

**NORTHERN VIRGINIA
TRANSPORTATION COMMISSION**

**Financial and Compliance Reports
Year Ended June 30, 2012**

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
Table of Contents

	Page
Independent Auditor's Report	1 - 2
Required Supplementary Information:	
Management's Discussion and Analysis	3 - 13
Basic Financial Statements:	
Statement of Net Assets	14 - 15
Statement of Activities	16
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Statement of Net Assets - Proprietary Fund	19 - 20
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	21
Statement of Cash Flows - Proprietary Fund	22
Statement of Fiduciary Net Assets - Fiduciary Fund	23
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund	24
Notes to the Financial Statements	25 - 51
Required Supplementary Information:	
Schedule of Funding Progress - Virginia Retirement System	52
Supplementary Information:	
Schedule of Changes in Fiduciary Net Assets by Jurisdiction - Jurisdiction Trust Fund	53
Schedule of General, Administrative and Project Expenditures - General Fund	54
Schedules of Project Revenues and Expenditures - General Fund	55 - 56
Schedule of Expenditures of Commonwealth of Virginia Awards	57 - 62
Schedule of Expenditures of Federal Awards	63

	Page
Compliance Section:	
Schedule of Expenditures of Federal Awards	64
Note to Schedule of Expenditures of Federal Awards	65
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 <i>Government Auditing Standards</i>	66 - 67
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	68 - 69
Schedule of Findings and Questioned Costs	70
Summary Schedule of Prior Audit Findings	71



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Northern Virginia Transportation Commission (Commission) as of and for the year ended June 30, 2012, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. 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 *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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Commission as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2012 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3–13) and required supplementary information (page 52) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying schedules listed in the table of contents as supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying introductory section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements by us or other auditors, and accordingly, we do not express an opinion or provide any assurance on it.

PBGH, LLP

Harrisonburg, Virginia
November 22, 2012

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

NORTHERN VIRGINIA TRANSPORTATION COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Northern Virginia Transportation Commission's (NVTC) financial performance provides an overview of NVTC's financial activities for the fiscal year that ended June 30, 2012. Please read it in conjunction with the accompanying financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

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

- NVTC's assets exceeded liabilities by \$87.3 million on a government-wide basis as of June 30, 2012. Of this total, \$87.1 million is related to business-type activities with the remaining balance related to governmental activities.
- For the fiscal year, grants, contributions and other revenue net of transfers of NVTC's governmental activities amounted to \$183.0 million. Expenses were approximately equal to revenue.
- For the fiscal year, revenues and transfers of NVTC's business-type activities were \$42.2 million. Expenses amounted to \$35.7 million.

Highlights for Fund Financial Statements

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

- NVTC's governmental funds reported an increase in fund balance of \$20,095 for fiscal year 2012, compared to an increase of \$70,745 for fiscal year 2011. The governmental funds balance as of June 30, 2012 totaled \$365,357 compared with \$345,262 at the end of the previous fiscal year.
- During the fiscal year, the proprietary fund net assets increased by \$6.5 million, from \$80.6 million to \$87.1 million.
- NVTC's fiduciary fund reported a decrease of \$3.0 million in net assets held in trust for member jurisdictions, from \$134.0 million to \$131.0 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

NVTC maintains two governmental funds: the General Fund and the Special Revenue Fund. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for each of these funds. The General Fund includes the administrative, planning and project activities of NVTC. The Special Revenue Fund reports the intergovernmental revenue received by NVTC and allocated to the member jurisdictions by a formula maintained by NVTC. Once the allocation is determined, the funds are remitted to the fiduciary fund. The two statements included for the governmental funds are the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

Fiduciary Fund. The Fiduciary Fund is used to account for resources held by NVTC for the benefit and restricted use of the programs of other governments. Additions to the fiduciary fund consist of revenue remitted from the Special Revenue Fund and investment income. Deductions from the fiduciary fund are disbursements directed by the individual member jurisdictions for restricted purposes. The accounting methods used for the fiduciary fund are much like that used for proprietary funds. The two statements included for the fiduciary fund are the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

Notes to the Basic Financial Statements

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

Required Supplementary Information

Additional information that is required by accounting principles generally accepted in the United States to be presented as a supplement to the basic financial statements.

Supplementary Information

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

FINANCIAL ANALYSIS OF THE NVTC REPORTING ENTITY AS A WHOLE

Statement of Net Assets

The following table presents a summary of the Statement of Net Assets for the NVTC reporting entity as of June 30, 2012 and 2011:

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	\$ 16,220,793	\$ 16,073,312	\$ 21,706,729	\$ 24,108,555	\$ 37,927,522	\$ 40,181,867
Capital assets	52,771	61,080	160,690,129	161,102,623	160,742,900	161,163,703
Total assets	<u>16,273,564</u>	<u>16,134,392</u>	<u>182,396,858</u>	<u>185,211,178</u>	<u>198,670,422</u>	<u>201,345,570</u>
Liabilities:						
Current and other liabilities	15,975,751	15,836,458	11,935,463	14,888,752	27,911,214	30,725,210
Long-term liabilities	82,923	89,138	83,380,398	89,773,230	83,463,321	89,862,368
Total liabilities	<u>16,058,674</u>	<u>15,925,596</u>	<u>95,315,861</u>	<u>104,661,982</u>	<u>111,374,535</u>	<u>120,587,578</u>
Net assets:						
Invested in capital assets, net	52,771	61,080	69,082,144	61,211,996	69,134,915	61,273,076
Restricted	-	-	11,962,383	11,585,848	11,962,383	11,585,848
Unrestricted	162,119	147,716	6,036,470	7,751,352	6,198,589	7,899,068
Total net assets	<u>\$ 214,890</u>	<u>\$ 208,796</u>	<u>\$ 87,080,997</u>	<u>\$ 80,549,196</u>	<u>\$ 87,295,887</u>	<u>\$ 80,757,992</u>

As noted earlier, net assets may serve as a useful indicator of a government's financial position. As shown above, total assets exceeded liabilities by \$87.3 million, an increase of \$6.5 million over the previous fiscal year. The largest portion of net assets, \$69.1 million or 79.2 percent, represents the investment in capital assets (e.g., land, building, improvements, rolling stock, equipment and software), less the related indebtedness outstanding used to acquire those capital assets. These assets are used to provide service to riders; consequently, these assets are not available for future spending. The investment in capital assets is reported net of accumulated depreciation and amortization and net of related debt. The resources required to repay this debt must be provided annual from operations and federal, state and local support since it is unlikely that the capital assets themselves will be liquidated to pay liabilities.

A portion of the net assets, \$12.0 million or 13.7 percent represents resources that are restricted for the commuter rail liability insurance plan, debt service, and the purchase of replacement rolling stock.

Current assets consist primarily of grant revenue and motor vehicle fuel sales tax due from the Commonwealth of Virginia for governmental activities, and restricted and non-restricted cash, cash equivalents, and investments for the business-type activities. As of June 30, 2012, approximately \$19.4 million was due from the Commonwealth of Virginia, of which \$7.8 million is for motor vehicle fuel sales tax, and \$11.6 million for grant revenue. This is a \$0.2 million increase from the previous fiscal year, of which motor fuel sales tax receivables decreased \$1.3 million or 14.4 percent, and grant revenue increased \$1.5 million or 14.0 percent. The \$1.3 million in the receivable for motor vehicle fuel sales tax is due primarily to a decrease in motor fuel revenue due to lower gasoline prices between periods. The \$1.5 million increase in the receivable for grant revenue is due primarily to an increase in the final operating assistance due, and an increase in the number of jurisdiction capital grants invoiced near the end of the fiscal year. As of June 30, 2012, \$3.6 million of the amount due from the Commonwealth was for the commuter rail service, \$15.8 million was for the jurisdiction transit function of NVTC, and \$63,489 was for general and administrative and projects. Cash, cash equivalents and investments decreased approximately 6.9%, and totaled \$14.7 million, of which all but \$343,582 was for the business-type activities of the commuter rail service.

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

Statement of Changes in Net Assets

The following table shows the revenues and expenses and the change in net assets of the NVTC reporting entity for the fiscal years ended June 30, 2012 and 2011:

Summary of Changes in Net Assets For the Fiscal Years Ended June 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	\$ -	\$ -	\$ 13,684,760	\$ 13,043,303	\$ 13,684,760	\$ 13,043,303
Operating grants and contributions	135,165,537	102,853,466	5,197,022	5,229,291	140,362,559	108,082,757
Capital grants and contributions	-	-	8,612,708	21,786,052	8,612,708	21,786,052
General revenues						
Intergovernmental						
Commuter rail	14,739,474	23,379,749	-	-	14,739,474	23,379,749
Motor vehicle fuel sales tax	47,848,439	43,812,756	-	-	47,848,439	43,812,756
Interest	526	856	7,150	6,069	7,676	6,925
Other	451	8,316	-	-	451	8,316
Transfers	(14,739,474)	(23,379,749)	14,739,474	23,379,749	-	-
Total revenues	183,014,953	146,675,394	42,241,114	63,444,464	225,256,067	210,119,858
Expenses:						
General and administration	2,097,561	2,332,225	-	-	2,097,561	2,332,225
Jurisdiction transit	180,911,298	144,306,294	-	-	180,911,298	144,306,294
Commuter rail	-	-	35,709,313	34,419,198	35,709,313	34,419,198
Total expenses	183,008,859	146,638,519	35,709,313	34,419,198	218,718,172	181,057,717
Increase in net assets	6,094	36,875	6,531,801	29,025,266	6,537,895	29,062,141
Beginning net assets	208,796	171,921	80,549,196	51,523,930	80,757,992	51,695,851
Ending net assets	\$ 214,890	\$ 208,796	\$ 87,080,997	\$ 80,549,196	\$ 87,299,887	\$ 80,757,992

For the fiscal year ended June 30, 2012, revenues totaled \$225.3 million, compared to \$210.1 million in the preceding year, an increase of \$15.1 million or 7.2 percent. Expenses increased \$37.7 million or 20.8%. A discussion of the key components of these changes is included in the funds analysis.

FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

Governmental Funds

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

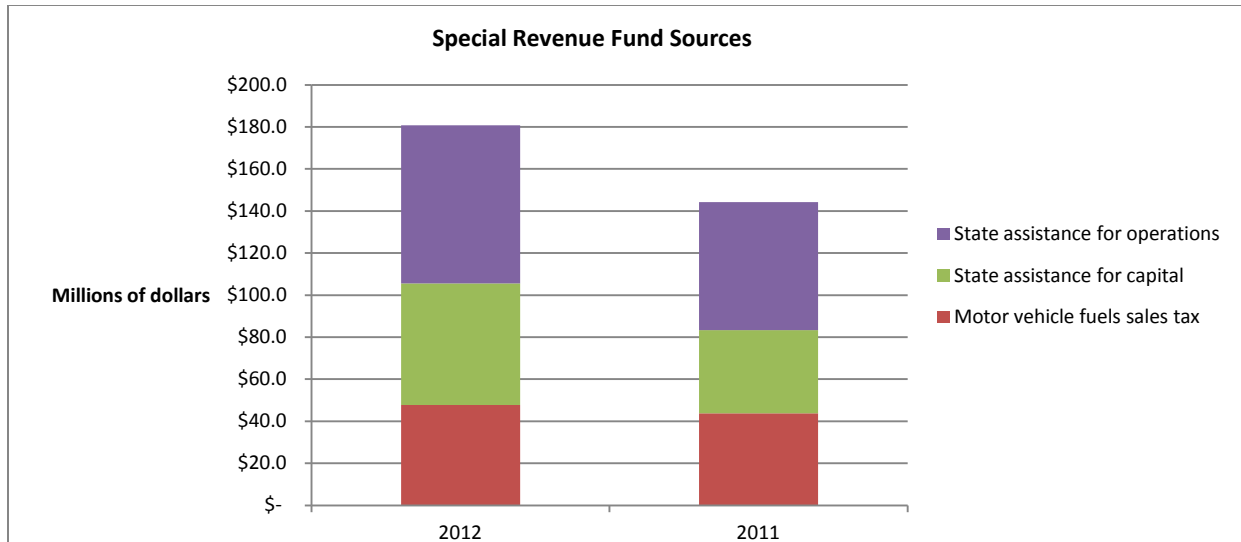
NVTC adopts an annual operating budget for the planning and administrative activities of the General Fund for the purpose of determining the annual contributions from the member jurisdictions required to fund these activities. In addition, the various projects included in the General Fund have individual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

As of June 30, 2012 the General Fund had a total fund balance of \$365,357 of which \$38,569 was nonspendable and \$326,788 was unassigned. The fund balance increased \$20,095 or 5.8 percent from the preceding year due to a favorable budget variance, offset by a budgeted drawdown of surplus funds.

