

**NORTHERN VIRGINIA
TRANSPORTATION COMMISSION**

**Financial and Compliance Reports
Year Ended June 30, 2011**

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
Table of Contents

	Page
Independent Auditor's Report	1 - 2
Required Supplementary Information:	
Management's Discussion and Analysis	3 - 13
Basic Financial Statements:	
Statement of Net Assets	14 - 15
Statement of Activities	16
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Statement of Net Assets - Proprietary Fund	19 - 20
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund	21
Statement of Cash Flows - Proprietary Fund	22
Statement of Fiduciary Net Assets - Fiduciary Fund	23
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund	24
Notes to the Financial Statements	25 - 51
Required Supplementary Information:	
Schedule of Funding Progress - Virginia Retirement System	52
Supplementary Information:	
Schedule of Changes in Fiduciary Net Assets by Jurisdiction - Jurisdiction Trust Fund	53
Schedule of General, Administrative and Project Expenditures - General Fund	54
Schedules of Project Revenues and Expenditures - General Fund	55 - 56
Schedule of Expenditures of Commonwealth of Virginia Awards	57 - 60
Schedule of Expenditures of Federal Awards - Cumulative	61 - 63

	Page
Compliance Section:	
Schedule of expenditures of federal awards	64
Note to schedule of expenditures of federal awards	65
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	66 - 67
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	68 - 69
Schedule of findings and questioned costs	70 - 71
Summary schedule of prior audit findings	72

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Northern Virginia Transportation Commission (Commission) as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Commission as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (pages 3 to 13) and the required supplementary information (page 52) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PBGH, LLP

Harrisonburg, Virginia
December 20, 2011

NORTHERN VIRGINIA TRANSPORTATION COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Northern Virginia Transportation Commission's (NVTC) financial performance provides an overview of NVTC's financial activities for the fiscal year that ended on June 30, 2011. Please read it in conjunction with the accompanying financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

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

- NVTC's assets exceeded liabilities by \$80.8 million on a government-wide basis as of June 30, 2011. Of this total, \$80.6 million is for business-type activities with the balance for governmental activities
- For the fiscal year, grants, contributions and other revenue net of transfers of NVTC's governmental activities amounted to \$146.7 million. Expenses were approximately equal to revenue.
- For the fiscal year, revenues and transfers of NVTC's business-type activities were \$63.4 million. Expenses amounted to \$34.4 million.

Highlights for Fund Financial Statements

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

- NVTC's governmental funds reported an increase in fund balance of \$70,745 for fiscal year 2011, compared to an increase of \$3,172 for fiscal year 2010. The governmental funds balance as of June 30, 2011 totaled \$345,262 compared with \$274,517 at the end of the previous fiscal year.
- During the fiscal year, the proprietary fund net assets increased by approximately \$29.0 million, from \$51.5 million to \$80.5 million.
- NVTC's fiduciary fund reported a decrease of \$14.6 million in net assets held in trust for member jurisdictions, from \$148.6 million to \$134.0 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Supplementary Information

