

**NORTHERN VIRGINIA
TRANSPORTATION COMMISSION**

**Financial and Compliance Reports
Year Ended June 30, 2013**

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
Table of Contents

	Page
Independent Auditor’s Report	1 - 3
Required Supplementary Information:	
Management’s Discussion and Analysis	4 - 13
Basic Financial Statements:	
Statement of Net Position	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 Position - Proprietary Fund	19 - 20
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	21
Statement of Cash Flows - Proprietary Fund	22
Statement of Net Position - Fiduciary Fund	23
Statement of Changes in Net Position - 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 Net Position 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 - 63
Schedule of Expenditures of Federal Awards	64

	Page
Compliance Section:	
Schedule of Expenditures of Federal Awards	65
Notes to Schedule of Expenditures of Federal Awards	66
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>	67 - 68
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	69 - 70
Schedule of Findings and Questioned Costs	71
Summary Schedule of Prior Audit Findings	72



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Northern Virginia Transportation Commission (Commission), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Commission, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information on pages 4-13 and 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and Schedule of Expenditures of Federal Awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 27, 2013

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2013

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 ended June 30, 2013. Please read it in conjunction with the accompanying financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

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

- NVTC's net position equaled \$97.4 million on a government-wide basis as of June 30, 2013. Of this total, \$97.2 million is for 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 \$59.0 million. Expenses were approximately equal to revenue.
- For the fiscal year, revenues and transfers of NVTC's business-type activities were \$47.3 million. Expenses amounted to \$36.0 million.

Highlights for Fund Financial Statements

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

- NVTC's governmental funds reported a decrease in fund balance of \$81,561 for fiscal year 2013, compared to an increase of \$20,095 for fiscal year 2012. The governmental funds balance as of June 30, 2013 totaled \$283,796 compared with \$365,357 at the end of the previous fiscal year.
- During the fiscal year, the proprietary fund net position increased by \$11.4 million, from \$85.8 million (restated) to \$97.2 million.
- NVTC's fiduciary fund reported an increase of \$21.4 million in net position held in trust for member jurisdictions, from \$130.9 million to \$152.3 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 Position and the Statement of Activities, with the governmental activities and business-type activities shown separately. The Statement of Net Position presents the assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. The Statement of Activities shows in broad terms how the net position changed during the fiscal year.

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

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

Fund Financial Statements

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

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

NVTC maintains 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 Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

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

Notes to the Basic Financial Statements

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

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 Position

The following table presents a summary of the Statement of Net Position for the NVTC reporting entity as of June 30, 2013 and 2012:

Summary of Net Position As of June 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 7,852,662	\$ 16,220,793	\$ 27,219,148	\$ 20,475,073	\$ 35,071,810	\$ 36,695,866
Capital assets, net	46,483	52,771	156,023,517	160,690,129	156,070,000	160,742,900
Total assets	7,899,145	16,273,564	183,242,665	181,165,202	191,141,810	197,438,766
Liabilities:						
Current and other liabilities	7,568,866	15,975,751	2,683,830	11,935,463	10,252,696	27,911,214
Long-term liabilities	176,898	82,923	83,326,683	83,380,398	83,503,581	83,463,321
Total liabilities	7,745,764	16,058,674	86,010,513	95,315,861	93,756,277	111,374,535
Net position:						
Net investment in capital assets	46,483	52,771	72,818,338	69,082,144	72,864,821	69,134,915
Restricted	-	-	11,780,900	11,962,383	11,780,900	11,962,383
Unrestricted	106,898	162,119	12,632,914	4,804,814	12,739,812	4,966,933
Total net position, as restated	\$ 153,381	\$ 214,890	\$ 97,232,152	\$ 85,849,341	\$ 97,385,533	\$ 86,064,231

As noted earlier, net position may serve as a useful indicator of a government's financial position. As shown above, net position totaled \$97.4 million as of June 30, 2013, an increase of \$11.3 million over the previous fiscal year. The largest portion of net position, \$72.9 million or 74.9 percent, represents the net investment in capital assets (e.g., land, building, improvements, rolling stock, equipment and software), less accumulated depreciation and amortization and the related indebtedness outstanding used to acquire those capital assets. These assets are used to provide service to riders; consequently, these assets are not available for future spending. The resources required to repay this debt must be provided 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 position, \$5.2 million or 5.3 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 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, 2013, approximately \$11.1 million was due from the Commonwealth of Virginia, of which \$7.4 million is for motor fuel sales tax, and \$3.7 million for grant revenue. This is an \$8.3 million increase from the previous fiscal year, of which motor fuel sales tax receivables decreased \$0.5 million or 6.0 percent, and grant revenue decreased \$7.9 million or 67.6 percent. The \$0.5 million in the receivable for motor fuel sales tax is due primarily to a decrease in motor fuel revenue due to lower gasoline prices between periods. The \$7.9 million decrease in the receivable for grant revenue is due to in fiscal year 2012 and prior the state transit operating assistance was contracted with NVTC, while in fiscal year 2013 it was contracted with the NVTC member jurisdictions.

At the end of fiscal year 2012 there was a balance due to NVTC from the state consisting of the final operating assistance payments. As of June 30, 2013, \$3.7 million of the amount due from the Commonwealth was for the commuter rail service, \$2,628 was for the jurisdiction transit function of NVTC, and \$22,932 was for general and administrative and projects. Cash, cash equivalents and investments increased approximately \$6.9 million and totaled \$9.6 million as of June 30, 2013, of which all but \$302,883 was for the business-type activities of the commuter rail service.

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

Statement of Changes in Net Position

The following table shows the revenues and expenses and the change in net position of the NVTC reporting entity for the fiscal years ended June 30, 2013 and 2012:

Summary of Changes in Net Position Years Ended June 30,

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 13,867,223	\$ 13,684,760	\$ 13,867,223	\$ 13,684,760
Operating grants and contributions	11,920,437	135,165,537	4,841,056	5,197,022	16,761,493	140,362,559
Capital grants and contributions	-	-	12,696,697	8,612,708	12,696,697	8,612,708
General revenues:						
Intergovernmental:						
Commuter rail	15,926,744	14,739,474	-	-	15,926,744	14,739,474
Motor vehicle fuel sales tax	47,126,588	47,848,439	-	-	47,126,588	47,848,439
Interest	417	526	7,751	7,150	8,168	7,676
Other	899	451	-	-	899	451
Transfers	(15,926,744)	(14,739,474)	15,926,744	14,739,474	-	-
Total revenues	59,048,341	183,015,953	47,339,471	42,241,114	106,387,812	225,256,067
Expenses:						
General and administration	2,855,238	2,097,561	-	-	2,855,238	2,097,561
Jurisdiction transit	56,254,612	180,911,298	-	-	56,254,612	180,911,298
Commuter rail	-	-	35,956,660	35,709,313	35,956,660	35,709,313
Total expenses	59,109,850	183,008,859	35,956,660	35,709,313	95,066,510	218,718,172
Change in net position	(61,509)	6,094	11,382,811	6,531,801	11,321,302	6,537,895
Beginning net position, as restated	214,890	208,796	85,849,341	79,317,540	86,064,231	79,526,336
Ending net position	\$ 153,381	\$ 214,890	\$ 97,232,152	\$ 85,849,341	\$ 97,385,533	\$ 86,064,231

For the fiscal year ended June 30, 2013, revenues totaled \$106.4 million, compared to \$225.3 million in the preceding year, a decrease of \$118.9 million or 52.8 percent. The primary reason for this decrease is in fiscal year 2012 and prior, state transit assistance was contracted directly with NVTC, while in fiscal year 2013 assistance was contracted directly with the NVTC member jurisdictions. The fiscal year 2013 assistance is recognized directly by the NVTC Jurisdiction Trust Fund, which is a fiduciary fund and not part of the government-wide financial statements. Expenses decreased \$123.7 million, or 56.5 percent. The primary cause of this change is a decrease in the special revenue fund transfers to the NVTC Jurisdiction Trust Fund, due to the decrease in revenue as explained above. A discussion of the key components of these revenue and expense changes is included in the funds analysis.

FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

Governmental Funds

General Fund. The General Fund reports the project, planning and administrative activities of NVTC. The unassigned 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, 2013, the General Fund had a total fund balance of \$283,796 of which \$39,377 was nonspendable and \$244,419 was unassigned. The fund balance decreased \$81,561 or 22.3 percent from the preceding year due to a favorable budget variance, offset by a budgeted drawdown of surplus funds.

During fiscal year 2013, NVTC's regional projects incurred a total of \$1,858,392 in direct costs. Four of these projects were funded with state and federal sources totaling \$1,475,585. The \$382,806 in other funding sources includes direct local contributions from the NVTC member jurisdictions, local contributions from allocated state assistance, and local contributions from NVTC, to primarily cover payroll and payroll related costs.

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

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 decreased approximately \$124.7 million or 68.9 percent from the previous fiscal year. The decrease was caused by a decrease in state assistance due to how NVTC recognizes state transit assistance for fiscal year 2013. Because of this change, an analysis of the intergovernmental revenue recognized by the special revenue fund in fiscal year 2013 and fiscal year 2012 is not very meaningful. Instead, such an analysis is presented under the Fiduciary Fund section.

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 \$0.2 million or 1.3 percent, while operating expenses remained just relatively constant. Capital grants and contributions and transfers increased \$5.3 million or 22.6 percent.