During fiscal year 2012, NVTC's regional projects incurred a total of \$1,122,405 in direct costs. Five of these projects were funded with state and federal sources totaling \$986,968. The \$135,437 in other funding sources includes local contributions from NVTC, which consists primarily of payroll and payroll related costs.

Special Revenue Fund. The special revenue fund reports intergovernmental revenue for the jurisdictions' transit programs, including local bus systems and the operating and capital subsidies of the Washington Metropolitan Area Transit Authority ("WMATA"). The intergovernmental revenue includes state operating assistance, state capital assistance, and the motor vehicle fuel sales tax. As the revenue is recognized by the Special Revenue Fund, it is allocated using the Subsidy Allocation Model formula ("SAM"). This formula, which is defined and established by NVTC board resolution and the *Code of Virginia*, is maintained and updated annually by NVTC. After the revenue has been allocated by the SAM and each jurisdiction's share has been identified, the funds are remitted to the Jurisdiction Trust Fund for the restricted use by the member jurisdictions individually to support the programs of their respective locality.

Intergovernmental revenues increased approximately \$36.6 million or 25.4 percent from the previous fiscal year. A comparison of the revenue by type between fiscal years follows:



State assistance for operations is revenue from the state FTM/Admin formula assistance program. Operating assistance increased approximately \$14.3 million, or 23.5% from the previous fiscal year. This increase is due to 19.4 percent increase in state-wide operating assistance available, offset in part by a decrease in funding eligibility as compared to the state-wide total. The FTM/Admin assistance program is funded at the statutory fixed rate of 73.5% of projected Mass Transit Trust Fund revenue. Since fiscal year 2009, the FTM/Admin program receives directly a portion of the state recordation tax to help fund the operating program.

State assistance for capital expenditures recognized by the special revenue fund during fiscal year 2012 increased \$18.2 million or 46.0 percent from the previous fiscal year. This increase is primarily the result of a greater amount of eligible expenses invoiced during the fiscal year, combined with various state participation rates for different classes of assets and fluctuating rates from year to year. State assistance for capital expenditures during the fiscal year includes revenue from the Mass Transit Trust Fund, the Mass Transit Capital program, and directly from the Transportation Trust Fund. The state-wide capital program is funded at the statutory fixed rate of 25% of projected Mass Transit Trust Fund revenues. The fiscal year 2012 program allocated an additional \$55.3 million from the Mass Transit Capital program for state-wide needs.

Effective January 1, 2010, the Motor Vehicle Fuel Sales tax is levied on distributors of gasoline and diesel fuel for deliveries within NVTC's jurisdictions at the rate of 2.1% price per gallon. Prior to this, the tax was levied on the retail sales at the rate of 2%. The Department of Taxation, the state agency responsible for administering the tax, has not determined the impact on revenue collections with the change in the tax. However, NVTC's analysis indicates it is most likely not significant. Motor Vehicle Fuel Sales tax revenue increased by \$4.0 million or 9.1 percent from the previous fiscal year. This increase is consistent with the national average price increase for all grades of gasoline over the same period, as calculated from U.S. DOE weekly price data. Overall demand, the price elasticity impacting demand, grade mix, and taxpayer compliance are some of the other factors that affect revenue collections.

Proprietary Fund

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

NVTC's share of operating revenue increased about \$0.6 million or 4.9%, while operating expenses increased \$1.0 million or 4.3%. Capital contributions and transfers decreased \$21.8 million or 48.3 percent, due to a significant investment in capital assets during the previous year.

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

Fiduciary Fund

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

Jurisdiction Trust Fund. The Jurisdiction Trust Fund holds the assets that were remitted from the special revenue fund and are accounted for on an individual jurisdiction basis. These funds are invested primarily in the Virginia Local Government Investment Pool, and are available for disbursement for restricted purposes by instructions of the member jurisdictions. The change in the fund balance from year to year is dependent upon the remittances from the special revenue fund, investment income and the amount each member jurisdiction instructs NVTC to disburse from the Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The details of capital assets as of June 30, 2012 and 2011 are as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Rolling stock	\$ -	\$ -	\$ 116,458,753	\$ 109,195,303	\$ 116,458,753	\$ 109,195,303
Vehicles	-	-	49,916	49,916	49,916	49,916
Facilities	-	-	47,344,439	46,167,777	47,344,439	46,167,777
Track and signal improvements	-	-	26,342,184	26,342,184	26,342,184	26,342,184
Equipment and software	-	-	4,369,970	4,196,719	4,369,970	4,196,719
Construction in progress	-	-	6,424,938	15,841,673	6,424,938	15,841,673
Equity in local properties	-	-	2,622,399	2,622,399	2,622,399	2,622,399
Furniture, equipment and software	90,969	88,443	2,704,505	1,880,058	2,795,474	1,968,501
	90,969	88,443	206,317,104	206,296,029	206,408,073	206,384,472
Less accumulated depreciation and amortization	38,198	27,363	45,626,975	45,193,406	45,665,173	45,220,769
Total capital assets, net	\$ 52,771	\$ 61,080	\$ 160,690,129	\$ 161,102,623	\$ 160,742,900	\$ 161,163,703

NVTC's investment in capital assets as of June 30, 2012 amounted to \$160.7 million (net of accumulated depreciation and amortization) which represents decrease of \$0.4 million or .003 percent over last year. Completed projects totaling approximately \$15.9 million were closed from construction in progress to their respective capital accounts and an additional \$0.2 million was charged directly to the capital accounts.

The major completed projects were: the manufacture of seven new locomotives; completion of the CDS computer system for communication with the new locomotives; construction of an extension to the platform at the Broad Run station; construction of a "Kiss & Ride" facility at the Woodbridge station; and a number of station, parking and yard lighting projects at various stations. The major additions to construction in progress during the fiscal year were for the construction of the Crossroads warehouse, the construction of additional parking at the Brooke and Leeland stations, and lighting improvement projects at various stations.

Debt Administration

At June 30, 2012, the commissions had total debt outstanding of \$101.0 million for the VRE commuter rail service, of which \$91.8 million is reported by NVTC. The revenue bond debt is issued under the name of the NVTC. The bonds are secured by a pledge of VRE operations revenue. A debt service insurance policy guarantees payment of each bond series.

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

	2012	2011
Revenue bonds	\$ 18,685,000	\$ 24,295,000
Capital leases	9,375,881	9,983,326
Notes payable (includes RRIF)	63,729,659	63,685,611
Total	\$ 91,790,540	\$ 97,963,937

VRE operations has available a revolving line of credit in the name of NVTC of up to \$1 million with SunTrust Bank; the line was not utilized during 2012.

Economic Factors and Next Year's Budget

State assistance recognized by the Special Revenue fund will decrease significantly from the revenue recognized in fiscal year 2012 due to the Commonwealth of Virginia's decision to contract directly with the NVTC member jurisdictions for fiscal year 2013 operating and capital assistance. However, NVTC will remain an agent for the receipt, investment and disbursement of this funding, and such activity will continue to be recognized by the Jurisdiction Trust Fund.

The U.S. Energy Information Administration forecasts a 1% decrease in the average price of gasoline nationwide for fiscal year 2013. If that forecast holds true for the NVTC region, and the historical relationship between gas prices and motor vehicle fuel sales tax collections continue, a similar percentage decrease in gas tax revenue for the Special Revenue fund would be realized.

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

For VRE operations, a fare increase of 3% was implemented at the beginning of fiscal year 2013. The total local subsidy for fiscal year 2013 was increased by \$484,882 to a total of \$16,428,799, with full participation by Spotsylvania County. The level of state funding for transportation continues to be volatile and the level of federal formula funding may be considerably more variable than it has been in the past.

REQUESTS FOR INFORMATION

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS	Primary Government		Total
	Governmental Activities	Business-type Activities	Primary Government
Cash and cash equivalents	\$ 343,582	\$ 2,402,621	\$ 2,746,203
Due from other governments:			
Commonwealth of Virginia	19,451,278	-	19,451,278
Federal	6,290	-	6,290
Trade accounts receivable, net	-	537,128	537,128
Other receivables	200	67,197	67,397
Inventory	-	1,669,343	1,669,343
Deposits and prepaid items	38,569	189,314	227,883
Restricted cash, cash equivalents and investments	-	11,981,863	11,981,863
Internal balances	(3,619,126)	3,619,126	-
Deferred bond and lease costs, net	-	1,240,137	1,240,137
Capital assets:			
Rolling stock	-	116,458,753	116,458,753
Vehicles	-	49,916	49,916
Facilities	-	47,344,439	47,344,439
Track and signal improvements	-	26,342,184	26,342,184
Equipment and software	-	4,369,970	4,369,970
Construction in progress	-	6,424,938	6,424,938
Equity in local properties	-	2,622,399	2,622,399
Office equipment, furniture and software	90,969	2,704,505	2,795,474
Less accumulated depreciation and amortization	(38,198)	(45,626,975)	(45,665,173)
Total assets	16,273,564	182,396,858	198,670,422

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET ASSETS
June 30, 2012

LIABILITIES	Primary Government		Total
	Governmental Activities	Business-type Activities	Primary Government
Accounts payable	\$ 73,770	\$ 1,189,062	\$ 1,262,832
Accrued expenses	25,797	1,088,117	1,113,914
Accrued interest	-	696,109	696,109
Due to fiduciary fund	15,755,869	-	15,755,869
Deferred revenue	-	542,720	542,720
Lease liability	96,540	-	96,540
Contract retainage	-	82,407	82,407
Noncurrent liabilities:			
Due within on year:			
Compensated absences	23,775	11,686	35,461
Notes payable	-	1,873,893	1,873,893
Capital lease obligation	-	541,469	541,469
Bonds payable, net	-	5,910,000	5,910,000
Due in more than on year:			
Compensated absences	82,923	97,775	180,698
Notes payable	-	61,855,766	61,855,766
Capital lease obligation	-	8,834,413	8,834,413
Bonds payable, net	-	12,592,444	12,592,444
Total liabilities	16,058,674	95,315,861	111,374,535
NET ASSETS			
Invested in capital assets, net of related debt	52,771	69,082,144	69,134,915
Restricted for liability insurance plan	-	5,078,246	5,078,246
Restricted for debt service and capital lease	-	6,408,466	6,408,466
Restricted grants or contributions	-	475,671	475,671
Unrestricted	162,119	6,036,470	6,198,589
Total net assets	\$ 214,890	\$ 87,080,997	\$ 87,295,887