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

FINANCIAL ANALYSIS OF THE NVTC REPORTING ENTITY AS A WHOLE

Statement of Net Assets

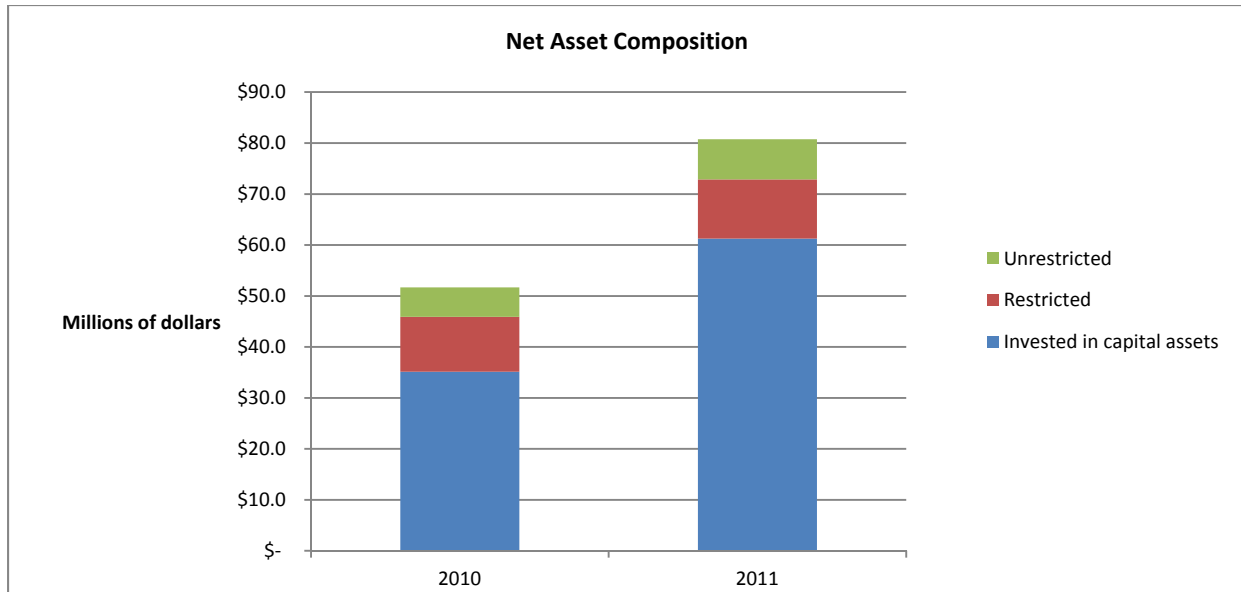
The following table presents a summary of the Statement of Net Assets for the NVTC reporting entity as of June 30, 2011 and 2010:

Summary of Net Assets As of June 30,

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	\$ 16,073,312	\$ 8,582,875	\$ 24,108,555	\$ 22,799,581	\$ 40,181,867	\$ 31,382,456
Capital assets	61,080	5,559	161,102,623	140,462,409	161,163,703	140,467,968
Total assets	16,134,392	8,588,434	185,211,178	163,261,990	201,345,570	171,850,424
Liabilities:						
Current and other liabilities	15,836,458	8,338,352	14,888,752	15,421,143	30,725,210	23,759,495
Long-term liabilities	89,138	78,161	89,773,230	96,316,917	89,862,368	96,395,078
Total liabilities	15,925,596	8,416,513	104,661,982	111,738,060	120,587,578	120,154,573
Net assets:						
Invested in capital assets, net	61,080	5,559	61,211,996	35,149,338	61,273,076	35,154,897
Restricted	-	-	11,585,848	10,753,522	11,585,848	10,753,522
Unrestricted	147,716	166,362	7,751,352	5,621,070	7,899,068	5,787,432
Total net assets	\$ 208,796	\$ 171,921	\$ 80,549,196	\$ 51,523,930	\$ 80,757,992	\$ 51,695,851

As noted earlier, net assets may serve as a useful indicator of a government's financial position. As shown above, total assets exceeded liabilities by \$80.8 million, an increase of \$29.1 million over the previous fiscal year. The largest portion of net assets, \$61.3 million or 75.9 percent, represents the investment in capital assets (e.g., land, building, improvements, rolling stock, equipment and software). These assets are used to provide service to riders; consequently, these assets are not available for future spending. The investment in capital assets is reported net of accumulated depreciation, amortization and related debt. The resources required to repay this debt must be provided annually from operations and federal, state and local support since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

A portion of the net assets, \$11.6 million or 14.3 percent represents resources that are restricted for the commuter rail liability insurance plan, debt service, and the purchase of replacement rolling stock.



Capital assets, net of accumulated depreciation and amortization, increased approximately \$20.7 million or 14.7 percent as the result of rolling stock and facilities additions.

