leesburg BP | 1,000,000 | 1,000,000 | - | 100.0% | Des |
| Town of Leesburg | 2015 | New grade-separated interchange Edwards Ferry Rd at Rt 15 Leesburg BP | 1,000,000 | 1,000,000 | - | 100.0% | Des |
| Town of Leesburg | 2015 | Route 7 (East Market Street)/Battlefield Parkway Interchange | 13,000,000 | 4,000,000 | 9,000,000 | 30.8% | Final Des |
| Town of Leesburg | 2017 | Route 7 (East Market Street) / Battlefield Parkway Interchange | 20,000,000 | - | 20,000,000 | 0.0% | CN |
| VDOT/Fairfax County | 2014 | Route 28 widening NB from McLearen to Dulles Toll Rd | 11,100,000 | 11,100,000 | - | 100.0% | Des-Build |
| VDOT/Loudoun County | 2014 | Route 28 Hot Spot Improvements (Loudoun Segment) | 12,400,000 | 12,400,000 | - | 100.0% | CN |
| VDOT/Fairfax County | 2014 | Route 28 widening SB from Dulles Toll Road to Route 50 | 20,000,000 | 20,000,000 | - | 100.0% | Des-Build |
| VDOT/Fairfax County | 2015 | Route 7 Bridge Widening over Dulles Toll Road | 13,900,000 | 13,900,000 | - | 100.0% | CN |
| VDOT/Loudoun County | 2019 | Route 28 Northbound Widening –between the Dulles Toll Road and Sterling Blvd | 20,000,000 | 5,720,756 | 14,279,244 | 28.60% | CN |
| WMATA | 2014 | Traction Power Upgrades on the Orange Line in Virginia (8 -car trains) | 4,978,685 | 1,482,247 | 3,496,438 | 29.8% | Des |
| WMATA | 2017 | Metrorail Blue Line Traction Power Upgrades | 17,443,951 | - | 17,443,951 | 0.0% | Eng, CN |
| Virginia Railway Express | 2014 | Alexandria Station Tunnel and Platform Improvements * | 1,300,000 | - | 1,300,000 | 0.0% | CN |
| Virginia Railway Express | 2014 | VRE Gainesville-Haymarket Extension Project Development | 1,500,000 | 1,350,400 | 149,600 | 90.0% | Des |
| Virginia Railway Express | 2014 | Lorton Station Second Platform | 7,900,000 | 417,986 | 7,482,014 | 5.3% | Des, CN |
| Virginia Railway Express | 2015 | Crystal City Platform Extension Study | 400,000 | 394,243 | 5,757 | 98.6% | Study |
| Virginia Railway Express | 2015 | Manassas Park Station Parking Expansion | 500,000 | 500,000 | - | 100.0% | Des, Pre Eng |
| Virginia Railway Express | 2015 | Slaters Lane Crossover | 7,000,000 | 267,513 | 6,732,487 | 3.8% | Pre Eng, CN |
| Virginia Railway Express | 2015 | Rippon Station Expansion and Second Platform | 10,000,000 | 39,482 | 9,960,518 | 0.4% | Des, Pre Eng, CN |
| Virginia Railway Express | 2015 | Franconia-Springfield Platform Improvements | 13,000,000 | 412,269 | 12,587,731 | 3.2% | Pre Eng, Env, CN |
| Virginia Railway Express | 2017 | VRE Manassas Park Station Parking Expansion | 2,000,000 | 311,897 | 1,688,103 | 15.6% | Eng, Env, Des |
| PRTC | 2014 | PRTC New Gainesville Service Bus | 580,000 | 559,275 | - | 100.0% | Acq |
| PRTC | 2015 | Western Bus Maintenance and Storage Facility | 16,500,000 | 6,404,900 | 10,095,100 | 38.8% | CN |
| NVTC | 2014 | Route 7 Transit Alternatives Analysis Study | 838,000 | 834,665 | - | 100.0% | Study |
| | | **Total Approved Program Funding & Contracted Amount Paid @ June 30, 2019** | **$ 1,214,936,075** | **$ 324,401,697** | **$ 889,764,883** | | |

*** Funding Request Withdrawn effective 7/11/2019**

**Note-Unexpected funds from previously approved projects are returned to the Authority's Regional Revenue Fund for future programming.**

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

# Compliance Section

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

To the Honorable Authority Board Members
Northern Virginia Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, the remaining fund information, and the budgetary comparisons of the Northern Virginia Transportation Authority (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 10, 2019.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
October 10, 2019