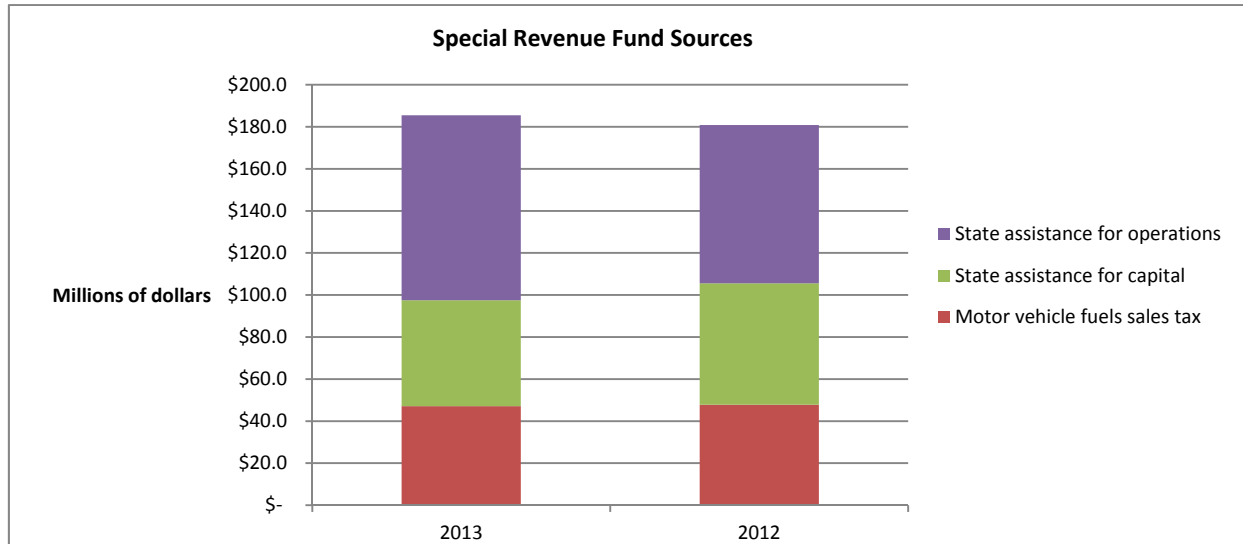
In order to present a full and accurate picture of VRE operations, all financial transactions related to the commuter rail program reported separately in the financial statements of NVTC and PRTC are combined in a separate set of financial statements. These audited financial statements can be obtained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

Fiduciary Fund

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

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

The total additions to the Trust Fund, excluding investment income, increased by \$4.6 million, or 2.5 percent from the previous year. An analysis of this change is shown below.



State assistance for operations is revenue from the state operating formula assistance program. Operating assistance increased approximately \$12.8 million, or 17.0 percent from the previous fiscal year. This increase mirrors the 17.0 percent increase in state-wide operating assistance available. The operating assistance program is funded at the statutory fixed rate of 73.5 percent of projected Mass Transit Trust Fund revenue. Since fiscal year 2009, the operating 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 2013 decreased by \$7.4 million or 12.9 percent from the previous fiscal year. This decrease is primarily the result of less eligible capital 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 and the Mass Transit Capital program. The state-wide capital program is funded at the statutory fixed rate of 25.0 percent of projected Mass Transit Trust Fund revenues. The fiscal year 2013 program allocated an additional \$44.9 million from the Mass Transit Capital program for state-wide needs.

Motor Vehicle Fuel Sales tax revenue decreased by \$0.7 million or 1.5 percent from the previous fiscal year. This change is consistent with the national average price 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The details of capital assets as of June 30, 2013 and 2012 are as follows:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Rolling stock	\$ -	\$ -	\$ 114,468,417	\$ 116,458,753	\$ 114,468,417	\$ 116,458,753
Vehicles	-	-	49,916	49,916	49,916	49,916
Facilities	-	-	50,954,533	47,344,439	50,954,533	47,344,439
Track and signal improvements	-	-	26,342,184	26,342,184	26,342,184	26,342,184
Equipment and software	-	-	4,466,999	4,369,970	4,466,999	4,369,970
Construction in progress	-	-	5,062,565	6,424,938	5,062,565	6,424,938
Equity in properties of others	-	-	2,893,644	2,622,399	2,893,644	2,622,399
Furniture, equipment and software	94,137	90,969	2,730,751	2,704,505	2,824,888	2,795,474
	94,137	90,969	206,969,009	206,317,104	207,063,146	206,408,073
Less accumulated depreciation and amortization	47,654	38,198	50,945,492	45,626,975	50,993,146	45,665,173
Total capital assets, net	\$ 46,483	\$ 52,771	\$ 156,023,517	\$ 160,690,129	\$ 156,070,000	\$ 160,742,900

NVTC's investment in capital assets as of June 30, 2013 amounted to \$156.1 million (net of accumulated depreciation and amortization) which represents a decrease of \$4.7 million or 2.9 percent over last year. This is a result of annual depreciation and amortization recognized, combined with an overall decrease in new project construction. Completed projects totaling approximately \$4.0 million were closed from construction in progress to their respective capital accounts and an additional \$0.05 million was charged directly to the capital accounts. Two older locomotives were sold during the year for a net loss of approximately \$6,000 to the NVTC reporting entity.

The major completed projects were: the construction of additional parking at the Brooke and Leeland stations; the construction of a warehouse facility at the Crossroads yard; and the construction of a standby power supply at the Ivy City yard. The major additions to construction in progress during the fiscal year were for the construction of replacement railcars, canopy improvements at Washington Union Terminal, the construction of a new station in Spotsylvania County, and the construction of a third track between Hamilton and Crossroads in Spotsylvania County.

Debt Administration

At June 30, 2013, the commissions had total debt outstanding of \$92.0 million for the VRE commuter rail service, of which \$83.2 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.

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

	2013	2012
Revenue bonds	\$ 12,775,000	\$ 18,685,000
Capital leases	8,834,413	9,375,881
Notes payable (includes RRIF)	61,595,766	63,729,659
Total	\$ 83,205,179	\$ 91,790,540

VRE operations uses a revolving line of credit in the name of NVTC of up to \$1 million with SunTrust Bank; the line was not utilized during 2013.

Economic Factors and Next Year’s Budget

State assistance recognized by the Special Revenue Fund will continue to decrease 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 4.6 percent decrease in the average price of gasoline nationwide for fiscal year 2014. If that forecast holds true for the NVTC region, and the historical relationship between gas prices and motor 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 4 percent will be implemented at the beginning of fiscal year 2014. The total local subsidy for fiscal year 2014 was held constant at \$16,428,800.

Additional sources of funding will be available in fiscal year 2014 from federal, state and regional sources, although the amounts received will continue to be variable form year to year.

REQUESTS FOR INFORMATION

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2013

ASSETS	Primary Government		Total
	Governmental Activities	Business-type Activities	Primary Government
Cash and cash equivalents	\$ 302,883	\$ 9,269,305	\$ 9,572,188
Due from other governments:			
Commonwealth of Virginia	11,127,443	-	11,127,443
Federal	81,668	-	81,668
Trade accounts receivable, net	-	620,667	620,667
Other receivables	28,568	252,556	281,124
Inventory	-	1,394,041	1,394,041
Deposits and prepaid items	39,377	174,402	213,779
Restricted cash, cash equivalents and investments	-	11,780,900	11,780,900
Internal balances	(3,727,277)	3,727,277	-
Capital assets:			
Rolling stock	-	114,468,417	114,468,417
Vehicles	-	49,916	49,916
Facilities	-	50,954,533	50,954,533
Track and signal improvements	-	26,342,184	26,342,184
Equipment and software	-	4,466,999	4,466,999
Construction in progress	-	5,062,565	5,062,565
Equity in property of others	-	2,893,644	2,893,644
Furniture, equipment and software	94,137	2,730,751	2,824,888
Less accumulated depreciation and amortization	(47,654)	(50,945,492)	(50,993,146)
Total assets	7,899,145	183,242,665	191,141,810

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION

June 30, 2013

LIABILITIES	Primary Government		Total
	Governmental Activities	Business-type Activities	Primary Government
Accounts payable	\$ 150,841	\$ 789,333	\$ 940,174
Accrued expenses	31,763	708,203	739,966
Accrued interest	-	533,562	533,562
Due to fiduciary fund	7,370,844	-	7,370,844
Deferred revenue	15,418	638,082	653,500
Contract retainage	-	14,650	14,650
Noncurrent liabilities:			
Due within on year:			
Compensated absences	20,481	13,079	33,560
Notes payable	-	1,897,186	1,897,186
Capital lease obligation	-	566,607	566,607
Bonds payable	-	6,220,000	6,220,000
Due in more than on year:			
Lease liability	108,141	-	108,141
Compensated absences	48,276	108,425	156,701
Notes payable	-	59,698,580	59,698,580
Capital lease obligation	-	8,267,806	8,267,806
Bonds payable	-	6,555,000	6,555,000
Total liabilities	7,745,764	86,010,513	93,756,277
 NET POSITION			
Net investment in capital assets	46,483	72,818,338	72,864,821
Restricted for liability insurance plan	-	5,147,437	5,147,437
Restricted for debt service and capital lease	-	6,563,328	6,563,328
Restricted grants or contributions	-	70,135	70,135
Unrestricted	106,898	12,632,914	12,739,812
Total net position	\$ 153,381	\$ 97,232,152	\$ 97,385,533

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</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	\$ 2,855,238	\$ -	\$ 2,791,741	\$ -	\$ (63,497)	\$ -	\$ (63,497)
Jurisdiction transit	56,254,612	-	9,128,696	-	(47,125,916)	-	(47,125,916)
Total governmental activities	<u>59,109,850</u>	<u>-</u>	<u>11,920,437</u>	<u>-</u>	<u>(47,189,413)</u>	<u>-</u>	<u>(47,189,413)</u>
Business-type activities:							
Commuter rail	35,956,660	13,867,223	4,841,056	12,696,697	-	(4,551,684)	(4,551,684)
Total business-type activities	<u>35,956,660</u>	<u>13,867,223</u>	<u>4,841,056</u>	<u>12,696,697</u>	<u>-</u>	<u>(4,551,684)</u>	<u>(4,551,684)</u>
Total primary government	<u>\$ 95,066,510</u>	<u>\$ 13,867,223</u>	<u>\$ 16,761,493</u>	<u>\$ 12,696,697</u>	<u>(47,189,413)</u>	<u>(4,551,684)</u>	<u>(51,741,097)</u>
General revenues:							
Intergovernmental revenue - commuter rail					15,926,744	-	15,926,744
Intergovernmental revenue - motor vehicle fuel sales tax					47,126,588	-	47,126,588
Interest income					417	7,751	8,168
Other					899	-	899
Transfers					(15,926,744)	15,926,744	-
Total general revenues					<u>47,127,904</u>	<u>15,934,495</u>	<u>63,062,399</u>
Change in net position					(61,509)	11,382,811	11,321,302
Net Position, beginning of year, as restated					<u>214,890</u>	<u>85,849,341</u>	<u>86,064,231</u>
Net Position, end of year					<u>\$ 153,381</u>	<u>\$ 97,232,152</u>	<u>\$ 97,385,533</u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	Major Funds		
	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 302,883	\$ -	\$ 302,883
Due from other governments:			
Commonwealth of Virginia	3,756,599	7,370,844	11,127,443
Federal	81,668	-	81,668
Due from fiduciary fund	22,273	-	22,273
Due from proprietary fund	6,306	-	6,306
Other accounts receivable	6,295	-	6,295
Deposits and prepaid items	39,377	-	39,377
	<u>\$ 4,215,401</u>	<u>\$ 7,370,844</u>	<u>\$ 11,586,245</u>
LIABILITIES			
Accounts payable	\$ 150,841	\$ -	\$ 150,841
Accrued salaries	31,763	-	31,763
Grants and contributions received in advances	15,418	-	15,418
Due to proprietary fund	3,733,583	-	3,733,583
Due to fiduciary fund	-	7,370,844	7,370,844
Total liabilities	<u>3,931,605</u>	<u>7,370,844</u>	<u>11,302,449</u>
FUND BALANCES			
Nonspendable			
Deposits and prepaid items	39,377	-	39,377
Unassigned	244,419	-	244,419
Total fund balance	<u>283,796</u>	<u>-</u>	<u>283,796</u>
	<u>\$ 4,215,401</u>	<u>\$ 7,370,844</u>	<u>\$ 11,586,245</u>