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, 2011, approximately \$19.3 million was due from the Commonwealth of Virginia, of which \$9.1 million is for motor fuel sales tax, and \$10.2 million for grant revenue. This is an \$8.0 million or 71.5 percent increase from the previous fiscal year, of which motor fuels sales tax receivables increased \$2.3 million and grant revenue increased \$5.7 million. The \$5.7 million increase in the receivable for grant revenue is due primarily to an increase in the final operating assistance due for the fiscal year, and an increase in the number of jurisdiction capital grants invoiced near the end of the fiscal year. The \$2.3 million increase in motor fuel sales tax due is primarily the result of increasing fuel prices between periods. As of June 30, 2011, \$3.6 million of the amount due from the Commonwealth was for the commuter rail service, \$15.5 million was for the jurisdiction transit function of NVTC, and \$86,689 was for general and administrative and projects. Cash, cash equivalents and investments increased approximately 3.4%, and totaled \$15.8 million, of which all but \$305,082 was for the business-type activities of the commuter rail service.

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

Statement of Changes in Net Assets

The following table shows the revenues and expenses and the change in net assets of the NVTC reporting entity for the fiscal years ended June 30, 2011 and 2010:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues						
Charges for services	\$ -	\$ -	\$ 13,043,303	\$ 12,679,759	\$ 13,043,303	\$ 12,679,759
Operating grants and contributions	102,853,466	114,108,201	5,229,291	5,302,771	108,082,757	119,410,972
Capital grants and contributions	-	-	21,786,052	1,737,091	21,786,052	1,737,091
General revenues						
Intergovernmental:						
Commuter rail	23,379,749	23,738,000	-	-	23,379,749	23,738,000
Motor vehicle fuel sales tax	43,812,756	36,135,996	-	-	43,812,756	36,135,996
Interest	856	1,376	6,069	42,884	6,925	44,260
Other	8,316	-	-	-	8,316	-
Transfers	(23,379,749)	(23,738,000)	23,379,749	23,738,000	-	-
Total revenues	146,675,394	150,245,573	63,444,464	43,500,505	210,119,858	193,746,078
Expenses:						
General and administration	2,332,225	1,654,549	-	-	2,332,225	1,654,549
Jurisdiction transit	144,306,294	148,598,889	-	-	144,306,294	148,598,889
Commuter rail	-	-	34,419,198	33,087,134	34,419,198	33,087,134
Total expenses	146,638,519	150,253,438	34,419,198	33,087,134	181,057,717	183,340,572
Change in net assets	36,875	(7,865)	29,025,266	10,413,371	29,062,141	10,405,506
Beginning net assets	171,921	179,786	51,523,930	41,110,559	51,695,851	41,290,345
Net assets, ending	\$ 208,796	\$ 171,921	\$ 80,549,196	\$ 51,523,930	\$ 80,757,992	\$ 51,695,851

For the fiscal year ended June 30, 2011, revenues totaled \$210.1 million, compared to \$193.7 million in the preceding year, an increase of \$16.4 million or 8.5 percent. Expenses decreased \$2.3 million or 1.2%. A discussion of the key components of these changes is included in the funds analysis.