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Primary government:							
Governmental activities:							
General and administration	\$ 2,097,561	\$ -	\$ 2,101,651	\$ -	\$ 4,090	\$ -	\$ 4,090
Jurisdiction transit	180,911,298	-	133,063,886	-	(47,847,412)	-	(47,847,412)
Total governmental activities	<u>183,008,859</u>	<u>-</u>	<u>135,165,537</u>	<u>-</u>	<u>(47,843,322)</u>	<u>-</u>	<u>(47,843,322)</u>
Business-type activities:							
Commuter rail	35,709,313	13,684,760	5,197,022	8,612,708	-	(8,214,823)	(8,214,823)
Total business-type activities	<u>35,709,313</u>	<u>13,684,760</u>	<u>5,197,022</u>	<u>8,612,708</u>	<u>-</u>	<u>(8,214,823)</u>	<u>(8,214,823)</u>
Total primary government	<u>\$ 218,718,172</u>	<u>\$ 13,684,760</u>	<u>\$ 140,362,559</u>	<u>\$ 8,612,708</u>	<u>(47,843,322)</u>	<u>(8,214,823)</u>	<u>(56,058,145)</u>
General revenues:							
Intergovernmental revenue - commuter rail					14,739,474	-	14,739,474
Intergovernmental revenue - motor vehicle fuel sales tax					47,848,439	-	47,848,439
Interest income					526	7,150	7,676
Other					451	-	451
Transfers					(14,739,474)	14,739,474	-
Total general revenues					<u>47,849,416</u>	<u>14,746,624</u>	<u>62,596,040</u>
Change in net assets					6,094	6,531,801	6,537,895
Net assets, beginning of year					<u>208,796</u>	<u>80,549,196</u>	<u>80,757,992</u>
Net assets, end of year					<u>\$ 214,890</u>	<u>\$ 87,080,997</u>	<u>\$ 87,295,887</u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 343,582	\$ -	\$ 343,582
Due from other governments:			
Commonwealth of Virginia	3,695,409	15,755,869	19,451,278
Federal	6,290	-	6,290
Due from proprietary fund	12,794	-	12,794
Other receivables	200	-	200
Deposits and prepaid items	38,569	-	38,569
	<u>38,569</u>	<u>-</u>	<u>38,569</u>
Total assets	<u>\$ 4,096,844</u>	<u>\$ 15,755,869</u>	<u>\$ 19,852,713</u>
LIABILITIES			
Accounts payable	\$ 72,786	\$ -	\$ 72,786
Accrued salaries	26,781	-	26,781
Due to proprietary fund	3,631,920	-	3,631,920
Due to fiduciary fund	-	15,755,869	15,755,869
Total liabilities	<u>3,731,487</u>	<u>15,755,869</u>	<u>19,487,356</u>
FUND BALANCES			
Nonspendable			
Deposits and prepaid items	38,569	-	38,569
Unassigned	326,788	-	326,788
Total fund balance	<u>365,357</u>	<u>-</u>	<u>365,357</u>
Total liabilities and fund balance	<u>\$ 4,096,844</u>	<u>\$ 15,755,869</u>	<u>\$ 19,852,713</u>

Reconciliation of fund balance on the Balance Sheet for the governmental funds to the net assets of the governmental activities on the Statement of Net Assets:

Fund balances - governmental funds	\$ 365,357
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$90,969 and the accumulated depreciation and amortization is \$38,198.	52,771
Lease liability only recognized in the government-wide financial statements.	(96,540)
Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(106,698)</u>
Net assets - governmental activities	<u>\$ 214,890</u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Major Funds		
	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
Intergovernmental revenues:			
Grants and contributions:			
Commonwealth of Virginia	\$ 15,976,513	\$ 133,063,886	\$ 149,040,399
Local jurisdictions	291,315	-	291,315
Federal	503,297	-	503,297
Motor vehicle fuel sales tax	1,027	47,847,412	47,848,439
Project chargebacks	70,000	-	70,000
Interest income	526	-	526
Other income	451	-	451
Total revenues	16,843,129	180,911,298	197,754,427
Expenditures:			
Current:			
General and administration	958,628	-	958,628
Project costs	1,122,405	-	1,122,405
Payments to fiduciary fund	-	180,911,298	180,911,298
Capital outlay	2,527	-	2,527
Total expenditures	2,083,560	180,911,298	182,994,858
Other financing uses:			
Transfer out	(14,739,474)	-	(14,739,474)
Change in fund balances	20,095	-	20,095
Fund balances, beginning of year	345,262	-	345,262
Fund balances, end of year	\$ 365,357	\$ -	\$ 365,357

Change in fund balances - total governmental funds \$ 20,095

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.

Add - capital outlay	2,526
Deduct - depreciation and amortization expense	(10,835)

Amortization of lease liability is only recognized in the government-wide financial statements.	(16,737)
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The change in compensated absences included in the expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	11,045
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Change in net assets of governmental activities	\$ 6,094
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The accompanying notes are an integral part of the financial statements.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 2,402,621
Accounts receivable:	
Due from general fund	3,631,920
Trade receivables, net of allowance for doubtful accounts	537,128
Other receivables	67,197
Inventory	1,669,343
Deposits and prepaid items	189,314
Restricted cash, cash equivalents and investments	<u>11,981,863</u>
Total current assets	<u>20,479,386</u>
Noncurrent Assets:	
Deferred bond and lease costs, net	<u>1,240,137</u>
Capital assets:	
Rolling stock	116,458,753
Vehicles	49,916
Facilities	47,344,439
Track and signal improvements	26,342,184
Equipment and software	4,369,970
Construction in progress	6,424,938
Equity in local properties	2,622,399
Furniture, equipment and software	<u>2,704,505</u>
	206,317,104
Less accumulated depreciation and amortization	<u>(45,626,975)</u>
Total capital assets, net	160,690,129
Total noncurrent assets	<u>161,930,266</u>
Total assets	<u><u>\$ 182,409,652</u></u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 1,189,062
Due to general fund	12,794
Compensated absences	11,686
Accrued expenses	1,088,117
Accrued interest	696,109
Deferred revenue	542,720
Contract retainage	82,407
Notes payable	1,873,893
Current portion of capital lease obligations	541,469
Current portion of bonds payable	<u>5,910,000</u>
Total current liabilities	<u>11,948,257</u>
Noncurrent Liabilities:	
Capital lease obligations	8,834,413
Notes payable	61,855,766
Bonds payable, net	12,592,444
Compensated absences	<u>97,775</u>
Total noncurrent liabilities	<u>83,380,398</u>
Total liabilities	<u>95,328,655</u>
Net Assets:	
Invested in capital assets, net of related debt	69,082,144
Restricted for liability insurance plan	5,078,246
Restricted for debt service and capital lease	6,408,466
Restricted grants or contributions	475,671
Unrestricted	<u>6,036,470</u>
Total net assets	<u>87,080,997</u>
Total liabilities and net assets	<u><u>\$ 182,409,652</u></u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2012

Operating Revenues:	
Passenger revenue	\$ 13,565,914
Equipment rentals and other	118,846
	<hr/>
Total operating revenues	13,684,760
	<hr/>
Operating Expenses:	
Contract operations and maintenance	8,241,386
Other operations and maintenance	5,702,278
Property leases and access fees	5,127,371
Insurance	1,364,195
Marketing and sales	863,988
General and administrative	2,778,647
	<hr/>
Total operating expenses	24,077,865
	<hr/>
Operating loss before depreciation and amortization	(10,393,105)
Depreciation and amortization	<hr/>
	(6,686,565)
	<hr/>
Operating loss	(17,079,670)
	<hr/>
Nonoperating Revenues (Expenses):	
Subsidies:	
Jurisdictional contributions	5,197,022
Interest income:	
Operating funds	6,569
Other restricted funds	581
Loss on disposal of asset	(179,191)
Interest, amortization and other nonoperating expenses, net	(4,765,692)
	<hr/>
Total nonoperating revenues, net	259,289
	<hr/>
Loss before capital contributions and transfers	(16,820,381)
	<hr/>
Capital contributions and transfers:	
Other local contributions	33,747
Contribution from PRTC	8,578,961
Transfers in	14,739,474
	<hr/>
Total capital contributions and transfers	23,352,182
	<hr/>
Change in net assets	6,531,801
	<hr/>
Net assets, beginning	80,549,196
	<hr/>
Net assets, ending	\$ 87,080,997
	<hr/> <hr/>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2012

Cash Flows From Operating Activities:	
Receipts from customers	\$ 14,619,466
Payments to suppliers	(22,308,846)
Payments to employees	(1,714,030)
Net cash used in operating activities	<u>(9,403,410)</u>
Cash Flows From Noncapital Financing Activities:	
Governmental subsidies	<u>17,291,748</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(8,878,921)
Capital grants and assistance	2,653,078
Proceeds from sale of capital assets	253,778
Principal paid on capital lease obligations	(517,445)
Principal paid on notes	(1,770,591)
Principal paid on bonds	(5,610,000)
Interest paid on capital lease obligation	(448,234)
Interest paid on bonds and notes	(4,250,764)
Contribution from PRTC	9,550,904
Net cash used in capital and related financing activities	<u>(9,018,195)</u>
Cash Flows From Investing Activities:	
Interest received on investments	<u>7,032</u>
Decrease in cash and cash equivalents	(1,122,825)
Cash and Cash Equivalents, beginning	<u>15,507,309</u>
Cash and Cash Equivalents, ending	<u>\$ 14,384,484</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
Operating loss	\$ (17,079,670)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	6,686,565
Loss on disposal of assets	65,101
(Increase) decrease in:	
Accounts receivable	904,391
Other receivables	(1,197)
Inventory	129,851
Prepaid expenses and other	(7,382)
Increase (decrease) in:	
Accounts payable and accrued expenses	(132,582)
Unearned revenue	31,513
Net cash used in operating activities	<u>\$ (9,403,410)</u>
Schedule of Noncash Capital Activities	
Capital assets acquired through accounts payable	\$ 587,305
Capital assets acquired through notes payable	1,814,639
Capital assets acquired through accrued liabilities	275,730
Capital assets acquired through in-kind contributions	6,589
	<u>\$ 2,684,263</u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2012

	<u>Jurisdiction Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 115,155,441
Due from special revenue fund - Commonwealth of Virginia grants	7,920,010
Due from special revenue fund - Motor vehicle fuel sales tax	<u>7,835,859</u>
Total assets	<u>130,911,310</u>
NET ASSETS	
Net assets held in trust for member jurisdictions	<u><u>\$ 130,911,310</u></u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
Year Ended June 30, 2012

	<u>Jurisdiction Trust Fund</u>
Additions:	
Contributions from government	\$ 180,911,298
Investment income	178,152
Total additions	<u>181,089,450</u>
Deductions:	
Funds disbursed to WMATA:	
Capital improvement program	6,526,040
Project development	619,000
Metrorail operating	34,504,714
Metrobus operating	57,782,816
MetroAccess operating	13,784,239
Metro debt service	7,463,505
Other funds disbursed:	
Other capital disbursements	35,621,234
Other operating disbursements	27,836,406
Total deductions	<u>184,137,954</u>
Change in net assets	(3,048,504)
Net assets held in trust for member jurisdictions	
Beginning of year	<u>133,959,814</u>
End of year	<u>\$ 130,911,310</u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Northern Virginia Transportation Commission ("NVTC") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

A. Reporting Entity

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

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

NVTC reports the following major enterprise fund:

Commuter Rail Service Fund

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

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

D. Budgeting

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

E. Other Significant Accounting Policies

1. Cash and investments

Cash equivalents include all highly liquid investments with maturities of three months or less. Investments in U.S. government securities and commercial paper are carried at fair value based on quoted market prices. The investment in the Local Government Investment Pool (LGIP or Pool), a 2a7-like pool, is reported at the Pool's share price.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

2. Restricted cash and cash equivalents

Restricted cash, cash equivalents, and investments as reported in the Statement of Net Assets are comprised of funds related to bond compliance requirements, the balance in the Liability Insurance Plan, proceeds from the sale of rolling stock, and a small liability claims account.

Restricted cash and cash equivalents as reported by the Trust fund are funds restricted for use by the member jurisdictions for certain transit purposes.

3. Allowance for uncollectible accounts

The allowance for uncollectible accounts is calculated by using historical collection data and specific account analysis. The allowance was \$174,000 at June 30, 2012.

4. Inventory

An inventory of spare parts for rolling stock has been purchased and is maintained and managed at the Commissions' warehouse located at Broad Run. A warehouse was constructed at the Crossroads yard and the spare parts inventory will be moved to that location at the beginning of fiscal year 2013. Inventory is stated at cost, which approximates market, and is valued using the first-in-first-out method.