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

Fund balances - governmental funds	\$	283,796
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$94,137 and the accumulated depreciation and amortization is \$47,654.		46,483
Lease liability only recognized in the government-wide financial statements.		(108,141)
Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds.		(68,757)
Net Position - governmental activities	\$	<u>153,381</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, 2013

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
Revenues:			
Intergovernmental revenues:			
Grants and contributions:			
Commonwealth of Virginia	\$ 16,251,693	\$ 9,128,696	\$ 25,380,389
Local jurisdictions	1,246,828	-	1,246,828
Federal	1,149,964	-	1,149,964
Motor vehicle fuel sales tax	672	47,125,916	47,126,588
Project chargebacks	70,000	-	70,000
Interest income	417	-	417
Other income	899	-	899
Total revenues	18,720,473	56,254,612	74,975,085
Expenditures:			
Current:			
General and administration	1,013,730	-	1,013,730
Project costs	1,858,392	-	1,858,392
Payments to fiduciary fund	-	56,254,612	56,254,612
Capital outlay	3,168	-	3,168
Total expenditures	2,875,290	56,254,612	59,129,902
Other financing uses:			
Transfers out	(15,926,744)	-	(15,926,744)
Change in fund balances	(81,561)	-	(81,561)
Fund balances, beginning of year	365,357	-	365,357
Fund balances, end of year	\$ 283,796	\$ -	\$ 283,796
Change in fund balances - total governmental funds			\$ (81,561)
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			3,168
Deduct - depreciation and amortization expense			(9,456)
Amortization of lease liability is only recognized in the government-wide financial statements.			(11,601)
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.			37,941
Change in net position of governmental activities			\$ (61,509)

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 9,269,305
Accounts receivable:	
Due from general fund	3,733,583
Trade receivables, net of allowance for doubtful accounts	620,667
Other receivables	252,556
Inventory	1,394,041
Deposits and prepaid items	174,402
Restricted cash, cash equivalents and investments	<u>11,780,900</u>
Total current assets	<u>27,225,454</u>
Capital assets:	
Rolling stock	114,468,417
Vehicles	49,916
Facilities	50,954,533
Track and signal improvements	26,342,184
Equipment and software	4,466,999
Construction in progress	5,062,565
Equity in property of others	2,893,644
Furniture, equipment and software	<u>2,730,751</u>
	206,969,009
Less accumulated depreciation and amortization	<u>(50,945,492)</u>
Total capital assets, net	<u>156,023,517</u>
Total assets	<u><u>\$ 183,248,971</u></u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

LIABILITIES AND NET POSITION

Current Liabilities:	
Accounts payable	\$ 789,333
Due to general fund	6,306
Compensated absences	13,079
Accrued expenses	708,203
Accrued interest	533,562
Deferred revenue	638,082
Contract retainage	14,650
Notes payable	1,897,186
Current portion of capital lease obligations	566,607
Current portion of bonds payable	<u>6,220,000</u>
Total current liabilities	<u>11,387,008</u>
Noncurrent Liabilities:	
Capital lease obligations	8,267,806
Notes payable	59,698,580
Bonds payable	6,555,000
Compensated absences	<u>108,425</u>
Total noncurrent liabilities	<u>74,629,811</u>
Total liabilities	<u>86,016,819</u>
Net Position:	
Net investment in capital assets	72,818,338
Restricted for liability insurance plan	5,147,437
Restricted for debt service and capital lease	6,563,328
Restricted grants or contributions	70,135
Unrestricted	<u>12,632,914</u>
Total net position	<u>97,232,152</u>
Total liabilities and net position	<u><u>\$ 183,248,971</u></u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2013

Operating Revenues:	
Passenger revenue	\$ 13,772,304
Equipment rentals and other	94,919
	<hr/>
Total operating revenues	13,867,223
	<hr/>
Operating Expenses:	
Contract operations and maintenance	8,624,858
Other operations and maintenance	5,069,572
Property leases and access fees	5,354,589
Insurance	1,594,824
Marketing and sales	742,418
General and administrative	2,690,128
	<hr/>
Total operating expenses	24,076,389
	<hr/>
Operating loss before depreciation and amortization	(10,209,166)
Depreciation and amortization	<hr/>
	(7,232,723)
	<hr/>
Operating loss	(17,441,889)
	<hr/>
Nonoperating Revenues (Expenses):	
Subsidies:	
Jurisdictional contributions	4,841,056
Interest income:	
Operating funds	7,365
Other restricted funds	386
Loss on disposal of asset	(384,521)
Interest, amortization and other nonoperating expenses, net	(4,263,027)
	<hr/>
Total nonoperating revenues, net	201,259
	<hr/>
Loss before capital contributions and transfers	(17,240,630)
	<hr/>
Capital contributions and transfers:	
Other local contributions	185,359
Contribution from PRTC	12,511,338
Transfers in	15,926,744
	<hr/>
Total capital contributions and transfers	28,623,441
	<hr/>
Change in net position	11,382,811
Net position, beginning of year, as restated	<hr/>
	85,849,341
Net position, end of year	<hr/>
	\$ 97,232,152
	<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, 2013

Cash Flows From Operating Activities:	
Receipts from customers	\$ 13,885,424
Payments to suppliers	(22,539,774)
Payments to employees	(1,795,096)
Net cash used in operating activities	<u>(10,449,446)</u>
Cash Flows From Noncapital Financing Activities:	
Governmental subsidies	<u>17,983,076</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(3,259,776)
Capital grants and assistance	2,653,243
Proceeds from sale of capital assets	120,000
Principal paid on capital lease obligations	(541,468)
Principal paid on notes	(2,133,893)
Principal paid on bonds	(5,910,000)
Interest paid on capital lease obligation	(424,210)
Interest paid on bonds and notes	(3,818,805)
Contribution from PRTC	12,439,329
Net cash used in capital and related financing activities	<u>(875,580)</u>
Cash Flows From Investing Activities:	
Interest received on investments	<u>7,671</u>
Increase in cash and cash equivalents	6,665,721
Cash and Cash Equivalents, beginning	<u>14,384,484</u>
Cash and Cash Equivalents, ending	<u>\$ 21,050,205</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
Operating loss	\$ (17,441,889)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	7,232,723
(Increase) decrease in:	
Accounts receivable	(75,548)
Other receivables	415
Inventory	(39,594)
Prepaid items and other	26,335
Increase (decrease) in:	
Accounts payable and accrued expenses	(245,221)
Unearned revenue	93,333
Net cash used in operating activities	<u>\$ (10,449,446)</u>
Schedule of Noncash Capital Activities	
Capital assets acquired through accounts payable	\$ 282,147
Capital assets acquired through accrued liabilities	31,110

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2013

	<u>Jurisdiction Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 140,411,893
Due from special revenue fund - Commonwealth of Virginia grants	2,628
Due from special revenue fund - Motor vehicle fuel sales tax	7,368,216
Due from other governments - Commonwealth of Virginia grants	<u>7,687,287</u>
Total assets	<u>155,470,024</u>
LIABILITIES	
Due to member jurisdictions	3,143,677
Due to general fund	<u>22,273</u>
Total liabilities	<u>3,165,950</u>
NET POSITION	
Held in trust for member jurisdictions	<u><u>\$ 152,304,074</u></u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2013

	<u>Jurisdiction Trust Fund</u>
Additions:	
Contributions from government	\$ 56,254,612
Intergovernmental revenues	129,224,881
Investment income	178,033
Total additions	<u>185,657,526</u>
Deductions:	
Funds disbursed to WMATA:	
Capital improvement program	8,293,985
Project development	825,000
Metrorail operating	38,172,231
Metrobus operating	65,483,967
MetroAccess operating	12,468,570
Metro debt service	4,421,520
Other funds disbursed:	
Other capital disbursements	8,734,112
Other operating disbursements	25,865,377
Total deductions	<u>164,264,762</u>
Change in net position	21,392,764
Net position, beginning of year	<u>130,911,310</u>
Net position, end of year	<u><u>\$ 152,304,074</u></u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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).

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.

B. Government-wide and Fund Financial Statements

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

The government-wide Statement of Activities is designed to report the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those 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 Position reports net position as restricted when externally imposed constraints on those net positions are in effect. Internally imposed designations of resources are not presented as restricted net position.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

C. Measurement Focus and Basis of Accounting

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

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 Position when expended. Monetary and in-kind contributions are recorded as matching obligations to the jurisdictions or other construction partners as assessed. Any excess of grant revenues or expenses at year end are recorded as unearned revenue or accounts receivable, respectively.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

NVTC reports the following major enterprise fund:

Commuter Rail Service Fund

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

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

D. Budgeting

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

E. Other Significant Accounting Policies

1. Cash and 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.

2. Restricted cash and cash equivalents

Restricted cash, cash equivalents, and investments as reported in the Statement of Net Position are comprised of funds related to bond compliance requirements, the balance in the Liability Insurance Plan, 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 \$69,600 at June 30, 2013 for the proprietary fund.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies

4. Inventory

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

5. Prepaid Items

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

6. Capital assets

For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. Asset costs include allocation of certain common construction costs based on the relationship of associated direct costs. Assets constructed directly by jurisdictions in satisfaction of system financial responsibilities have been capitalized at the estimated 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 property of others") recognize the right of access for commuter rail patrons granted to the Commissions. This category also represents investment in Amtrak infrastructure and facilities that provides primary benefit to the commuter rail service and for which VRE has an expectation of continued use.