FINANCIAL ANALYSIS OF THE REPORTING ENTITY'S FUNDS

Governmental Funds

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

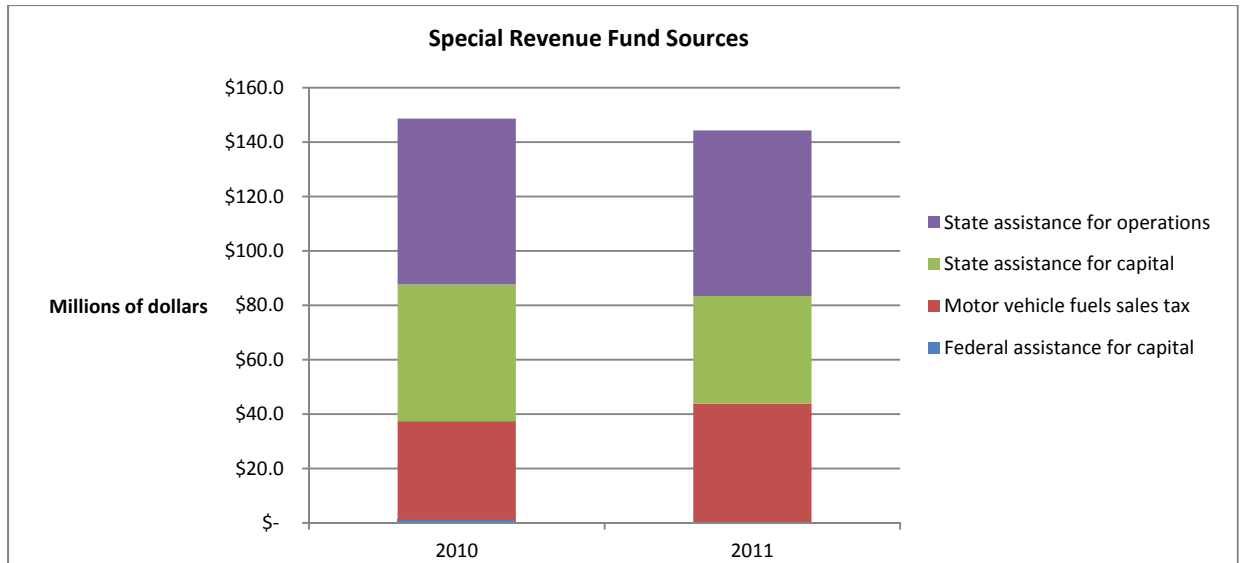
NVTC adopts an annual operating budget for the planning and administrative activities of the General Fund for the purpose of determining the annual contributions from the member jurisdictions required to fund these activities. In addition, the various projects included in the General Fund have individual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

As of June 30, 2011 the General Fund had a total fund balance of \$345,262 of which \$39,185 was nonspendable and \$306,077 was unassigned. The fund balance increased \$70,745 or 25.8 percent from the preceding year due to a favorable budget variance, offset by a budgeted drawdown of surplus funds.

During fiscal year 2011, NVTC's regional projects incurred a total of \$1,379,016 in direct costs. Six of these projects were funded with state and federal sources totaling \$1,205,590. The \$173,426 in other funding sources includes local contributions from NVTC to primarily cover payroll and payroll related costs.

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

Intergovernmental revenues decreased approximately \$3.0 million or 2.0 percent from the previous fiscal year. A comparison of the revenue by type between fiscal years follows:



State assistance for operations is revenue from the state FTM/Admin formula assistance program. Operating assistance remained about constant between fiscal years, as did the state-wide assistance available for the operating assistance program. The FTM/Admin assistance program is funded at the statutory fixed rate of 73.5% of projected Mass Transit Trust Fund revenue. Since fiscal year 2009, the FTM/Admin program receives 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 2011 decreased \$10.7 million or 21.3 percent from the previous fiscal year. This decrease is primarily the result of a greater amount of eligible expenses invoiced during the previous fiscal year, combined with various state participation rates for different classes of assets and fluctuating rates from year to year. State assistance for capital expenditures during the fiscal year includes revenue from the Mass Transit Trust Fund, the Mass Transit Capital program, the Transportation Trust Fund, and the NTD bond program. The state-wide capital program is funded at the statutory fixed rate of 25% of projected Mass Transit Trust Fund revenues. The fiscal year 2011 program allocated an additional \$42.4 million from the Mass Transit Capital program for state-wide needs.

Effective January 1, 2010, the Motor Vehicle Fuel Sales tax is levied on distributors of gasoline and diesel fuel for deliveries within NVTC's jurisdictions at the rate of 2.1%. Prior to this, the tax was levied on the retail sales at the rate of 2%. The Department of Taxation, the state agency responsible for administering the tax, has not determined the impact on revenue collections with the change in the tax. However, NVTC's analysis indicates it is most likely not significant. Motor Vehicle Fuel Sales tax revenue increased by \$7.7 million or 21.3 percent from the previous fiscal year. This increase is consistent with the national average price increase for all grades of gasoline over the same period, as calculated from U.S. DOE weekly price data. Overall demand, the price elasticity impacting demand, grade mix, and taxpayer compliance are some of the other factors that affect revenue collections.