5. Prepaid expenses

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

6. Capital assets

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

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

Costs of improvements to track, stations and signal facilities owned by the railroads have been capitalized in recognition of the increased efficiency afforded VRE operations over their useful lives. The Commissions retain a residual interest in these assets such that net salvage value will be reimbursed by the railroads upon cessation of commuter rail service. Similarly, shared investments in jurisdictional facilities ("equity in local properties") recognize the right of access for commuter rail patrons granted to the Commissions.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

6. Capital assets (Continued)

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

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

Rolling stock	8-30 years
Vehicles	5 years
Facilities	30-40 years
Track and signal improvements	30 years
Equipment and software	5 years
Equity in local properties	35 years
Furniture, equipment and software	3-10 years

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2012.

7. Compensated absences

Vacation leave for NVTC employees is granted to all full and part-time employees and is earned based upon the length of employment. Employees with zero through 9 years of service may carryover a maximum of 240 hours of accumulated leave while employees with 10 to 15 complete years of service may carryover a maximum of 320 hours of leave. For greater than 15 years, the maximum carryover is 360 hours of leave. The allowed accumulated leave earned, yet not paid has been recorded as a liability since the leave vests and an obligation to make payment exists if an employee terminates. The Executive Director may authorize the conversion of excess vacation leave to sick leave.

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

7. Compensated absences (Continued)

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

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

8. Long-term obligations

Bond premiums, discounts, and deferred losses, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

9. Fund equity

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

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

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

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

10. Indirect expenditure allocation

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

11. Net assets

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

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

12. Estimates and assumptions

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

Note 2. Deposits and Investments

At June 30, 2012, cash, cash equivalents, and investments consisted of the following, at cost which approximates fair value:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total
Cash	\$ 194,602	\$ 1,089,707	\$ -	\$ 1,284,309
LGIP	148,980	1,312,914	-	1,461,894
	<u>343,582</u>	<u>2,402,621</u>	<u>-</u>	<u>2,746,203</u>
Restricted:				
LGIP	-	495,151	115,155,441	115,650,592
Insurance trust fund – pooled funds	-	5,078,246	-	5,078,246
Money market funds – U.S. Treasuries	-	6,408,466	-	6,408,466
	<u>-</u>	<u>11,981,863</u>	<u>115,155,441</u>	<u>127,137,304</u>
Total	\$ 343,582	\$ 14,384,484	\$ 115,155,441	\$ 129,883,507

Maturities of all investments are less than one year.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Deposits

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

Investments

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

As of June 30, 2012, the reporting entity had investments of \$117,112,486 in the LGIP for governmental activities, business-type activities, and the fiduciary fund. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. 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.

The Commonwealth of Virginia Department of Treasury manages the VRE Insurance Trust. State statutes govern the portion of assets invested in the Commonwealth's pooled accounts, while the remainder is invested by an external portfolio manager. At June 30, 2012, a total of \$10,156,492 was invested in the Insurance Trust, of which \$5,078,246 is included in the NVTC reporting entity. Beginning with fiscal year 2011, any earnings on these investments are retained by the Commonwealth of Virginia.

Accumulated bond interest and principal payments in the amount of \$6,408,466 at June 30, 2012 were held by the bond trustee, U.S. Bank, in U.S. Treasury money market accounts. Investments in U. S. Treasury money market accounts at U.S. Bank have been assigned a "AAAm" rating by Standard & Poor's.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

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

- LGIP
- U. S. Treasury Obligations
- Certificates of Deposit
- Bankers' Acceptances
- Repurchase Agreements
- Commercial Paper

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

Credit risk

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

Custodial credit risk

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

Interest rate risk

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Concentration of credit risk

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

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

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

Note 3. Due From Other Governments

At June 30, 2012, due from other governments consisted of the following:

	Project and Administrative	Jurisdiction Transit	Total
Due from Commonwealth of Virginia:			
Motor fuel sales tax	\$ 310	\$ 7,835,859	\$ 7,836,169
Grants	3,695,099	7,920,010	11,615,109
	<u>3,695,409</u>	<u>15,755,869</u>	<u>19,451,278</u>
Due from Federal Transit Administration:			
Grants	6,290	-	6,290
	<u>\$ 3,701,699</u>	<u>\$ 15,755,869</u>	<u>\$ 19,457,568</u>

Amounts due from the Commonwealth for the Project and Administrative activities include \$3,631,920 for commuter rail and \$63,179 for other projects.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Reclassifications (Decreases)	Ending Balance
Governmental activities:				
Capital assets being depreciated or amortized:				
Furniture, equipment and software	\$ 88,443	\$ 2,526	\$ -	\$ 90,969
Total accumulated depreciation or amortization	27,363	10,835	-	38,198
Governmental activities capital assets, net	\$ 61,080	\$ (8,309)	\$ -	\$ 52,771
Business-type activities:				
Capital assets not being depreciated or amortized:				
Construction in progress	\$ 15,841,673	\$ 6,494,807	\$ (15,911,542)	\$ 6,424,938
Capital assets being depreciated or amortized:				
Rolling stock	109,195,30	-	7,263,450	116,458,753
Vehicles	49,916	-	-	49,916
Facilities	46,167,777	-	1,176,662	47,344,439
Track and signal improvements	26,342,184	-	-	26,342,184
Equipment and software	4,196,719	145,806	27,444	4,369,970
Equity in local properties	2,622,399	-	-	2,622,399
Furniture, equipment and software	1,880,058	19,501	804,947	2,704,505
Total capital assets being depreciated or amortized	190,454,356	165,307	9,272,503	199,892,166
Less accumulated depreciation or amortization for:				
Rolling stock	21,377,889	3,974,776	(6,252,996)	19,099,669
Vehicles	25,564	7,500	-	33,064
Facilities	10,439,238	1,330,654	-	11,769,892
Track and signal improvements	7,137,546	895,852	-	8,033,398
Equipment and software	3,654,974	235,566	-	3,890,540
Equity in local properties	1,323,675	74,926	-	1,398,601
Furniture, equipment and software	1,234,520	167,291	-	1,401,811
Total accumulated depreciation or amortization	45,193,406	6,686,565	(6,252,996)	45,626,975
Total capital assets being depreciated or amortized, net	145,260,950	(6,521,258)	15,525,499	154,265,191
Business-type activities capital assets, net	\$ 161,102,623	\$ (26,451)	\$ (386,043)	\$ 160,690,129

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 4. Capital Assets (Continued)

Depreciation and amortization expenses for the year ended June 30, 2012 charged to the functions of the primary government are as follows:

	Governmental Activities	Business-type Activities
Primary Government:		
General and administration	\$ 10,835	\$ -
Commuter rail	-	6,686,565

Note 5. Joint Venture – Virginia Railway Express

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

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

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

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

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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

VRE is managed by the Commissions. Certain functions have been delegated to the VRE Operations Board, consisting of three commissioners appointed from each of NVTC and PRTC and one representative of the Commonwealth of Virginia's Department of Rail and Public Transportation. The system is not currently configured for fare revenues alone to produce positive net income. In addition to fares, the project is financed with proceeds from the Commuter Rail Revenue Bond issues, lease financing, Federal and Commonwealth of Virginia grants, and local jurisdictional contributions based on a population/ridership formula that is supplemented by voluntary donations from contributing jurisdictions. Grants and contributions fund both operations and capital projects. Participating jurisdictions include the counties of Fairfax, Prince William, Spotsylvania, and Stafford; and the cities of Manassas, Manassas Park, and Fredericksburg, Virginia. Contributing jurisdictions include Arlington County and the City of Alexandria, Virginia. In February 2011 the VRE Master Agreement was amended to include Spotsylvania County as a participating jurisdiction. Spotsylvania County's share of the VRE annual subsidy from February 2011 through the middle of fiscal year 2012 has been deferred until 60 days after the beginning of fiscal year 2013.

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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

Financial information from VRE's fiscal year 2012 audited financial statements is shown below.

VIRGINIA RAILWAY EXPRESS STATEMENT OF NET ASSETS June 30, 2012

ASSETS

Current Assets	
Cash and cash equivalents	\$ 6,149,443
Accounts receivable:	
Due from PRTC – funded by FTA	20,453,692
Commonwealth of Virginia grants	3,631,920
Trade and other, net of allowance	1,473,492
Inventory	4,272,638
Prepaid expenses and other	484,544
Restricted cash, cash equivalent, and investments	17,555,259
Total current assets	<u>54,020,988</u>
Noncurrent Assets	
Deferred bond and lease costs, net	1,331,037
Capital assets (net of \$91,253,950 accumulated depreciation and amortization)	321,380,255
Total noncurrent assets	<u>322,711,292</u>
Total assets	<u>\$ 376,732,280</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 6,665,478
Unearned revenue	1,389,077
Contract retainage	164,813
Current portion of:	
Capital lease obligations	1,082,937
Long-term debt	5,910,000
Notes payable	1,873,893
Total current liabilities	<u>17,086,198</u>
Noncurrent Liabilities	
Capital lease obligations	17,668,825
Notes payable	61,855,766
Bonds payable, net	12,592,444
Compensated absences	250,253
Total noncurrent liabilities	<u>92,367,288</u>
Total liabilities	<u>109,453,486</u>
Net Assets	
Invested in capital assets, net of related debt	220,396,390
Restricted for liability insurance plan	10,156,492
Restricted for debt service and capital lease	6,408,466
Restricted grants or contributions	951,342
Unrestricted assets	29,366,104
Total net assets	<u>267,278,794</u>
Total liabilities and net assets	<u>\$ 376,732,280</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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

**VIRGINIA RAILWAY EXPRESS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended June 30, 2012**

Operating revenues	\$ 35,025,775
Operating expenses	61,626,644
Operating loss before depreciation and amortization	<u>(26,600,869)</u>
Depreciation and amortization	(13,373,129)
Operating loss	<u>(39,973,998)</u>
Nonoperating revenues (expenses):	
Subsidies:	
Commonwealth of Virginia grants	12,711,602
Federal grants – with PRTC as grantee	17,181,121
Jurisdictional contributions	15,943,917
Interest income:	
Operating funds	16,813
Other restricted funds	1,161
Loss on disposal of assets	(358,382)
Interest, amortization and other nonoperating expenses, net	(5,215,017)
Total nonoperating revenues, net	<u>40,281,215</u>
Capital grants and assistance:	
Commonwealth of Virginia grants	2,027,872
Federal grants – with PRTC as grantee	9,997,070
Other local contributions	46,924
Total capital grants and assistance	<u>12,071,866</u>
Change in net assets	12,379,083
Net assets, beginning	<u>254,899,711</u>
Net assets, ending	<u>\$ 267,278,794</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 6. Intergovernmental Revenues, Commonwealth of Virginia

NVTC applies for and receives state operating and capital assistance for its WMATA Compact members' annual commitments to WMATA, those jurisdictions' local transit systems, and the general and administrative expenses of NVTC. NVTC allocates this revenue among the jurisdictions based on NVTC's Subsidy Allocation Model (SAM), and holds the funds in trust for the jurisdictions' transit use. Before the funding is allocated, NVTC's SAM resolution states that amounts are to be applied to WMATA debt service, certain NVTC projects, and a portion of the general and administrative budget of NVTC. The amount used for NVTC's general and administrative expenses is determined each year by NVTC's approved budget.

NVTC also applies for and receives state operating and capital assistance for the Virginia Railway Express commuter rail service.

Note 7. Pension Plans

Employees of the reporting entity are covered under three separate plans. The NVTC Pension Trust covers eligible employees of the Governmental activities of NVTC, while the Virginia Retirement System covers the eligible employees of the Business-type activities of the VRE joint venture under two plans.

NVTC – Target Benefit Plan

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

The plan is funded in amounts determined by an actuarial consultant. Employer contributions for the year ended June 30, 2012 totaled \$53,744 (11.3% of covered payroll). Required employee contributions for the year ended June 30, 2012 totaled \$9,129 (1.9% of covered payroll). Since 1994, participants have been required to contribute 2.0% of covered salary, not to exceed 50% of the aggregate gross annual contribution for benefits. NVTC contributes the balance of the cost of the Plan. NVTC's payroll for employees covered by the plan for the year ended June 30, 2012 was approximately \$475,500.