Interest is capitalized on qualifying construction in progress projects until they 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.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies

6. Capital assets (Continued)

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

Rolling stock	8-25 years
Vehicles	5 years
Facilities	30-40 years
Track and signal improvements	30 years
Equipment and software	5 years
Equity in properties of others	3-35 years
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, 2013.

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, 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 position

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

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

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, 2013, cash, cash equivalents, and investments consisted of the following, at cost which approximates fair value:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total
Cash	\$ 250,036	\$ 1,150,017	\$ -	\$ 1,400,053
LGIP	52,847	8,119,288	-	8,172,135
	<u>302,883</u>	<u>9,269,305</u>	<u>-</u>	<u>9,572,188</u>
Restricted:				
LGIP	-	96,596	140,411,893	140,508,489
Insurance trust fund – pooled funds	-	5,120,976	-	5,120,976
Money market funds – U.S. Treasuries	-	6,563,328	-	6,563,328
	<u>-</u>	<u>11,780,900</u>	<u>140,411,893</u>	<u>152,192,793</u>
Total	\$ 302,883	\$ 21,050,205	\$ 140,411,893	\$ 161,764,981

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, 2013, the reporting entity had investments of \$148,680,624 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, 2013, a total of \$10,241,951 was invested in the Insurance Trust, of which \$5,120,976 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 \$6,563,328 at June 30, 2013 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, 2013, due from other governments consisted of the following:

	Project and		Jurisdiction	Total
	Administrative	Transit		
Due from Commonwealth of Virginia:				
Motor fuel sales tax	\$ 84	\$ 7,368,216	\$	7,368,300
Grants	3,756,515	2,628		3,759,143
	3,756,599	7,370,844		11,127,443
Due from Federal Transit Administration:				
Grants	81,668	-		81,668
	\$ 3,838,267	\$ 7,370,844	\$	11,209,111

Amounts due from the Commonwealth for the Project and Administrative activities include \$3,733,583 for commuter rail and \$22,932 for other projects.

The Fiduciary Fund had amounts due directly from the Commonwealth for transit assistance totaling \$7,687,287.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Reclassifications (Decreases)	Ending Balance
Governmental activities:				
Capital assets being depreciated or amortized:				
Furniture, equipment and software	\$ 90,969	\$ 3,168	\$ -	\$ 94,137
Total accumulated depreciation or amortization	38,198	9,456	-	47,654
Governmental activities capital assets, net	\$ 52,771	\$ (6,288)	\$ -	\$ 46,483
Business-type activities:				
Capital assets not being depreciated or amortized:				
Construction in progress	\$ 6,424,938	\$ 2,598,287	\$ (3,960,660)	\$ 5,062,565
Capital assets being depreciated or amortized:				
Rolling stock	116,458,753	-	(1,990,336)	114,468,417
Vehicles	49,916	-	-	49,916
Facilities	47,344,439	-	3,610,094	50,954,533
Track and signal improvements	26,342,184	-	-	26,342,184
Equipment and software	4,369,970	4,447	92,582	4,466,999
Equity in properties of others	2,622,399	13,261	257,984	2,893,644
Furniture, equipment and software	2,704,505	26,246	-	2,730,751
Total capital assets being depreciated or amortized	199,892,166	43,954	1,970,324	201,906,444
Less accumulated depreciation or amortization for:				
Rolling stock	19,099,669	4,457,076	(1,914,206)	21,642,539
Vehicles	33,064	6,144	-	39,208
Facilities	11,769,892	1,400,064	-	13,169,956
Track and signal improvements	8,033,398	895,852	-	8,929,250
Equipment and software	3,890,540	157,582	-	4,048,122
Equity in properties of others	1,398,601	79,937	-	1,478,538
Furniture, equipment and software	1,401,811	236,068	-	1,637,879
Total accumulated depreciation or amortization	45,626,975	7,232,723	(1,914,206)	50,945,492
Total capital assets being depreciated or amortized, net	154,265,191	(7,188,769)	3,884,530	150,960,952
Business-type activities capital assets, net	\$ 160,690,129	\$ (4,590,482)	\$ (76,130)	\$ 156,023,517

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 4. Capital Assets (Continued)

Depreciation and amortization expenses for the year ended June 30, 2013 charged to the functions of the primary government are as follows:

	Governmental Activities	Business-type Activities
Primary Government:		
General and administration	\$ 9,456	\$ -
Commuter rail	-	7,232,723

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 2010 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 2010 through the middle of fiscal year 2012 was 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 2013 audited financial statements is shown below.

VIRGINIA RAILWAY EXPRESS STATEMENT OF NET POSITION June 30, 2013

ASSETS

Current Assets	
Cash and cash equivalents	\$ 23,376,754
Accounts receivable:	
Due from PRTC – funded by FTA	9,838,627
Commonwealth of Virginia grants	3,748,152
Trade and other, net of allowance	1,907,735
Inventory	3,515,707
Prepaid expenses and other	439,833
Restricted cash, cash equivalent, and investments	16,998,472
Total current assets	<u>59,825,280</u>
Noncurrent Assets	
Capital assets (net of \$101,890,983 accumulated depreciation and amortization)	<u>312,047,031</u>
Total noncurrent assets	<u>312,047,031</u>
Total assets	<u>\$ 371,872,311</u>

LIABILITIES AND NET POSITION

Current Liabilities	
Accounts payable and accrued liabilities	\$ 5,069,214
Unearned revenue	1,609,214
Contract retainage	29,299
Current portion of:	
Capital lease obligations	1,133,214
Long-term debt	6,220,000
Notes payable	1,897,186
Total current liabilities	<u>15,958,127</u>
Noncurrent Liabilities	
Capital lease obligations	16,535,611
Notes payable	59,698,580
Bonds payable, net	6,555,000
Compensated absences	273,442
Total noncurrent liabilities	<u>83,062,633</u>
Total liabilities	<u>99,020,760</u>
Net Position	
Net investment in capital assets	220,007,440
Restricted for liability insurance plan	10,294,874
Restricted for debt service and capital lease	6,563,328
Restricted grants or contributions	140,270
Unrestricted assets	35,845,639
Total net position	<u>272,851,551</u>
Total liabilities and net position	<u>\$ 371,872,311</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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

**VIRGINIA RAILWAY EXPRESS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Year Ended June 30, 2013**

Operating revenues	\$	34,972,487
Operating expenses		60,719,529
Operating loss before depreciation and amortization		<u>(25,747,042)</u>
Depreciation and amortization		<u>(14,465,444)</u>
Operating loss		<u>(40,212,486)</u>
Nonoperating revenues (expenses):		
Subsidies:		
Commonwealth of Virginia grants		14,967,197
Federal grants – with PRTC as grantee		18,559,490
Jurisdictional contributions		16,428,800
Interest income:		
Operating funds		18,573
Other restricted funds		772
Loss on disposal of assets		(769,042)
Interest, amortization and other nonoperating expenses, net		<u>(4,683,094)</u>
Total nonoperating revenues, net		<u>44,522,696</u>
Capital grants and assistance:		
Commonwealth of Virginia grants		974,115
Federal grants – with PRTC as grantee		1,269,732
Other local contributions		328,031
Total capital grants and assistance		<u>2,571,878</u>
Change in net position		6,882,088
Net Position, beginning, as restated		<u>265,969,463</u>
Net Position, ending	\$	<u><u>272,851,551</u></u>

The net position of VRE was restated due to the adoption of GASB Statement No. 65.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 6. Intergovernmental Revenues, Commonwealth of Virginia

Intergovernmental revenues from the Commonwealth of Virginia include the regional motor vehicle fuel sales tax, NVTC project revenue, capital assistance for NVTC's WMATA Compact members contracted prior to fiscal year 2013, and 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, 2013 totaled \$65,742 (10.9% of covered payroll). Required employee contributions for the year ended June 30, 2013 totaled \$12,067 (2.0% 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, 2013 was approximately \$603,900.

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 were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty 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 as early as age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty 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 non-hazardous duty 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 6.00 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 the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/pdf/publications/2012-annual-report.pdf> or 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)

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. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to five years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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, 2013 was 8.04 percent of annual covered payroll and 1.19 percent for group life insurance.

C. Annual Pension Cost

For fiscal year 2013, VRE's annual pension cost of \$274,958 was equal to the VRE's required and actual contributions. The share included in the NVTC reporting entity equals \$109,026.

Three-Year Trend Information for VRE

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 334,185	100.0%	\$ -
June 30, 2012	344,169	100.0%	-
June 30, 2013	274,958	100.0%	-

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.0 percent, (b) projected salary increases ranging from 3.75 percent to 6.20 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 for Plan 1 employees and 2.25 percent for Plan 2 employees. 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, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 29 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, 2012, the most recent actuarial valuation date, the plan was 83.30 percent funded. The actuarial accrued liability for benefits was \$10,544,864 and the actuarial value of assets was \$8,783,862, resulting in a UAAL of \$1,761,002. The covered payroll (annual payroll of active employees of the plan) was \$6,045,347 and the ratio of the UAAL to the covered payroll was 29.13 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 percent annual increases in base rent over the term of the lease, and the pass through of a proportionate share of the annual increases in common building expenses. The lease contains a provision for the abatement of the first five months of rent. For the government-wide financial statements, the cumulative minimum rent for the entire lease is amortized on a straight-line basis over the lease term, with an equal amount of rent expense recognized each month. Rent expense for Governmental Activities as reported in the government wide financial statements totals \$195,702 (\$184,101 paid plus \$11,601 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, 2013.

As of June 30, 2013, the minimum long-term lease commitments were as shown below:

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 186,860
2015	192,307
2016	195,166
2017	198,191
2018	204,137
2019 - 2021	630,990
Total	<u>\$ 1,607,651</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, 2013, annual track usage fees totaled approximately \$7,991,000, of which \$3,168,576 is recognized by the NVTC reporting entity, and facility and other identified costs totaled approximately \$465,000, of which \$184,381 is recognized by the NVTC reporting entity.

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. For the year ended June 30, 2013, costs for track access and equipment storage totaled approximately \$5,392,000, of which \$2,138,025 was recognized by the NVTC reporting entity, and mid-day maintenance, utility and other services totaled approximately \$3,817,000, of which \$1,513,509 was recognized by the NVTC reporting entity. Costs adjustments will be made in future years to reflect changes to various published costs indices and the number of trains that have access to and are stored and serviced at the terminal.

The Commissions have a contract with Keolis Rail Services Virginia, LLC for train operations and maintenance for a five year period beginning June 25, 2010. The cost of train operations and maintenance for the year ended June 30, 2013 totaled approximately \$17,945,000, of which \$7,115,517 is recognized by the NVTC reporting entity. Costs are based on an annual budget prepared in advance. Costs in future years will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

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, 2013:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities					
Compensated absences	\$ 106,698	\$ 65,122	\$ (103,063)	\$ 68,757	\$ 20,481
Total governmental activities	106,698	65,122	(103,063)	68,757	20,481
Business-type activities					
Revenue bonds	18,685,000	-	(5,910,000)	12,775,000	6,220,000
Capital leases	9,375,881	-	(541,468)	8,834,413	566,607
Notes payable	63,729,659	-	(2,133,893)	61,595,766	1,897,186
	91,790,540	-	(8,585,361)	83,205,179	8,683,793
Compensated absences	109,461	96,330	(84,287)	121,504	13,079
Total business-type activities	91,900,001	96,330	(8,669,648)	83,326,683	8,696,872
Total Primary Government	\$ 92,006,699	\$ 161,452	\$ (8,772,711)	\$ 83,395,440	\$ 8,717,353

Revenue Bonds

\$31,700,000 Commuter Rail Revenue Refunding Bonds in the name of NVTC, series 1998; due in annual maturities of \$6,220,000 to \$6,555,000 through July 1, 2014, plus semi-annual interest at 5.375%.

\$ 12,775,000

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
2014	\$ 6,220,000	\$ 519,494	\$ 6,739,494
2015	6,555,000	176,166	6,731,166
	<u>\$ 12,775,000</u>	<u>\$ 695,660</u>	<u>\$ 13,470,660</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Long-Term Debt Obligations (Continued)

The Indentures of Trust for the bonds require the maintenance of an operating reserve equivalent to one-third (33.3 percent) of annual budgeted operating expenses. As of June 30, 2013, \$42,826,808 of the VRE cash, inventory and receivables comprise this operating reserve. The reserves represent 66.63 percent of budgeted operating expenses for June 30, 2013.

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, 2013, are as follows:

Bond Interest Fund	\$ 343,328
Bond Principal Fund	6,220,000
Total held by Trustee	<u>\$ 6,563,328</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 \$20,806,067 (NVTC reporting entity, \$10,403,034)	<u>\$ 17,668,825</u>	<u>\$ 8,834,413</u>

Future minimum lease payments as of June 30, 2013 are as follows:

Years Ending June 30,	Total	NVTC Reporting Entity
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	1,931,357	965,679
2019-2023	9,656,785	4,828,391
2024-2025	3,862,714	1,931,357
Total minimum lease payments	<u>23,176,284</u>	<u>11,588,143</u>
Lease amount representing interest	5,507,459	2,753,730
Present value of lease payments	<u>\$ 17,668,825</u>	<u>\$ 8,834,413</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 \$93,152,215 at June 30, 2013.

\$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% \$ 61,595,766

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

Years Ended June 30,	Principal	Interest	Total Required
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	2,290,688	2,492,825	4,783,513
2019-2023	13,221,616	10,695,946	23,917,562
2024-2028	16,732,721	7,184,841	23,917,562
2029-2033	21,195,134	2,722,429	23,917,563
	<u>\$ 61,595,766</u>	<u>\$ 34,074,486</u>	<u>\$ 95,670,252</u>

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, 2013.

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 \$226,000 at June 30, 2013, of which \$113,000 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. Activity in the Insurance Trust Fund for the years ended June 30, 2013 was as follows:

	Total	NVTC Reporting Entity
Beginning balance, July 1	\$ 10,156,492	\$ 5,078,246
Contribution to reserves	4,100,000	2,050,000
Insurance premiums paid	(3,924,984)	(1,962,492)
Claims mitigation costs and losses incurred	(4,916)	(2,458)
Actuarial and administrative charges	(60,241)	(30,120)
Transfer to VRE for small liability claims	(24,400)	(12,200)
Ending balance, June 30	<u>\$ 10,241,951</u>	<u>\$ 5,120,976</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, 2013, 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, 2013:

Stations and parking lots	\$ 1,697,350
Rolling stock	22,371,958
Maintenance and layover yards	805,166
Track and signal improvements	879,555
Other administrative	<u>73,069</u>
Total	<u>\$ 25,827,098</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 2013, VRE was holding the proceeds of the sale of older equipment in the amount of \$140,270 in a restricted account, to be used for the purchase of replacement rolling stock, of which \$70,135 is included in the NVTC reporting entity.

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. 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 to be remitted.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 13. Restatement of Beginning Net Position

The following table shows the change to the beginning net position from the amounts previously reported:

Balance at June 30, 2012	\$ 87,080,997
Deferred bond and lease costs written off to comply with GASB Statement No. 65	<u>(1,231,656)</u>
Balance at June 30, 2012, as restated	<u>\$ 85,849,341</u>

Note 14. Pending GASB Statements

At June 30, 2013, 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. 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.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government /combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

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 15. Subsequent Events

The Commissions entered into contracts at various times from February 2013 through September 2013 to purchase fuel at set prices for delivery in July 2013 through June 2014. The fuel will be used in the normal course of operations and is not being purchased for resale. The total commitment is for 741,000 gallons of fuel at a cost of approximately \$2.3 million.

In July 2013, VRE entered into contracts for the construction of a third track and a new station in Spotsylvania County amounting to \$8.1 million and \$2.3 million, respectively. In September 2013, the Operations Board authorized the Chief Executive Officer to execute an agreement with CSX Transportation for flagging and signal system and related construction for the Spotsylvania third track project in an amount not to exceed \$20.5 million.

In October 2013, the Commissions authorized the Chief Executive Officer of VRE to execute a sole source contract for positive train control equipment and installation services in an amount not to exceed \$7.4 million, following the recommendation of the Operations Board in September 2013.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2013

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
2012	\$ 8,783,862	\$ 10,544,864	\$ 1,761,002	83.30%	\$ 6,045,347	29.13%
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%

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2013

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY JURISDICTION
JURISDICTION TRUST FUND
Year Ended June 30, 2013

	<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	\$ 1,231,624	\$ 2,363,272	\$ 104,241	\$ 5,368,323	\$ 61,236	\$ -	\$ 9,128,696
Motor Vehicle Fuel Sales Tax	3,491,982	4,132,449	1,719,836	25,090,004	1,173,191	11,518,454	47,125,916
Intergovernmental revenues, grants:							
Commonwealth of Virginia	17,359,718	29,504,795	1,578,474	79,875,145	906,749	-	129,224,881
Investment income	9,544	40,249	2,831	95,578	639	29,192	178,033
Total additions	<u>22,092,868</u>	<u>36,040,765</u>	<u>3,405,382</u>	<u>110,429,050</u>	<u>2,141,815</u>	<u>11,547,646</u>	<u>185,657,526</u>
Deductions:							
Funds disbursed to WMATA:							
Capital improvement program	749,270	4,898,451	465,067	1,902,428	278,769	-	8,293,985
Project development	133,000	261,000	6,000	417,000	8,000	-	825,000
Metrorail operating	7,244,504	6,512,464	510,887	23,479,468	424,908	-	38,172,231
Metrobus operating	10,608,894	9,218,259	592,174	43,748,440	1,316,200	-	65,483,967
MetroAccess operating	929,894	-	283,136	11,130,272	125,268	-	12,468,570
Metro debt service	835,821	1,614,946	27,523	1,867,601	75,629	-	4,421,520
Other funds disbursed:							
Other capital disbursements	-	6,516,394	38,600	-	-	2,179,118	8,734,112
Other operating disbursements	22,675	3,345,287	1,301,936	18,212,816	10,938	2,971,725	25,865,377
Total deductions	<u>20,524,058</u>	<u>32,366,801</u>	<u>3,225,323</u>	<u>100,758,025</u>	<u>2,239,712</u>	<u>5,150,843</u>	<u>164,264,762</u>
Change in net position	1,568,810	3,673,964	180,059	9,671,025	(97,897)	6,396,803	21,392,764
Net position held in trust for member jurisdictions							
Beginning 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>
End of year	<u>\$ 11,823,212</u>	<u>\$ 34,779,416</u>	<u>\$ 2,140,729</u>	<u>\$ 80,904,808</u>	<u>\$ 618,284</u>	<u>\$ 22,037,625</u>	<u>\$ 152,304,074</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF GENERAL, ADMINISTRATIVE AND PROJECT EXPENDITURES
GENERAL FUND
Year Ended June 30, 2013**

	<u>Total</u>	<u>General and Administrative</u>	<u>Projects</u>
Expenditures:			
Advertising	\$ 2,040	\$ 1,682	\$ 358
Capital purchases	3,168	3,168	-
Commissioners' per diem	11,350	11,350	-
Computer	4,033	2,485	1,548
Conference registration and training	545	545	-
Copier duplicating	6,901	6,901	-
Disability insurance	2,916	2,449	467
Employee group insurance	71,494	60,046	11,448
Employee retirement	65,742	55,215	10,527
Employer payroll taxes	52,103	43,760	8,343
Leave - annual, holiday, and sick	150,948	126,778	24,170
Legal and auditing	20,730	20,730	-
Memberships and subscriptions	1,490	1,490	-
Miscellaneous	3,605	3,605	-
Office supplies	2,593	2,593	-
Office rent	185,027	185,027	-
Insurance and liability bonds	5,772	5,772	-
Parking and Metrochek	10,317	10,257	60
Postage and shipping	2,454	2,061	393
Project consultants and other project costs	1,692,521	-	1,692,521
Public information	10,052	500	9,552
Salaries and wages	557,775	458,830	98,945
Telephone and data	5,613	5,613	-
Travel and meetings	6,101	6,041	60
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 2,875,290</u>	<u>\$ 1,016,898</u>	<u>\$ 1,858,392</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT REVENUES AND EXPENDITURES
GENERAL FUND
Year Ended June 30, 2013**