VRE – Defined Benefit Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent VRE employees are automatically covered by VRS upon employment through PRTC. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRE service as credit in their plan.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

VRE – Defined Benefit Plan (Continued)

A. Plan Description (Continued)

VRS administers two defined benefit plans for VRE (PRTC) employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for VRE (PRTC) members is 1.70 percent. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00 percent; under Plan 2, the COLA cannot exceed 6 percent. During years of no inflation or deflation, the COLA is 0.00 percent. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website at <http://www.varetire.org/Pdf/Publications/2011-Annual-Report.pdf> or obtained by writing to the system's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

VRE – Defined Benefit Plan (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00 percent of their compensation toward their retirement. All or part of the 5.00 percent member contribution may be assumed by the employer. In addition, VRE is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. VRE's contribution rate for the fiscal year ended June 30, 2012 was 10.92 percent of annual covered payroll, *inclusive of the 5.00 percent member contribution, and VRE also contributed 0.28 percent for group life insurance.*

C. Annual Pension Cost

For fiscal year 2012, VRE's annual pension cost of \$334,169 was equal to the VRE's required and actual contributions. The share included in the NVTC reporting entity equals \$130,562.

Three-Year Trend Information for VRE

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 365,253	100.0%	\$ -
June 30, 2011	334,185	100.0%	-
June 30, 2012	334,169	100.0%	-

The fiscal year 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50 percent, (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year for general government employees and 3.50 percent to 4.75 percent for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50 percent per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50 percent. The actuarial value of the PRTC's assets is equal to the modified market value of assets (VRE's assets are not separated from PRTC's). This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five year period. PRTC's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

VRE – Defined Benefit Plan (Continued)

D. Funded Status and Funding Process

As of June 30, 2011, the most recent actuarial valuation date, the plan was 84.66 percent funded. The actuarial accrued liability for benefits was \$9,730,413 and the actuarial value of assets was \$8,237,980, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,492,433. The covered payroll (annual payroll of active employees of the plan) was \$5,751,116 and the ratio of the UAAL to the covered payroll was 25.95 percent. The only other postemployment benefits offered by VRE are COBRA payments, which have been determined to be immaterial to the financial statements.

The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 8. Operating Leases and Agreements

Governmental activities

NVTC leases office space under a 125-month agreement which commenced on January 1, 2011 and expires May 31, 2021. The lease provides for 3% annual increases in base rent over the term of the lease, and the pass through of a proportionate share of the annual increases in common building expenses. The lease contains a provision for the abatement of the first five months of rent. For the government-wide financial statements, the cumulative minimum rent for the entire lease is amortized on a straight-line basis over the lease term, with an equal amount of rent expense recognized each month. Rent expense for Governmental Activities as reported in the government wide financial statements totals \$189,506 (\$172,770 paid plus \$16,737 additional amortization).

NVTC entered into a 5-year office equipment lease and maintenance agreement, both of which expire December 31, 2015. Minimum monthly payments under these agreements equal \$459 per month, with payments totaling \$5,509 for the year ended June 30, 2012.

As of June 30, 2012, the minimum long-term lease commitments were as shown below:

Fiscal Year	Amount
2013	\$ 181,579
2014	186,860
2015	192,307
2016	195,166
2017	198,191
2018 - 2021	835,127
Total	<u>\$ 1,789,230</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 8. Operating Leases and Agreements (Continued)

Business-type activities

Operating Access Agreements with the CSX and Norfolk Southern railroads provide the Commissions the right to use tracks owned by the railroads in the provision of commuter rail passenger service. These agreements require the Commissions to pay the railroads a monthly base fee and to reimburse the railroads for any incremental cost incurred by the railroads as a result of providing tracks for commuter rail service. For the year ended June 30, 2012, annual track usage fees totaled approximately \$7,645,000, of which \$2,986,943 is recognized by the NVTC reporting entity, and facility and other identified costs totaled approximately \$450,000, of which \$175,817 is recognized by the NVTC reporting entity.

Under the former Purchase of Services Agreement dated March 1, 1998 Amtrak operated and maintained the VRE service and rolling stock, and permitted the Commissions to use its terminal, station, and equipment maintenance facilities at Union Station, Washington, D.C.

The new agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and mid-day maintenance, electrical power and other services became effective on June 28, 2010. Actual cost for the year ended June 30, 2012 was approximately \$9,185,000, of which \$3,588,629 was recognized by the NVTC reporting entity. Costs in future years will be adjusted based on changes to various published costs indices and the number of trains that have access to and are stored and serviced at the terminal.

During fiscal year 2010, the Commissions entered into a contract with Keolis Rail Services Virginia, LLC for train operations and maintenance for a five year period beginning June 25, 2010. The actual cost of train operations and maintenance for the year ended June 30, 2012, based on an annual budget prepared in advance, was approximately \$17,474,000, of which \$6,827,187 is recognized by the NVTC reporting entity. Costs in future years will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

VRE has entered into a series of operating leases with Titan Transit for locomotives. For the year ended June 30, 2012, lease costs totaled approximately \$74,000, of which \$28,912 is recognized by the NVTC reporting entity. Two of these leases terminated in the first quarter of fiscal year 2012 and the final lease terminated in the fourth quarter of the fiscal year.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Long-Term Debt Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2012:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities					
Compensated absences	\$ 117,743	\$ 61,126	\$ 72,171	\$ 106,698	\$ 23,775
Total governmental activities	117,743	61,126	72,171	106,698	23,775
Business-type activities					
Revenue bonds	24,295,000	-	(5,610,000)	18,685,000	5,910,000
Capital leases	9,893,326	-	(517,445)	9,375,881	541,469
Notes payable	63,685,611	1,814,639	(1,770,591)	63,729,659	1,873,893
	97,873,937	1,814,639	7,898,036	91,790,540	8,325,362
Compensated absences	126,959	90,488	107,986	109,461	11,686
Total business-type activities	98,000,896	1,905,127	8,006,022	91,900,001	8,337,048
Total Primary Government	\$ 98,118,639	\$ 1,966,253	\$ 8,078,193	\$ 92,006,699	\$ 8,360,823

Revenue Bonds

\$31,700,000 Commuter Rail Revenue Refunding Bonds in the name of NVTC, series 1998; due in annual maturities of \$5,910,000 to \$6,555,000 through July 1, 2014, plus semi-annual interest at 5.25% to 5.375%.

\$ 18,685,000

Plus (less) unamortized:

Deferred loss

(235,664)

Premiums

53,108

Total bonded debt, net

\$ 18,502,444

The 1998 Series Bonds are payable from a pledge of revenues attributable to VRE, including government grants, local jurisdictional contributions and passenger revenue. A debt service insurance policy guarantees payment of each bond series. Mandatory debt service requirements consist of the following:

Years Ending June 30,	Principal	Interest	Total Required
2013	\$ 5,910,000	\$ 841,794	\$ 6,751,794
2014	6,220,000	519,494	6,739,494
2015	6,555,000	176,166	6,731,166
	\$ 18,685,000	\$ 1,537,454	\$ 20,222,454

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Long-Term Debt Obligations (Continued)

Deferred bonds, lease and notes cost, consisting of issuance costs and insurance premiums are shown net of accumulated amortization. These costs are amortized on a straight-line basis over the life of the debt. Amortization of deferred costs, approximating \$78,200, is included in interest expense. Federal arbitrage regulations apply to the revenue bonds and the Gallery IV capitalized lease.

The Indentures of Trust for the 1997 Commuter Rail Revenue Bonds required that a debt service reserve be maintained. During fiscal year 2000, a surety in substitution of the debt service reserve fund was purchased, releasing the proceeds from the reserve. The Indentures of Trust for the bonds also require the maintenance of an operating reserve equivalent to one-third (33.3 percent) of annual budgeted operating expenses. As of June 30, 2012, \$36,464,980 of the VRE cash, inventory and receivables comprise this operating reserve. The reserves represent 62.17 percent of budgeted operating expenses for June 30, 2012.

Funds are invested by the Trustee pursuant to the Indentures of Trust and are classified as restricted. Funds held by the Trustee as of June 30, 2012, are as follows:

Bond Interest Fund	\$ 498,466
Bond Principal Fund	5,910,000
Total held by Trustee	<u>\$ 6,408,466</u>

Capitalized Lease - Gallery IV (11 cars)

	Total	NVTC Reporting Entity
\$25,100,000 capitalized lease obligation (NVTC reporting entity, \$12,550,000); \$965,679 due semi-annually (NVTC reporting entity, \$482,840), interest at 4.59%, maturing in 2025, collateralized with Gallery IV railcars with a carrying value of \$21,932,339 (NVTC reporting entity, \$10,966,170)	<u>\$ 18,751,762</u>	<u>\$ 9,375,881</u>

Future minimum lease payments as of June 30, 2012 are as follows:

Years Ending June 30,	Total	NVTC Reporting Entity
2013	\$ 1,931,357	\$ 965,679
2014	1,931,357	965,679
2015	1,931,357	965,679
2016	1,931,357	965,679
2017	1,931,357	965,679
2018-2022	9,656,785	4,828,391
2023-2025	5,794,071	2,897,035
Total minimum lease payments	<u>25,107,641</u>	<u>12,553,821</u>
Lease amount representing interest	6,355,879	3,177,940
Present value of lease payments	<u>\$ 18,751,762</u>	<u>\$ 9,375,881</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Long-Term Debt Obligations (Continued)

Notes Payable – Gallery IV (60 cars)

In fiscal year 2008, an agreement in the name of NVTC was entered into with the Federal Railroad Administration for a loan of up to \$72.5 million to purchase 50 Gallery railcars; in fiscal year 2009 the terms were amended to include ten additional Gallery railcars. A series of sixteen promissory notes were originally authorized and during fiscal year 2012 the balance of the individual notes were combined into a consolidated note. The note is secured by the revenues of VRE and the railcars. The carrying value of the railcars was \$97,776,432 at June 30, 2012.

\$63,844,842 Promissory Note; due in quarterly maturities of \$440,368 to \$1,195,258 through March 2033, plus quarterly interest at 4.74% \$ 63,409,659

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

Years Ended June 30,	Principal	Interest	Total Required
2013	\$ 1,813,893	\$ 2,969,620	\$ 4,783,513
2014	1,897,186	2,886,327	4,783,513
2015	1,988,724	2,794,789	4,783,513
2016	2,080,914	2,702,599	4,783,513
2017	2,188,783	2,594,730	4,783,513
2018-2022	12,613,047	11,304,515	23,917,562
2023-2027	15,964,023	7,953,539	23,917,562
2028-2032	20,204,782	3,712,780	23,917,562
2033	4,658,307	125,207	4,783,514
	<u>\$ 63,409,659</u>	<u>\$ 37,044,106</u>	<u>\$ 100,453,765</u>

Note Payable – VRE Offices

In June 2002, a borrowing was entered into in the name of NVTC with SunTrust Bank in the amount of \$900,000 to refinance a previous borrowing used to purchase the VRE offices. This note carried a repayment schedule of 15 years, with the terms of the note subject to revision June 2007. In November 2007 a new note was signed in the amount of \$600,000 at 4.31 percent interest with a 10 year amortization and a balloon payment after five years. Principal of \$5,000 plus interest is payable monthly. The note is secured by the office condominium. The balance outstanding was \$320,000 for the year ended June 30, 2012.

Note 10. Short-Term Debt

VRE operations uses a revolving line of credit in the name of NVTC to finance certain grant-funded capital projects prior to the receipt of reimbursements from the granting agencies. The revolving line of credit was not used during the year ended June 30, 2012.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 11. Risk Management and Liability Insurance Plan

NVTC and the VRE commuter rail operation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. Commercial insurance is purchased to address these risks, including workers' compensation and employee health and accidental insurance. The Virginia Department of Treasury, Division of Risk Management has established the terms of VRE's Commuter Rail Operations Liability Plan (the Insurance Plan). The Insurance Plan consists of a combination of self-insurance reserves and purchased insurance in amounts actuarially determined to meet the indemnification requirements of the Operating Access Agreements and the Purchase of Services Agreement and for liability and property damage. The Commissions indemnify each of the railroads in an amount up to \$250,000,000 for any claims against persons or property associated with commuter rail operations. Settled claims have not exceeded commercial coverage during any of the past three fiscal years. The liability for incurred but not reported claims was approximately \$240,000 at June 30, 2012, of which \$120,000 was included in the NVTC reporting entity.