	<u>Jurisdiction Grants & Projects</u>	<u>Marketing</u>	<u>Bus Data Collection</u>	<u>Vanpools</u>	<u>NVTA Support/ TransAction 2040 Update</u>	<u>Route 7</u>	<u>Totals</u>
Revenues:							
Federal	\$ 905,310	\$ -	\$ -	\$ -	\$ -	\$ 244,654	\$ 1,149,964
Commonwealth of Virginia	171,807	672	-	-	122,638	30,504	325,621
Local	-	8,880	186,948	-	-	30,660	226,488
NVTC match	-	113,994	2,388	1,745	29,904	8,288	156,319
	<u>\$ 1,077,117</u>	<u>\$ 123,546</u>	<u>\$ 189,336</u>	<u>\$ 1,745</u>	<u>\$ 152,542</u>	<u>\$ 314,106</u>	<u>\$ 1,858,392</u>
Total revenue							
	<u>\$ 1,077,117</u>	<u>\$ 123,546</u>	<u>\$ 189,336</u>	<u>\$ 1,745</u>	<u>\$ 152,542</u>	<u>\$ 314,106</u>	<u>\$ 1,858,392</u>
Expenditures:							
Salaries and wages	\$ -	\$ 72,293	\$ 1,250	\$ 1,122	\$ 19,226	\$ 5,054	\$ 98,945
Fringe benefits	-	40,153	694	623	10,678	2,807	54,955
Advertising	-	-	358	-	-	-	358
Computer	-	1,548	-	-	-	-	1,548
Consultants	-	-	186,948	-	122,638	305,818	615,404
Costs incurred	1,077,117	-	-	-	-	-	1,077,117
Parking	-	-	-	-	-	60	60
Postage	-	-	86	-	-	307	393
Public information	-	9,552	-	-	-	-	9,552
Travel	-	-	-	-	-	60	60
	<u>\$ 1,077,117</u>	<u>\$ 123,546</u>	<u>\$ 189,336</u>	<u>\$ 1,745</u>	<u>\$ 152,542</u>	<u>\$ 314,106</u>	<u>\$ 1,858,392</u>
Total expenditures							
	<u>\$ 1,077,117</u>	<u>\$ 123,546</u>	<u>\$ 189,336</u>	<u>\$ 1,745</u>	<u>\$ 152,542</u>	<u>\$ 314,106</u>	<u>\$ 1,858,392</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, 2013**

	<u>Jurisdiction Grants & Projects</u>	<u>Marketing</u>	<u>Bus Data Collection</u>	<u>Vanpools</u>	<u>NVTA Support/ TransAction 2040 Update</u>	<u>Route 7</u>	<u>Totals</u>
Revenues:							
Federal	\$ 2,049,356	\$ -	\$ 113,067	\$ 160,000	\$ -	\$ 244,654	\$ 2,567,077
Commonwealth of Virginia	365,225	303,668	1,675,569	39,999	544,307	30,504	2,959,272
Local	5,000	22,380	236,948	-	-	30,660	294,988
NVTC match	71,102	1,164,517	50,242	25,508	44,209	13,001	1,368,579
Total revenue	<u>\$ 2,490,683</u>	<u>\$ 1,490,565</u>	<u>\$ 2,075,826</u>	<u>\$ 225,507</u>	<u>\$ 588,516</u>	<u>\$ 318,819</u>	<u>\$ 7,189,916</u>
Expenditures:							
Capital outlay	\$ -	\$ 17,556	\$ -	\$ -	\$ -	\$ -	\$ 17,556
Salaries and wages	47,718	840,893	43,699	16,620	28,603	8,162	985,695
Fringe benefits	22,963	407,838	18,989	8,887	15,498	4,412	478,587
Advertising	306	354	1,210	-	-	-	1,870
Computer	-	18,104	-	-	-	-	18,104
Consultants	442,735	-	2,010,537	200,000	544,309	305,818	3,503,399
Dues and memberships	-	770	-	-	-	-	770
Postage	-	-	960	-	-	307	1,267
Telephone	108	909	21	-	-	-	1,038
Office supplies	-	187	-	-	-	-	187
Travel	-	3,310	350	-	-	60	3,720
Parking and Metrochek	8	577	60	-	106	60	811
Public information	-	187,265	-	-	-	-	187,265
Events	-	12,802	-	-	-	-	12,802
Costs incurred	1,976,845	-	-	-	-	-	1,976,845
Total expenditures	<u>\$ 2,490,683</u>	<u>\$ 1,490,565</u>	<u>\$ 2,075,826</u>	<u>\$ 225,507</u>	<u>\$ 588,516</u>	<u>\$ 318,819</u>	<u>\$ 7,189,916</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS
 Year Ended June 30, 2013**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2013</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
Fiscal Year 2012	10/18/2011	73012-49	17,926,808	-	-	-	-	-	8,981,360
Fiscal Year 2012	10/18/2011	73012-50	2,262,400	1,079,301	1,079,301	-	-	-	2,005,790
Fiscal Year 2012	10/18/2011	73012-52	28,590	-	-	-	-	-	27,470
Fiscal Year 2012	10/18/2011	73012-53	5,766,728	-	648,303	648,303	648,303	-	5,766,728
Fiscal Year 2012	10/18/2011	73012-54	445,500	-	-	-	-	-	427,545
Fiscal Year 2012	10/18/2011	73012-57	75,000	-	-	-	-	-	-
Fiscal Year 2012	10/18/2011	73012-58	50,000	-	30,747	30,747	30,747	-	45,313
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	-	13,777	16,405	16,405	2,628	16,405
Fiscal Year 2012	10/18/2011	73012-63	20,000	-	-	-	-	-	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	-	730,351	730,351	730,351	-	730,351
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	-	20,343	20,343	20,343	-	20,343
Fiscal Year 2012	10/18/2011	73012-71	6,000,000	-	-	-	-	-	4,852,942
Fiscal Year 2012	10/18/2011	73012-72	225,000	-	34,263	34,263	34,263	-	34,263
Fiscal Year 2012	10/18/2011	73012-74	525,000	-	80,423	80,423	80,423	-	80,423
Fiscal Year 2012	10/18/2011	73012-75	500,000	-	500,000	500,000	500,000	-	500,000
Fiscal Year 2012	10/18/2011	73012-76	350,000	-	-	-	-	-	58,917
Fiscal Year 2012	10/18/2011	73012-77	100,000	-	32,611	32,611	32,611	-	32,611
Fiscal Year 2012	10/18/2011	73012-78	150,000	147,333	150,000	2,667	2,667	-	150,000
Fiscal Year 2011	7/17/2012	72511-03	771,612	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	72511-04	100,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-29	53,000	-	-	-	-	-	6,155
Fiscal Year 2011	10/5/2010	73011-30	249,524	-	161,420	161,420	161,420	-	161,420
Fiscal Year 2011	10/5/2010	73011-31	344,500	-	344,500	344,500	344,500	-	344,500
Fiscal Year 2011	10/5/2010	73011-32	362,361	-	19,801	19,801	19,801	-	204,144
Fiscal Year 2011	10/5/2010	73011-34	530,000	3,155	398,983	395,828	395,828	-	524,309
Fiscal Year 2011	10/5/2010	73011-35	74,200	-	-	-	-	-	-
Fiscal Year 2011	7/17/2012	73011-36	129,850	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-38	66,250	-	3,916	3,916	3,916	-	17,018
Fiscal Year 2011	10/5/2010	73011-39	651,900	-	-	-	-	-	464,996

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
Year Ended June 30, 2013

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2013</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	73011-40	\$ 795,000	\$ -	\$ 99,185	\$ 99,185	\$ 99,185	\$ -	\$ 352,469
Fiscal Year 2011	10/5/2010	73011-46	336,550	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	-	510,954	510,954	510,954	-	526,228
Fiscal Year 2011	10/5/2010	73011-49	212,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-50	265,000	-	209,763	209,763	209,763	-	209,763
Fiscal Year 2011	10/5/2010	73011-51	185,500	-	10,330	10,330	10,330	-	185,500
Fiscal Year 2011	10/5/2010	73011-53	530,000	-	-	-	-	-	-
Fiscal Year 2010	7/17/2012	72510-08	209,575	-	-	-	-	-	-
Fiscal Year 2011	8/4/2011	72510-17	915,893	-	-	-	-	-	-
Fiscal Year 2010	12/28/2010	72510-18	221,540	-	-	-	-	-	-
Fiscal Year 2010	2/2/2011	72510-25	133,250	-	-	-	-	-	-
Fiscal Year 2010	8/18/2010	72510-57	60,000	-	32,683	32,683	32,683	-	60,000
Fiscal Year 2010	7/2/2009	73010-26	792,000	-	376,296	376,296	376,296	-	791,997
Fiscal Year 2010	7/2/2009	73010-27	320,000	-	-	-	-	-	77,936
Fiscal Year 2010	7/2/2009	73010-29	3,600,000	-	1,801,339	1,801,339	1,801,339	-	3,600,000
Fiscal Year 2010	7/2/2009	73010-33	812,000	-	812,000	812,000	812,000	-	812,000
Fiscal Year 2010	7/2/2009	73010-34	54,400	-	5,666	5,666	5,666	-	54,400
Fiscal Year 2010	7/2/2009	73010-36	800,000	-	416,640	416,640	416,640	-	729,600
Fiscal Year 2010	7/2/2009	73110-10	2,387,837	-	-	-	-	-	2,387,837
Fiscal Year 2010	7/2/2009	72509-21	156,270	-	-	-	-	-	-
Fiscal Year 2010	7/2/2009	72509-22	190,190	-	-	-	-	-	-
Fiscal Year 2009	10/1/2010	72509-25	200,600	-	1,877	1,877	1,877	-	1,877
Fiscal Year 2009	7/1/2008	73009-37	160,000	-	5,603	5,603	5,603	-	7,206
Fiscal Year 2009	7/1/2008	73009-38	160,000	-	31,187	31,187	31,187	-	118,567
Fiscal Year 2009	7/1/2008	73009-40	400,000	-	92,667	92,667	92,667	-	399,999
Fiscal Year 2009	7/1/2008	73009-44	4,626,150	-	613,955	613,955	613,955	-	613,955
Fiscal Year 2009	7/1/2008	73009-45	160,000	-	-	-	-	-	30,237
Fiscal Year 2009	7/1/2008	73009-46	863,168	-	-	-	-	-	-
Fiscal Year 2009	7/1/2008	73009-47	100,000	-	-	-	-	-	99,840
Fiscal Year 2009	7/1/2008	73009-57	416,325	-	87,339	87,339	87,339	-	416,324
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	-	-	-	-	-	-

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
Year Ended June 30, 2013

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2013</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 2008	10/1/2008	72508-14	\$ 59,500	\$ -	\$ 35,888.00	\$ 35,888.00	\$ 35,888.00	\$ -	\$ 35,888
Fiscal Year 2008	8/12/2008	72508-16	59,500	-	-	-	-	-	-
Fiscal Year 2008	9/19/2008	72508-19	100,320	-	-	-	-	-	-
Fiscal Year 2008	4/5/2012	72508-48	209,245	-	-	-	-	-	-
Fiscal Year 2008	4/5/2012	72508-52	320,000	-	-	-	-	-	-
Fiscal Year 2008	7/2/2009	72508-45	712,460	-	258,906	258,906	258,906	-	658,949
Fiscal Year 2008	7/2/2009	73008-47	99,000	-	2,725	2,725	2,725	-	38,738
Fiscal Year 2008	10/16/2007	73008-17	2,139,112	-	2,465	2,465	2,465	-	1,968,536
Fiscal Year 2008	10/16/2007	73008-19	88,000	-	64,000	64,000	64,000	-	88,000
Fiscal Year 2007	7/2/2009	72507-06	142,768	-	-	-	-	-	-
Fiscal Year 2007	9/19/2008	72507-08	95,178	1,572	5,668	6,159	6,159	2,063	19,461
Fiscal Year 2007	8/12/2008	72507-31	118,973	-	38,522	38,522	38,522	-	38,522
Fiscal Year 2007	8/12/2008	72507-35	56,678	-	-	-	-	-	-
Fiscal Year 2007	10/1/2008	72507-33	56,678	-	56,678	56,678	56,678	-	56,678
Fiscal Year 2007	7/2/2009	72507-29	166,563	-	-	-	-	-	-
Fiscal Year 2007	7/2/2009	72507-30	95,178	-	17,097	17,097	17,097	-	24,299
Operating:									
Fiscal Year 2012	10/18/2011	72012-26	185,590	15,464	15,464	-	-	-	185,590
Fiscal Year 2012	10/18/2011	72012-27	61,984,082	5,163,274	5,163,274	-	-	-	61,984,082
Fiscal Year 2012	10/18/2011	72012-28	1,617,568	161,756	161,756	-	-	-	1,617,568
Fiscal Year 2012	10/18/2011	72012-29	2,332,378	233,238	233,238	-	-	-	2,332,378
Fiscal Year 2012	10/18/2011	72012-30	482,796	48,280	48,280	-	-	-	482,796
Fiscal Year 2012	10/18/2011	72012-31	9,522,043	952,203	952,203	-	-	-	9,522,043
Demonstration \ Experimental:									
Fiscal Year 2013									
Route 7 Alt Analysis	7/1/2012	71313-04	43,500	-	21,326	30,504	30,504	9,178	30,504
Fiscal Year 2011									
NVTA Transaction 2040	11/22/2011	47010-21	109,000	10,024	32,215	24,529	24,529	2,338	108,859
Total State Assistance - NVTC			147,024,596	7,943,085	16,593,413	8,666,535	8,666,535	16,207	116,839,712

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)
Year Ended June 30, 2013**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2013</u>	<u>Cumulative Expenditures</u>
<u>Virginia Railway Express</u>									
Virginia Department of Rail and Public Transportation (DRPT)									
Capital (continued):									
Fiscal Year 2013	12/1/2011	72513-11	\$ 750,000	\$ -	\$ 730,393	\$ 730,393	\$ 730,393	\$ -	\$ 730,393
Fiscal Year 2013	2/3/2013	72513-21	310,000	-	23,952	95,048	95,048	71,096	95,048
Fiscal Year 2013	8/28/2012	73113-01	1,884,025	-	101,704	174,377	174,377	72,673	174,377
Fiscal Year 2013	8/28/2012	73113-47	3,798,661	-	2,562,989	2,879,544	2,879,544	316,555	2,879,544
Fiscal Year 2012	2/15/2012	72512-04	420,000	-	281,344	414,928	414,928	133,584	414,928
Fiscal Year 2012	10/20/2011	73012-83	3,726,003	310,812	1,213,214	902,402	902,402	-	3,725,640
Fiscal Year 2012	3/13/2013	73012-84	240,732	-	137,688	166,816	166,816	29,128	166,816
Fiscal Year 2011	10/23/2011	73011-69	31,058	-	2,196	2,196	2,196	-	31,058
Fiscal Year 2011	10/23/2011	73011-70	153,488	-	-	-	-	-	153,249
Fiscal Year 2011	10/23/2011	73011-73	204,724	38,460	140,822	166,264	166,264	63,902	204,724
Fiscal Year 2011	3/13/2013	73011-78	9,484	-	3,112	3,240	3,240	128	3,240
Fiscal Year 2011	7/22/2011	73111-20	135,899	-	6,311	6,311	6,311	-	6,311
Fiscal Year 2011	6/16/2010	73111-22	727,882	-	727,882	727,882	727,882	-	727,882
Fiscal Year 2011	12/1/2012	73111-23	46,110	-	13,850	19,694	19,694	5,844	19,694
Fiscal Year 2011	3/13/2013	73111-24	222,812	-	222,812	222,812	222,812	-	222,812
Fiscal Year 2011	3/13/2013	73111-25	42,369	-	42,369	42,369	42,369	-	42,369
Fiscal Year 2010	3/18/2010	72510-19	141,075	6,335	9,215	2,880	2,880	-	140,130
Fiscal Year 2010	6/10/2011	72510-51	720,474	-	68,216	68,216	68,216	-	608,692
Fiscal Year 2010	6/10/2011	72510-74	50,000	-	-	-	-	-	-
Fiscal Year 2010	1/21/2011	72510-75	821,902	9,333	32,282	36,879	36,879	13,930	86,944
Fiscal Year 2010	8/25/2010	73010-46	168,108	-	-	-	-	-	167,999
Fiscal Year 2010	8/25/2010	73010-47	46,400	-	-	-	-	-	31,277
Fiscal Year 2010	8/25/2010	73010-48	39,360	-	-	-	-	-	39,360
Fiscal Year 2010	8/25/2010	73010-49	95,520	-	-	-	-	-	-
Fiscal Year 2010	8/25/2010	73010-50	24,000	3,638	14,690	11,052	11,052	-	24,000
Fiscal Year 2010	8/25/2010	73010-51	210,880	608	608	38,740	38,740	38,740	39,348
Fiscal Year 2010	8/25/2010	73010-57	178,780	-	-	-	-	-	164,306
Fiscal Year 2010	8/25/2010	73010-59	39,040	-	7,662	19,726	19,726	12,064	19,726
Fiscal Year 2010	8/25/2011	73010-60	29,148	5,148	5,147	(1)	(1)	-	29,148
Fiscal Year 2010	8/25/2011	73010-61	68,810	-	-	-	-	-	64,724
Fiscal Year 2010	8/25/2011	73010-62	29,148	416	3,045	2,629	2,629	-	25,923
Fiscal Year 2010	8/25/2011	73010-63	4,620	-	-	-	-	-	-
Fiscal Year 2010	8/25/2011	73010-64	14,000	-	5,335	5,840	5,840	505	5,840
Fiscal Year 2010	8/25/2011	73010-67	51,838	-	-	-	-	-	32,128
Fiscal Year 2009	9/1/2009	72509-74	270,000	198,439	160,731	(37,708)	(37,708)	-	232,292

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)
Year Ended June 30, 2013**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2013</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	\$ 47,509	\$ 143,141	\$ 109,795	\$ 109,795	\$ 14,163	\$ 266,587
Fiscal Year 2009	8/25/2010	73109-38	75,680	-	-	-	-	-	-
Fiscal Year 2008	1/30/2009	72508-48	191,680	4,742	4,742	5,838	5,838	5,838	191,680
Fiscal Year 2008	7/20/2009	72508-58	537,902	-	-	-	-	-	-
Fiscal Year 2008	3/16/2009	73008-58	20,800	13,826	18,370	4,544	4,544	-	20,800
Fiscal Year 2008	3/16/2009	73008-70	20,800	-	-	-	-	-	-
Fiscal Year 2008	3/16/2009	73008-71	73,632	23,520	53,918	47,513	47,513	17,115	71,033
Fiscal Year 2008	3/16/2009	73008-73	8,718	-	7,536	7,536	7,536	-	8,718
Fiscal Year 2007	4/15/2008	76507-07	749,600	-	7,967	7,967	7,967	-	7,967
Fiscal Year 2007	2/1/2008	73007-24	218,880	2,775	13,985	13,132	13,132	1,922	206,065
Fiscal Year 2007	2/1/2008	73007-25	355,392	8,699	2,586	(6,113)	(6,113)	-	342,187
Fiscal Year 2006	8/2/2007	72506-08	500,000	-	-	-	-	-	100,553
Operating:									
Fiscal Year 2013	8/28/2012	72013-33	9,291,406	-	8,362,264	9,291,406	9,291,406	929,142	9,291,406
Fiscal Year 2012	10/18/2011	72012-32	6,930,023	-	693,003	693,003	693,003	-	6,930,023
Other Special Projects:									
Rail Enhancement Fund:									
Third Track Spotsylvania	5/10/2013	76513-11	13,856,292	-	-	-	-	-	-
Cherry Hill Station	4/15/2008	76507-07	1,071,429	7,967	-	(7,967)	(7,967)	-	603,942
Eligible expenditures accrued, not yet assigned to specific grants		N/A	N/A	2,949,693	-	(942,439)	(942,439)	2,007,254	(942,439)
Total State Assistance - VRE			50,357,584	3,631,920	15,825,081	15,926,744	15,926,744	3,733,583	28,408,444
Total State Assistance - NVTC and VRE			\$ 197,382,180	\$ 11,575,005	\$ 32,418,494	\$ 24,593,279	\$ 24,593,279	\$ 3,749,790	\$ 145,248,156

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS
Year Ended June 30, 2013**