The Division of Risk Management manages the Insurance Trust Fund pursuant to provisions of the Insurance Plan. Since November 2006, all plan assets have been invested in the Department of Treasury common pool. Prior to that time, approximately one-half of plan assets were invested in the common pool, and the remainder was invested in a portfolio managed by external financial consultants. Activity in the Insurance Trust Fund for the years ended June 30, 2012 was as follows:

	Total	NVTC Reporting Entity
Beginning balance, July 1	\$ 10,052,968	\$ 5,026,484
Contribution to reserves	3,619,260	1,809,630
Insurance premiums paid	(3,459,693)	(1,729,847)
Claims mitigation costs and losses incurred	(3,558)	(1,779)
Actuarial and administrative charges	(52,485)	(26,242)
Ending balance, June 30	<u>\$ 10,156,492</u>	<u>\$ 5,078,246</u>

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

Note 12. Significant Commitments and Contingencies

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 12. Significant Commitments and Contingencies (Continued)

Governmental activities

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

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

Business-type activities

At June 30, 2012, there were disputes between VRE and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal (with PRTC as grantee) and Commonwealth of Virginia grants (with NVTC-VRE as grantee) and local funds will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenditures incurred as of June 30, 2012:

Stations and parking lots	\$ 4,235,066
Rolling stock	22,226,007
Maintenance and layover yards	653,327
Track and signal improvements	611,459
Other administrative	<u>302,331</u>
Total	<u>\$ 28,028,190</u>

The federal grant agreements control the use and disposal of property acquired with federal grant funds. If property is removed from service prior to the end of its useful life, the grant recipient may be required to return to the grantor agency the federal assistance expended on that property. In addition, permission of the grantor agency is required if property is disposed of prior to the end of its useful life or at any time for an amount in excess of \$5,000. At the end of fiscal year 2012, VRE was holding the proceeds of the sale of older equipment in the amount of \$951,342 in a restricted account, to be used for the purchase of replacement rolling stock, of which \$475,671 is included in the NVTC reporting entity. Once collected, the proceeds will be used for the purchase of replacement rolling stock.

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 13. Pending GASB Statements

At June 30, 2012, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the NVTC reporting entity. The statements which might impact NVTC are as follows:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Statement No. 62 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. Statement No. 63 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Statement No. 65 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 66, *Technical Corrections – 2012*, will improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Statement No. 66 will be effective for periods beginning after December 15, 2012.

GASB Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, will improve financial reporting by state and local government pension plans. Statement No. 67 will be effective for fiscal years beginning after June 15, 2013.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Statement No. 68 will be effective for fiscal years beginning after June 15, 2014.

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 14. Subsequent Events

The Commissions entered into contracts at various times from April 2012 through June 2012 to purchase fuel at set prices for delivery in July 2012 through June 2013. The fuel will be used in the normal course of operations and is not being purchased for resale. The total commitment is for 1,008,000 gallons of fuel at a cost of approximately \$3.1 million.

On September 6, 2012 the Commissions authorized the sale of two GP-40 locomotives to Goodloe Leasing LLC for a total amount of \$140,000 and the Purchase Agreement was signed the following day. In addition, locomotive spare parts for the GP-40 and other older locomotives were sold to Goodloe Leasing in July 2012 for \$100,000.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SCHEDULE OF FUNDING PROGRESS

Virginia Retirement System

The information below is derived from the actuarial valuation report for the Potomac & Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for the VRE joint venture.

Valuation as of June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
2011	\$ 8,237,980	\$ 9,730,413	\$ 1,492,433	84.66%	\$ 5,751,116	25.95%
2010	7,503,689	8,539,776	1,036,087	87.87%	5,733,383	18.07%
2009	6,809,891	6,996,387	186,496	97.33%	5,743,627	3.25%

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS BY JURISDICTION
JURISDICTION TRUST FUND
Year Ended June 30, 2012

	<u>City of Alexandria</u>	<u>Arlington County</u>	<u>City of Fairfax</u>	<u>Fairfax County</u>	<u>City of Falls Church</u>	<u>Loudoun County</u>	<u>Totals</u>
Additions:							
Contributions from government:							
Commonwealth of Virginia	\$ 18,135,188	\$ 31,714,266	\$ 1,951,131	\$ 80,276,015	\$ 987,286	\$ -	\$ 133,063,886
Motor Vehicle Fuel Sales Tax	2,901,310	4,307,835	1,190,543	27,703,540	1,202,981	10,541,203	47,847,412
Interest income	8,407	41,462	2,070	100,561	940	24,712	178,152
	<u>21,044,905</u>	<u>36,063,563</u>	<u>3,143,744</u>	<u>108,080,116</u>	<u>2,191,207</u>	<u>10,565,915</u>	<u>181,089,450</u>
Deductions:							
Funds disbursed to WMATA:							
Capital improvement program	-	4,706,408	416,648	1,087,250	315,734	-	6,526,040
Project development	33,250	261,000	6,000	312,750	6,000	-	619,000
Metrorail operating	6,641,303	6,897,187	531,141	20,108,790	326,293	-	34,504,714
Metrobus operating	9,741,338	5,978,456	635,253	40,075,615	1,352,154	-	57,782,816
MetroAccess operating	1,118,794	-	329,837	12,231,072	104,536	-	13,784,239
Metro debt service	1,417,907	2,739,447	46,687	3,168,029	91,435	-	7,463,505
Other funds disbursed:							
Other capital disbursements	-	16,007,588	39,289	14,000,000	-	5,574,357	35,621,234
Other operating disbursements	-	3,328,569	826,107	18,201,878	-	5,479,852	27,836,406
	<u>18,952,592</u>	<u>39,918,655</u>	<u>2,830,962</u>	<u>109,185,384</u>	<u>2,196,152</u>	<u>11,054,209</u>	<u>184,137,954</u>
Change in net assets	2,092,313	(3,855,092)	312,782	(1,105,268)	(4,945)	(488,294)	(3,048,504)
Net assets held in trust for member jurisdictions							
Beginning of year	<u>8,162,089</u>	<u>34,960,544</u>	<u>1,647,888</u>	<u>72,339,051</u>	<u>721,126</u>	<u>16,129,116</u>	<u>133,959,814</u>
End of year	<u>\$ 10,254,402</u>	<u>\$ 31,105,452</u>	<u>\$ 1,960,670</u>	<u>\$ 71,233,783</u>	<u>\$ 716,181</u>	<u>\$ 15,640,822</u>	<u>\$ 130,911,310</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF GENERAL, ADMINISTRATIVE AND PROJECT EXPENDITURES
GENERAL FUND
Year Ended June 30, 2012

	<u>Total</u>	<u>General and Administrative</u>	<u>Projects</u>
Expenditures:			
Advertising	\$ 986	\$ 986	\$ -
Capital purchases	2,526	2,526	-
Commissioners' per diem	12,350	12,350	-
Computer	2,438	890	1,548
Conference registration and training	250	250	-
Copier duplicating	7,067	7,067	-
Disability insurance	2,819	2,373	446
Employee group insurance	66,375	55,877	10,498
Employee retirement	55,109	46,393	8,716
Employer payroll taxes	46,860	39,448	7,412
Leave - annual, holiday, and sick	117,088	98,569	18,519
Legal and auditing	35,515	35,515	-
Memberships and subscriptions	1,301	1,301	-
Miscellaneous	3,996	3,996	-
Office supplies	2,602	2,602	-
Office rent	173,628	173,628	-
Insurance and liability bonds	5,978	5,978	-
Parking and Metrochek	9,446	9,446	-
Postage and shipping	2,882	2,882	-
Project consultants and other project costs	972,365	-	972,365
Public information	15,031	424	14,607
Salaries and wages	536,857	448,563	88,294
Telephone and data	5,128	5,128	-
Travel and meetings	4,963	4,963	-
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 2,083,560</u>	<u>\$ 961,155</u>	<u>\$ 1,122,405</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT REVENUES AND EXPENDITURES
GENERAL FUND
Year Ended June 30, 2012**

	<u>Jurisdiction Grants & Projects</u>	<u>ITS</u>	<u>Marketing</u>	<u>Bus Data Collection</u>	<u>Vanpools</u>	<u>TransAction 2040 Update</u>	<u>Route 7</u>	<u>Totals</u>
Revenues:								
Federal	\$ 444,376	\$ -	\$ -	\$ -	\$ 58,921	\$ -	\$ -	\$ 503,297
Commonwealth of Virginia	13,302	-	14,607	122,843	14,730	318,189	-	483,671
NVTC match	<u>1</u>	<u>1,324</u>	<u>125,614</u>	<u>641</u>	<u>2,379</u>	<u>765</u>	<u>4,713</u>	<u>135,437</u>
Total revenue	<u>\$ 457,679</u>	<u>\$ 1,324</u>	<u>\$ 140,221</u>	<u>\$ 123,484</u>	<u>\$ 76,030</u>	<u>\$ 318,954</u>	<u>\$ 4,713</u>	<u>\$ 1,122,405</u>
Expenditures:								
Salaries and wages	\$ -	\$ 873	\$ 81,819	\$ 423	\$ 1,568	\$ 503	\$ 3,108	\$ 88,294
Fringe benefits	-	451	42,247	218	810	260	1,605	45,591
Computer	-	-	1,548	-	-	-	-	1,548
Consultants	-	-	-	122,843	73,652	318,191	-	514,686
Costs incurred	457,679	-	-	-	-	-	-	457,679
Public information	<u>-</u>	<u>-</u>	<u>14,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,607</u>
Total expenditures	<u>\$ 457,679</u>	<u>\$ 1,324</u>	<u>\$ 140,221</u>	<u>\$ 123,484</u>	<u>\$ 76,030</u>	<u>\$ 318,954</u>	<u>\$ 4,713</u>	<u>\$ 1,122,405</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT REVENUES AND EXPENDITURES
GENERAL FUND**

Project Costs to Date - Active Projects

Period Ended June 30, 2012

	<u>Jurisdiction Grants & Projects</u>	<u>ITS</u>	<u>Marketing</u>	<u>Bus Data Collection</u>	<u>Vanpools</u>	<u>TransAction 2040 Update</u>	<u>Route 7</u>	<u>Totals</u>
Revenues:								
Federal	\$ 1,144,046	\$ 264,511	\$ -	\$ 113,067	\$ 160,000	\$ -	\$ -	\$ 1,681,624
Commonwealth of Virginia	193,418	29,390	302,996	1,675,569	39,999	421,669	-	2,663,041
Local	5,000	1,259	13,500	50,000	-	-	-	69,759
NVTC match	71,103	24,605	1,050,523	47,854	23,763	14,305	4,713	1,236,866
	<u>\$ 1,413,567</u>	<u>\$ 319,765</u>	<u>\$ 1,367,019</u>	<u>\$ 1,886,490</u>	<u>\$ 223,762</u>	<u>\$ 435,974</u>	<u>\$ 4,713</u>	<u>\$ 5,651,290</u>
Total revenue								
Expenditures:								
Capital outlays	\$ -	\$ -	\$ 17,556	\$ -	\$ -	\$ -	\$ -	\$ 17,556
Salaries and wages	47,718	16,041	768,600	42,449	15,498	9,377	3,108	902,791
Fringe benefits	22,963	8,567	367,685	18,295	8,264	4,820	1,605	432,199
Advertising	306	-	354	852	-	-	-	1,512
Computer	-	-	16,556	-	-	-	-	16,556
Consultants	442,735	295,157	-	1,823,589	200,000	421,671	-	3,183,152
Dues and memberships	-	-	770	-	-	-	-	770
Postage	-	-	-	874	-	-	-	874
Telephone	108	-	909	21	-	-	-	1,038
Office supplies	-	-	187	-	-	-	-	187
Travel	-	-	3,310	350	-	-	-	3,660
Parking and metrochek	8	-	577	60	-	106	-	751
Public information	-	-	177,713	-	-	-	-	177,713
Events	-	-	12,802	-	-	-	-	12,802
Costs incurred	899,729	-	-	-	-	-	-	899,729
	<u>\$ 1,413,567</u>	<u>\$ 319,765</u>	<u>\$ 1,367,019</u>	<u>\$ 1,886,490</u>	<u>\$ 223,762</u>	<u>\$ 435,974</u>	<u>\$ 4,713</u>	<u>\$ 5,651,290</u>
Total expenditures								