<u>Grant / Contracted Jurisdiction</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2013</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions)</u>									
Virginia Department of Rail and Public Transportation (DRPT)									
Capital:									
Fiscal Year 2013									
Arlington County	11/13/2012	73113-28	\$ 275,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Arlington County	11/13/2012	73113-29	82,500	-	9,573	9,573	9,573	-	9,573
Arlington County	11/13/2012	73113-30	110,000	-	-	-	-	-	-
Arlington County	11/13/2012	73113-31	1,755,000	-	-	-	-	-	-
Arlington County	11/13/2012	73113-32	71,500	-	-	-	-	-	-
Arlington County	11/13/2012	73113-33	93,500	-	-	-	-	-	-
Arlington County	11/13/2012	73113-62	888,219	-	888,219	888,219	888,219	-	888,219
Arlington County	11/13/2012	73113-63	882,368	-	649,609	649,609	649,609	-	649,609
Arlington County	11/13/2012	73113-64	143,550	-	143,550	143,550	143,550	-	143,550
Arlington County	11/13/2012	73113-65	5,799,502	-	5,799,502	5,799,502	5,799,502	-	5,799,502
Arlington County	11/13/2012	73113-66	1,269,303	-	1,269,303	1,269,303	1,269,303	-	1,269,303
City of Alexandria	12/3/2012	73113-67	459,702	-	459,702	459,702	459,702	-	459,702
City of Alexandria	12/3/2012	73113-68	502,995	-	502,995	502,995	502,995	-	502,995
City of Alexandria	12/3/2012	73113-69	73,150	-	73,150	73,150	73,150	-	73,150
City of Alexandria	12/3/2012	73113-70	3,085,633	-	3,085,633	3,085,633	3,085,633	-	3,085,633
City of Alexandria	12/3/2012	73113-71	675,334	-	675,334	675,334	675,334	-	675,334
City of Fairfax	10/4/2012	73113-34	16,500	-	13,559	13,559	13,559	-	13,559
City of Fairfax	10/4/2012	73113-72	15,138	-	15,138	15,138	15,138	-	15,138
City of Fairfax	10/4/2012	73113-73	3,300	-	3,300	3,300	3,300	-	3,300
City of Fairfax	10/4/2012	73113-74	203,491	-	199,286	199,286	199,286	-	199,286
City of Fairfax	10/4/2012	73113-75	44,537	-	43,617	43,617	43,617	-	43,617
Fairfax County	10/4/2012	73113-35	5,335,000	-	5,051,831	5,051,831	5,051,831	-	5,051,831
Fairfax County	10/4/2012	73113-36	4,001,250	-	3,747,690	3,747,690	3,747,690	-	3,747,690
Fairfax County	10/4/2012	73113-37	165,000	-	115,724	115,724	115,724	-	115,724
Fairfax County	10/4/2012	73113-38	49,500	-	-	-	-	-	-
Fairfax County	10/4/2012	73113-39	1,375,000	-	-	-	-	-	-
Fairfax County	10/4/2012	73113-40	715,000	-	223,918	223,918	223,918	-	223,918
Fairfax County	10/4/2012	73113-41	825,000	-	-	-	-	-	-
Fairfax County	10/4/2012	73113-42	495,000	-	-	-	-	-	-
Fairfax County	10/4/2012	73113-43	2,365,000	-	-	-	-	-	-
Fairfax County	10/4/2012	73113-44	825,000	-	-	-	-	-	-
Fairfax County	10/4/2012	73113-45	660,000	-	-	-	-	-	-
Fairfax County	10/4/2012	73113-81	1,027,181	-	1,027,181	1,027,181	1,027,181	-	1,027,181
Fairfax County	10/4/2012	73113-82	4,392,528	-	4,197,337	4,197,337	4,197,337	-	4,197,337
Fairfax County	10/4/2012	73113-83	229,350	-	229,350	229,350	229,350	-	229,350
Fairfax County	10/4/2012	73113-84	10,274,353	-	10,274,353	10,274,353	10,274,353	-	10,274,353

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (continued)
Year Ended June 30, 2013

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2012</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2013</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission, Jurisdiction Trust Fund (contracted directly with individual jurisdictions)</u>									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
Capital (continued):									
Fiscal Year 2013									
Fairfax County	10/4/2012	73113-85	\$ 2,248,689	\$ -	\$ 2,248,689	\$ 2,248,689	\$ 2,248,689	\$ -	\$ 2,248,689
Falls Church	10/10/2012	73113-76	12,480	-	12,480	12,480	12,480	-	12,480
Falls Church	10/10/2012	73113-77	29,116	-	29,116	29,116	29,116	-	29,116
Falls Church	10/10/2012	73113-78	4,400	-	4,400	4,400	4,400	-	4,400
Falls Church	10/10/2012	73113-79	203,491	-	203,491	203,491	203,491	-	203,491
Falls Church	10/10/2012	73113-80	44,537	-	44,537	44,537	44,537	-	44,537
Operating:									
City of Alexandria	12/3/2012	72013-58	11,146,934	-	10,218,021	11,146,934	11,146,934	928,913	11,146,934
City of Alexandria	12/3/2012	72013-30	2,833,183	-	2,549,864	2,833,183	2,833,183	283,319	2,833,183
City of Alexandria	12/3/2012	72013-63	9,677	-	9,677	9,677	9,677	-	9,677
Arlington County	11/13/2012	72013-57	19,095,469	-	17,504,179	19,095,469	19,095,469	1,591,290	19,095,469
Arlington County	11/13/2012	72013-29	1,941,147	-	1,747,028	1,941,147	1,941,147	194,119	1,941,147
Arlington County	11/13/2012	72013-62	16,702	-	16,702	16,702	16,702	-	16,702
City of Fairfax	10/4/2012	72013-59	638,058	-	584,892	638,058	638,058	53,166	638,058
City of Fairfax	10/4/2012	72013-31	549,735	-	494,760	549,735	549,735	54,975	549,735
City of Fairfax	10/4/2012	72013-64	758	-	758	758	758	-	758
Fairfax County	10/4/2012	72013-60	40,080,142	-	36,740,132	40,080,142	40,080,142	3,340,010	40,080,142
Fairfax County	10/4/2012	72013-32	11,699,306	-	10,529,380	11,699,306	11,699,306	1,169,926	11,699,306
Fairfax County	6/10/2013	72013-66	44,715	-	44,715	44,715	44,715	-	44,715
Falls Church	10/10/2012	72013-61	858,817	-	787,248	858,817	858,817	71,569	858,817
Falls Church	10/10/2012	72013-65	594	-	594	594	594	-	594
Total State Assistance - Jurisdiction Trust Fund			\$ 140,642,334	\$ -	\$122,469,517	\$ 130,156,804	\$ 130,156,804	\$ 7,687,287	\$ 130,156,804

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/12</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/13</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission</u>									
Federal Transit Administration									
Crystal City/Potomac Yard Busway	20.500	VA 03-0112	\$ 777,422	\$ -	\$ 45,306	\$ 45,306	\$ 45,306	\$ -	\$ 711,423
Alexandria Potomac Yards Env Analysis	20.507	VA 95-0077	240,000	-	130,731	130,731	130,731	-	240,000
Eisenhower Ave. Intermodal Station	20.500	VA 04-0022	1,442,203	-	154,086	154,086	154,086	-	154,086
Alexandria Potomac Yard Busway	20.500	VA 04-0024	1,995,420	-	370,264	370,264	370,264	-	370,264
Falls Church Intermodal	20.500	VA 04-0029	886,160	6,290	22,674	24,635	24,635	8,251	77,847
Eisenhower Ave Bus Loop	20.500	VA 04-0048	1,640,700	-	7,507	7,507	7,507	-	7,507
NVTC Route 7 Corridor Alts Analysis	20.522	VA 39-0005	350,000	-	171,237	244,654	244,654	73,417	244,654
Alexandria BRT Potomac Yards-NWST	20.500	VA 03-0117	1,490,000	-	172,781	172,781	172,781	-	172,781
			<u>8,821,905</u>	<u>6,290</u>	<u>1,074,586</u>	<u>1,149,964</u>	<u>1,149,964</u>	<u>81,668</u>	<u>1,978,562</u>
Virginia Department of Rail and Public Transportation									
NVTA Transaction 2040 Plan Update	20.205	47010-21	400,000	40,103	128,860	98,110	98,110	9,353	435,443
Total Federal Assistance - NVTC			<u>\$ 9,221,905</u>	<u>\$ 46,393</u>	<u>\$ 1,203,446</u>	<u>\$ 1,248,074</u>	<u>\$ 1,248,074</u>	<u>\$ 91,021</u>	<u>\$ 2,414,005</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

COMPLIANCE SECTION

YEAR ENDED JUNE 30, 2013

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

Federal Granting Agency/ Grant Program/Grant Number	Pass- Through Grant Number	Federal CFDA Number	Expenditures
Department of Transportation			
<u>Direct Payments:</u>			
Federal Transit Administration:			
VA 03-0112		20.500	\$ 45,306
VA 03-0117		20.500	172,781
VA 04-0022		20.500	154,086
VA 04-0024		20.500	370,264
VA 04-0029		20.500	24,635
VA 04-0048		20.500	7,507
VA 39-0005		20.522	244,654
VA 95-0077		20.507	130,731
			<u>1,149,964</u>
<u>Pass-through Payments:</u>			
Virginia Department of Rail and Public Transportation Surface Transportation Program funding (STP)	47010-21	20.205	<u>98,110</u>
Total federal awards expended			<u><u>\$ 1,248,074</u></u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES 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. Federal financial assistance does not include direct federal cash assistance to individuals.

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

Note 2. Summary of Significant Accounting Policies

For fiscal year 2013, the Commission recognized amounts in the Schedule of Expenditures of Federal Awards (SEFA) associated with prior year expenditures. Expenditures should be recognized in the fiscal year spent for reporting purposes. In the current fiscal year, \$422,030 of prior year expenditures associated with the Federal Transit Cluster (CFDA # 20.500 and # 20.507) were included in the SEFA. Prior year expenditures associated with the cluster were reflected in the current year due to timing in which the Commission received draw down requests and supporting documentation from the participating jurisdictions in which NVTC manages the federal 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, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Northern Virginia Transportation Commission (Commission), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 27, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 27, 2013



**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Northern Virginia Transportation Commission's (Commission) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended June 30, 2013. The Commission's major federal program is identified in the summary of independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Commission's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for its major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
November 27, 2013

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified	_____ Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____ Yes	<input checked="" type="checkbox"/> No
Noncompliance material to financial statements noted	_____ Yes	<input checked="" type="checkbox"/> No

Federal awards

Internal control over major programs:

Material weaknesses identified	_____ Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____ Yes	<input checked="" type="checkbox"/> None Reported

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
-------------	------------------------------------

Federal Transit Cluster:

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

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

Auditee qualified as low-risk auditee?	_____ Yes	<input checked="" type="checkbox"/> No
--	-----------	--

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, 2013

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