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS
Year Ended June 30, 2012**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission</u>									
Virginia Department of Rail and Public Transportation (DRPT)									
Capital:									
Fiscal Year 2012	10/18/2011	73012-48	\$ 754,380	\$ -	\$ 570,953	\$ 570,953	\$ 570,953	\$ -	\$ 570,953
Fiscal Year 2012	10/18/2011	73012-49	17,926,808	-	8,981,360	8,981,360	8,981,360	-	8,981,360
Fiscal Year 2012	10/18/2011	73012-50	2,262,400	-	926,489	2,005,790	2,005,790	1,079,301	2,005,790
Fiscal Year 2012	10/18/2011	73012-51	4,001,649	-	4,001,649	4,001,649	4,001,649	-	4,001,649
Fiscal Year 2012	10/18/2011	73012-52	28,590	-	27,470	27,470	27,470	-	27,470
Fiscal Year 2012	10/18/2011	73012-53	5,766,728	-	5,118,425	5,118,425	5,118,425	-	5,118,425
Fiscal Year 2012	10/18/2011	73012-54	445,500	-	427,545	427,545	427,545	-	427,545
Fiscal Year 2012	10/18/2011	73012-56	495,000	-	495,000	495,000	495,000	-	495,000
Fiscal Year 2012	10/18/2011	73012-57	75,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-58	50,000	-	14,566	14,566	14,566	-	14,566
Fiscal Year 2012	10/18/2011	73012-59	1,500,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-60	250,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-61	1,350,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-62	16,875	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-63	20,000	-	19,645	19,645	19,645	-	19,645
Fiscal Year 2012	10/18/2011	73012-64	262,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-65	750,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-66	1,250,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-67	750,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-68	100,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-69	150,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-70	5,000,000	-	5,000,000	5,000,000	5,000,000	-	5,000,000
Fiscal Year 2012	10/18/2011	73012-71	6,000,000	-	4,852,942	4,852,942	4,852,942	-	4,852,942
Fiscal Year 2012	10/18/2011	73012-72	225,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-73	25,000	-	25,000	25,000	25,000	-	25,000
Fiscal Year 2012	10/18/2011	73012-74	525,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-75	500,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-76	350,000	-	58,917	58,917	58,917	-	58,917
Fiscal Year 2012	10/18/2011	73012-77	100,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-78	150,000	-	-	147,333	147,333	147,333	147,333
Fiscal Year 2011	8/4/2011	72510-17	915,893	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	72511-04	100,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-29	53,000	-	6,155	6,155	6,155	-	6,155
Fiscal Year 2011	10/5/2010	73011-30	249,524	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-31	344,500	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-32	362,361	-	184,343	184,343	184,343	-	184,343

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
Year Ended June 30, 2012**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission (continued)</u>									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
Capital (continued):									
Fiscal Year 2011	10/5/2010	73011-34	\$ 530,000	\$ -	\$ 125,326	\$ 128,481	\$ 128,481	\$ 3,155	\$ 128,481
Fiscal Year 2011	10/5/2010	73011-35	74,200	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-38	66,250	-	13,102	13,102	13,102	-	13,102
Fiscal Year 2011	10/5/2010	73011-39	651,900	-	464,996	464,996	464,996	-	464,996
Fiscal Year 2011	10/5/2010	73011-40	795,000	-	25,530	25,530	25,530	-	253,284
Fiscal Year 2011	10/5/2010	73011-42	2,544,000	-	2,544,000	2,544,000	2,544,000	-	2,544,000
Fiscal Year 2011	10/5/2010	73011-43	2,120,000	636,560	2,120,000	1,483,440	1,483,440	-	2,120,000
Fiscal Year 2011	10/5/2010	73011-44	689,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-45	106,000	-	106,000	106,000	106,000	-	106,000
Fiscal Year 2011	10/5/2010	73011-46	336,550	-	-	127,485	127,485	127,485	127,485
Fiscal Year 2011	10/5/2010	73011-47	132,500	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-48	530,000	-	-	-	-	-	15,274
Fiscal Year 2011	10/5/2010	73011-49	212,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-50	265,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-51	185,500	-	142,151	142,151	142,151	-	175,170
Fiscal Year 2011	10/5/2010	73011-53	530,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-61	30,280	-	1,100	1,100	1,100	-	30,280
Fiscal Year 2011	10/5/2010	73011-62	5,685,112	-	232,166	232,166	232,166	-	5,685,112
Fiscal Year 2011	10/5/2010	73011-63	437,250	-	17,621	17,621	17,621	-	437,250
Fiscal Year 2011	10/5/2010	73011-65	2,463,424	-	1,091,246	1,091,246	1,091,246	-	2,463,424
Fiscal Year 2011	10/5/2010	73011-66	14,288,470	-	7,954,853	7,954,853	7,954,853	-	14,288,470
Fiscal Year 2010	12/28/2010	72510-18	221,540	-	-	-	-	-	-
Fiscal Year 2010	2/2/2011	72510-25	133,250	-	-	-	-	-	-
Fiscal Year 2010	8/18/2010	72510-57	60,000	-	-	-	-	-	27,317
Fiscal Year 2010	7/2/2009	73010-25	3,384,000	-	332,100	332,100	332,100	-	3,384,000
Fiscal Year 2010	7/2/2009	73010-26	792,000	-	137,246	137,246	137,246	-	415,701
Fiscal Year 2010	7/2/2009	73010-27	320,000	-	6,165	6,165	6,165	-	77,936
Fiscal Year 2010	7/2/2009	73010-29	3,600,000	-	1,798,661	1,798,661	1,798,661	-	1,798,661
Fiscal Year 2010	7/2/2009	73010-30	40,000	-	40,000	40,000	40,000	-	40,000
Fiscal Year 2010	7/2/2009	73010-31	80,000	-	80,000	80,000	80,000	-	80,000
Fiscal Year 2010	7/2/2009	73010-32	996,000	-	996,000	996,000	996,000	-	996,000
Fiscal Year 2010	7/2/2009	73010-33	812,000	-	-	-	-	-	-
Fiscal Year 2010	7/2/2009	73010-34	54,400	-	48,734	48,734	48,734	-	48,734
Fiscal Year 2010	7/2/2009	73010-36	800,000	-	128,000	128,000	128,000	-	312,960
Fiscal Year 2010	7/2/2009	73110-10	2,387,837	-	672,740	672,740	672,740	-	2,387,837
Fiscal Year 2010	7/2/2009	72509-21	156,270	-	-	-	-	-	-

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
Year Ended June 30, 2012**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission (continued)</u>									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
Capital (continued):									
Fiscal Year 2010	7/2/2009	72509-22	\$ 190,190	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiscal Year 2009	7/1/2008	73009-37	160,000	-	1,603	1,603	1,603	-	1,603
Fiscal Year 2009	7/1/2008	73009-38	160,000	-	17,363	17,363	17,363	-	87,380
Fiscal Year 2009	7/1/2008	73009-40	400,000	-	73,419	73,419	73,419	-	307,332
Fiscal Year 2009	7/1/2008	73009-42	6,084,800	-	6,084,800	6,084,800	6,084,800	-	6,084,800
Fiscal Year 2009	7/1/2008	73009-44	4,626,150	-	-	-	-	-	-
Fiscal Year 2009	7/1/2008	73009-45	160,000	-	10,552	10,552	10,552	-	30,237
Fiscal Year 2009	7/1/2008	73009-46	863,168	-	-	-	-	-	-
Fiscal Year 2009	7/1/2008	73009-47	100,000	-	99,840	99,840	99,840	-	99,840
Fiscal Year 2009	7/1/2008	73009-55	58,800	57,302	58,800	1,498	1,498	-	58,800
Fiscal Year 2009	7/1/2008	73009-57	416,325	315,507	315,507	-	-	-	328,985
Fiscal Year 2009	7/1/2008	73009-58	120,000	-	120,000	120,000	120,000	-	120,000
Fiscal Year 2009	7/2/2009	72508-08	150,480	-	-	-	-	-	-
Fiscal Year 2009	7/2/2009	72508-09	175,560	-	-	-	-	-	-
Fiscal Year 2009	7/2/2009	72508-10	100,320	-	-	-	-	-	-
Fiscal Year 2008	8/12/2008	72508-12	125,400	-	-	-	-	-	-
Fiscal Year 2008	8/5/2010	72508-13	59,500	-	-	-	-	-	-
Fiscal Year 2008	10/1/2008	72508-14	59,500	-	-	-	-	-	-
Fiscal Year 2008	8/12/2008	72508-16	59,500	-	-	-	-	-	-
Fiscal Year 2008	9/19/2008	72508-19	100,320	-	-	-	-	-	-
Fiscal Year 2008	7/2/2009	72508-45	712,460	107,152	360,877	253,725	253,725	-	400,043
Fiscal Year 2008	7/2/2009	73008-47	99,000	-	8,938	8,938	8,938	-	36,013
Fiscal Year 2008	10/16/2007	73008-17	2,139,112	-	600	600	600	-	1,966,071
Fiscal Year 2008	10/16/2007	73008-19	88,000	-	-	-	-	-	24,000
Fiscal Year 2007	7/2/2009	72507-06	142,768	-	-	-	-	-	-
Fiscal Year 2007	9/19/2008	72507-08	95,178	-	11,730	13,302	13,302	1,572	13,302
Fiscal Year 2007	8/12/2008	72507-31	118,973	-	-	-	-	-	-
Fiscal Year 2007	8/12/2008	72507-35	56,678	-	-	-	-	-	-
Fiscal Year 2007	7/1/2008	72507-32	56,678	7,253	7,253	-	-	-	56,678
Fiscal Year 2007	10/1/2008	72507-33	56,678	-	-	-	-	-	-
Fiscal Year 2007	7/1/2006	73007-22	9,952,611	-	641,795	641,795	641,795	-	9,952,611
Fiscal Year 2007	7/2/2009	72507-29	166,563	-	-	-	-	-	-
Fiscal Year 2007	7/2/2009	72507-30	95,178	-	7,202	7,202	7,202	-	7,202
FTM/Admin (Operating):									
Fiscal Year 2012	10/18/2011	72012-26	185,590	-	170,126	185,590	185,590	15,464	185,590
Fiscal Year 2012	10/18/2011	72012-27	61,984,082	-	56,820,808	61,984,082	61,984,082	5,163,274	61,984,082
Fiscal Year 2012	10/18/2011	72012-28	1,617,568	-	1,455,812	1,617,568	1,617,568	161,756	1,617,568

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
Year Ended June 30, 2012**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission (continued)</u>									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
FTM/Admin (Operating) (continued):									
Fiscal Year 2012	10/18/2011	72012-29	\$ 2,332,378	\$ -	\$ 2,099,140	\$ 2,332,378	\$ 2,332,378	\$ 233,238	\$ 2,332,378
Fiscal Year 2012	10/18/2011	72012-30	482,796	-	434,516	482,796	482,796	48,280	482,796
Fiscal Year 2012	10/18/2011	72012-31	9,522,043	-	8,569,840	9,522,043	9,522,043	952,203	9,522,043
Fiscal Year 2011	10/5/2010	72011-26	51,237,065	4,269,749	4,269,749	-	-	-	51,237,065
Fiscal Year 2011	10/5/2010	72011-27	1,289,658	128,970	128,970	-	-	-	1,289,658
Fiscal Year 2011	10/5/2010	72011-28	2,047,408	204,740	204,740	-	-	-	2,047,408
Fiscal Year 2011	10/5/2010	72011-29	416,747	41,675	41,675	-	-	-	416,747
Fiscal Year 2011	10/5/2010	72011-31	6,914,903	691,487	691,487	-	-	-	6,914,903
Demonstration \ Experimental:									
Fiscal Year 2011									
NVTA Transaction 2040	11/22/2011	47010-21	100,000	10,262	63,873	63,635	63,635	10,024	84,330
Fiscal Year 2010									
Vanpool	7/13/2010	72510-66	40,000	2,247	16,977	14,730	14,730	-	40,000
Total State Assistance - NVTC			<u>251,969,276</u>	<u>6,472,904</u>	<u>132,576,188</u>	<u>134,046,369</u>	<u>134,046,369</u>	<u>7,943,085</u>	<u>228,088,032</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)
Year Ended June 30, 2012

<u>Grant</u>		<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>	<u>Cumulative Expenditures</u>
<u>Virginia Railway Express</u>									
Virginia Department of Rail and Public Transportation (DRPT)									
Capital:									
Fiscal Year 2012	10/20/2011	73012-83	\$ 3,726,003	\$ -	\$ 2,512,786	\$ 2,823,598	\$ 2,823,598	\$ 310,812	\$ 2,823,598
Fiscal Year 2012	2/15/2012	72512-04	420,000	-	-	-	-	-	-
Fiscal Year 2012	10/23/2011	73011-69	31,058	-	28,862	28,862	28,862	-	28,862
Fiscal Year 2012	10/23/2011	73011-70	153,488	-	153,249	153,249	153,249	-	153,249
Fiscal Year 2011	10/5/2010	73011-72	2,238,131	305,123	1,194,488	889,365	889,365	-	2,238,131
Fiscal Year 2012	10/23/2011	73011-73	166,264	-	-	38,460	38,460	38,460	38,460
Fiscal Year 2012	10/23/2011	73011-77	33,845	-	33,844	33,844	33,844	-	33,844
Fiscal Year 2012	10/23/2011	73111-19	724,480	-	724,480	724,480	724,480	-	724,480
Fiscal Year 2011	7/22/2011	73111-20	135,899	-	-	-	-	-	-
Fiscal Year 2010	3/18/2010	72510-19	141,075	83,595	130,915	53,655	53,655	6,335	137,250
Fiscal Year 2010	6/10/2011	72510-51	720,474	-	540,476	540,476	540,476	-	540,476
Fiscal Year 2010	6/10/2011	72510-74	50,000	-	-	-	-	-	-
Fiscal Year 2010	1/21/2011	72510-75	821,902	-	40,732	50,065	50,065	9,333	50,065
Fiscal Year 2010	8/25/2010	73010-46	168,108	-	7,999	7,999	7,999	-	167,999
Fiscal Year 2010	8/25/2010	73010-47	46,400	3,927	7,919	3,992	3,992	-	31,277
Fiscal Year 2010	8/25/2010	73010-48	39,360	5,105	5,105	-	-	-	39,360
Fiscal Year 2010	8/25/2010	73010-49	95,520	-	-	-	-	-	-
Fiscal Year 2010	8/25/2010	73010-50	24,000	-	9,310	12,948	12,948	3,638	12,948
Fiscal Year 2010	8/25/2010	73010-51	210,880	-	-	608	608	608	608
Fiscal Year 2010	8/25/2010	73010-52	64,000	14,545	64,000	49,455	49,455	-	64,000
Fiscal Year 2010	8/25/2010	73010-53	446,292	-	180,017	180,017	180,017	-	446,292
Fiscal Year 2010	8/25/2010	73010-54	284,270	-	402	402	402	-	284,270
Fiscal Year 2010	7/1/2009	73010-56	945,000	-	945,000	945,000	945,000	-	945,000
Fiscal Year 2010	8/25/2010	73010-57	178,780	33,790	68,138	34,348	34,348	-	164,306
Fiscal Year 2010	8/25/2010	73010-59	39,040	-	-	-	-	-	-
Fiscal Year 2010	8/25/2011	73010-60	29,148	4,442	22,392	23,098	23,098	5,148	29,148
Fiscal Year 2010	8/25/2011	73010-61	68,810	4,086	-	(4,086)	(4,086)	-	64,724
Fiscal Year 2010	8/25/2011	73010-62	29,148	16,948	19,251	2,719	2,719	416	23,294
Fiscal Year 2010	8/25/2011	73010-63	4,620	-	-	-	-	-	-
Fiscal Year 2010	8/25/2011	73010-64	14,000	-	-	-	-	-	-
Fiscal Year 2010	8/25/2011	73010-65	32,340	6,008	9,983	3,975	3,975	-	32,340
Fiscal Year 2010	8/25/2011	73010-66	280,000	7,688	7,688	-	-	-	280,000
Fiscal Year 2010	8/25/2011	73010-67	51,838	6,340	-	(6,340)	(6,340)	-	32,128
Fiscal Year 2010	8/25/2011	73010-69	14,000	-	-	-	-	-	-
Fiscal Year 2010	8/25/2011	73010-71	893,120	496,983	496,983	-	-	-	893,120
Fiscal Year 2009	1/30/2009	72509-33	135,850	64,321	64,321	-	-	-	135,850
Fiscal Year 2009	9/1/2009	72509-74	270,000	37,708	-	160,731	160,731	198,439	270,000

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)
Year Ended June 30, 2012

<u>Grant</u>		<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>	<u>Cumulative Expenditures</u>
<u>Virginia Railway Express (continued)</u>									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
Capital (continued):									
Fiscal Year 2009	7/1/2008	73009-60	\$ 749,000	\$ 50,499	\$ 81,734	\$ 78,744	\$ 78,744	\$ 47,509	\$ 156,792
Fiscal Year 2009	8/25/2010	73109-38	75,680	-	-	-	-	-	-
Fiscal Year 2008	1/30/2009	72508-48	191,680	32,491	82,066	54,317	54,317	4,742	185,842
Fiscal Year 2008	7/20/2009	72508-58	537,902	-	-	-	-	-	-
Fiscal Year 2008	3/16/2009	73008-58	20,800	1,906	2,430	14,350	14,350	13,826	16,256
Fiscal Year 2008	3/16/2009	73008-59	374,061	33,949	94,706	60,757	60,757	-	374,061
Fiscal Year 2008	3/16/2009	73008-69	10,400	614	812	198	198	-	10,400
Fiscal Year 2008	3/16/2009	73008-70	20,800	-	-	-	-	-	-
Fiscal Year 2008	3/16/2009	73008-71	73,632	-	-	23,520	23,520	23,520	23,520
Fiscal Year 2008	3/16/2009	73008-73	8,718	-	1,182	1,182	1,182	-	1,182
Fiscal Year 2007	2/1/2008	73007-24	218,880	2,740	21,765	21,800	21,800	2,775	192,933
Fiscal Year 2007	2/1/2008	73007-25	355,392	16,975	76,084	67,808	67,808	8,699	348,300
Fiscal Year 2006	8/2/2007	72506-08	500,000	-	-	-	-	-	100,553
Fiscal Year 2006	8/2/2007	73006-28	1,771,812	2,867	2,867	-	-	-	1,611,732
Fiscal Year 2004	7/1/2003	73004-20	4,825,414	7,570	36,907	29,337	29,337	-	4,814,653
Capital - State Transit Partnership:									
FTM/Admin (Operating):									
Fiscal Year 2012	10/18/2011	72012-32	6,930,023	-	6,237,020	6,237,020	6,237,020	-	6,237,020
Fiscal Year 2011	10/5/2010	72011-32	7,480,189	746,535	748,017	1,482	1,482	-	7,480,189
Other Special Projects:									
Rail Enhancement Fund:									
Cherry Hill Station	4/15/2008	76507-07	750,000	76,694	93,871	25,144	25,144	7,967	611,909
Eligible expenditures accrued, not yet assigned to specific grants		N/A	N/A	1,576,800	-	1,372,893	1,372,893	2,949,693	1,372,893
Total State Assistance - VRE			<u>38,621,526</u>	<u>3,640,249</u>	<u>14,747,801</u>	<u>14,739,471</u>	<u>14,739,471</u>	<u>3,631,920</u>	<u>34,223,314</u>
Total State Assistance - NVTC and VRE			<u>\$ 290,590,802</u>	<u>\$ 10,113,153</u>	<u>\$ 147,323,989</u>	<u>\$ 148,785,840</u>	<u>\$ 148,785,840</u>	<u>\$ 11,575,005</u>	<u>\$ 262,311,346</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/11</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/12</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission</u>									
Federal Transit Administration									
City of Alexandria ITS Project	20.500	VA 04-0013	\$ 226,710	\$ 29,013	\$ 29,013	\$ -	\$ -	\$ -	\$ 226,710
City of Alexandria ITS Project	20.514	VA 26-0017	353,249	36,266	36,266	-	-	-	353,249
Alexandria Potomac Yards Env Analysis	20.507	VA 95-0077	240,000	-	-	-	-	-	109,269
Vanpool Incentive Feasibility Study	20.507	VA 95-2084	160,000	8,988	67,909	58,921	58,921	-	160,000
Crystal City/Potomac Yard Busway	20.500	VA 03-0112	777,422	-	391,164	391,164	391,164	-	666,117
Falls Church Intermodal	20.500	VA 04-0029	886,160	-	46,922	53,212	53,212	6,290	53,212
			<u>2,643,541</u>	<u>74,267</u>	<u>571,274</u>	<u>503,297</u>	<u>503,297</u>	<u>6,290</u>	<u>1,568,557</u>
Virginia Department of Rail and Public Transportation									
NVTA Transaction 2040 Plan Update	20.205	47010-21	<u>400,000</u>	<u>41,050</u>	<u>255,500</u>	<u>254,553</u>	<u>254,553</u>	<u>40,103</u>	<u>337,333</u>
Total Federal Assistance - NVTC			<u>\$ 3,043,541</u>	<u>\$ 115,317</u>	<u>\$ 826,774</u>	<u>\$ 757,850</u>	<u>\$ 757,850</u>	<u>\$ 46,393</u>	<u>\$ 1,905,890</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

COMPLIANCE SECTION

YEAR ENDED JUNE 30, 2012

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

Federal Granting Agency/ Grant Program/Grant Number	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
Department of Transportation			
<u>Direct Payments:</u>			
Federal Transit Administration:			
VA 04-0029		20.500	\$ 53,212
VA 03-0112		20.500	391,164
VA 95-2084		20.507	<u>58,921</u>
Total federal transit cluster			<u>503,297</u>
<u>Passthrough Payments:</u>			
Virginia Department of Rail and Public Transportation Surface Transportation Program Funding (STP)	47010-21	20.205	<u>254,553</u>
Total federal awards expended			<u><u>\$ 757,850</u></u>

The accompanying note is an integral part of this financial statement.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of NVTC and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the “Schedule of Expenditures of Federal Awards.”

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

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for NVTC were determined using a risk-based approach in accordance with OMB Circular A-133.

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

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



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

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

We have audited the financial statements of the Northern Virginia Transportation Commission (Commission) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 22, 2012. 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.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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 that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of 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 and specifications 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*.

This report is intended solely for the information and use of the Commissioners, management, the Auditor of Public Accounts, and other federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
November 22, 2012



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Northern Virginia Transportation Commission (Commission) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Commission's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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

This report is intended solely for the information and use of the Commissioners, management, the Auditor of Public Accounts, and other federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
November 22, 2012

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal awards

Internal control over major programs:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
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Federal Transit Cluster:

20.500	Federal Transit - Capital Investment Grants
20.507	Federal Transit - Formula Grants

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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II. FINANCIAL STATEMENT FINDINGS

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2012

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