Proprietary Fund

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

NVTC's share of operating revenue increased about \$0.4 million or 2.8%, while operating expenses increased \$1.0 million or 4.5%. Capital contributions and transfers increased \$19.7 million or 43.6 percent, reflecting the significant investment in capital assets during the year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

The details of capital assets as of June 30, 2011 and 2010 are as follows:

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2011	2010	2011	2010	2011	2010
Rolling stock	\$ -	\$ -	\$ 109,195,303	\$ 87,926,088	\$ 109,195,303	\$ 87,926,088
Vehicles	-	-	49,916	37,081	49,916	37,081
Facilities	-	-	46,167,777	39,049,578	46,167,777	39,049,578
Track and signal improvements	-	-	26,342,184	26,075,500	26,342,184	26,075,500
Equipment and software	-	-	4,196,719	4,388,161	4,196,719	4,388,161
Construction in progress	-	-	15,841,673	21,408,789	15,841,673	21,408,789
Equity in local properties	-	-	2,622,399	2,622,399	2,622,399	2,622,399
Furniture, equipment and software	88,443	131,448	1,880,058	1,862,332	1,968,501	1,993,780
	88,443	131,448	206,296,029	183,369,928	206,384,472	183,501,376
Less accumulated depreciation and amortization	27,363	125,889	45,193,406	42,907,519	45,220,769	43,033,408
Total capital assets, net	\$ 61,080	\$ 5,559	\$ 161,102,623	\$ 140,462,409	\$ 161,163,703	\$ 140,467,968

NVTC's investment in capital assets as of June 30, 2011 amounted to \$161.2 million which represents an increase of \$20.7 million or 14.7 percent over last year. Completed projects totaling approximately \$32.5 million were closed from construction in progress to their respective capital accounts and an additional \$0.1 million was charged directly to the capital accounts.

The major completed projects were: manufacture of 13 new locomotives; construction of a second platform and pedestrian overpass at the Woodbridge station; Fredericksburg station viaduct and platform rehabilitation; and the construction of a maintenance facility at the Broad Run yard. Seven older locomotives were sold during the year for a combined net loss recognized by NVTC of approximately \$135,000. The major additions to construction in progress during the fiscal year were for the acquisition of new locomotives, and improvements to the stations and yards.

Debt Administration

At June 30, 2011, the commissions had total debt outstanding of \$107.7 million, of which \$98.0 million is reported by NVTC. The revenue bond debt is issued under the name of the NVTC. The bonds are secured by a pledge of VRE operations revenue. A debt service insurance policy guarantees payment of each bond series.

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

	2011	2010
Revenue bonds	\$ 24,295,000	\$ 29,490,000
Capital leases	9,983,326	10,387,814
Notes payable (includes RRIF)	63,685,611	64,189,851
Total	\$ 97,963,937	\$ 104,067,665

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 2011.

Economic Factors and Next Year's Budget

It is expected that operating assistance recognized by the Special Revenue fund will increase over 20% from fiscal year 2011 levels, as reflected in the fiscal year 2012 state assistance program. Likewise, the amount of capital assistance appropriated to NVTC increased for fiscal year 2012, however, the actual amount of revenue that will be recognized during the fiscal year is dependent on when eligible capital costs are incurred.

The U.S. Energy Information Administration forecasts a 9% increase in the average price of gasoline nationwide for fiscal year 2012. 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 increase in gas tax revenue for the Special Revenue fund should 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, no general fare increase was budgeted for fiscal year 2012. The total local subsidy for fiscal year 2012 was reduced by \$126,391 to a total of \$15,943,916, a reflection of the decline in local jurisdiction revenue. The level of state funding for transportation continues to be volatile and the level of federal formula funding may be considerably more variable than it has been in the past.

REQUESTS FOR INFORMATION

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS	Primary Government		Total
	Governmental Activities	Business-type Activities	Primary Government
Cash and cash equivalents	\$ 305,082	\$ 3,973,565	\$ 4,278,647
Due from other governments:			
Commonwealth of Virginia	19,265,628	-	19,265,628
Federal	74,267	-	74,267
Trade accounts receivable, net	-	1,477,627	1,477,627
Other receivables	17,085	119,837	136,922
Inventory	-	1,888,504	1,888,504
Deposits and prepaid items	39,185	186,488	225,673
Restricted cash, cash equivalents and investments	-	11,533,744	11,533,744
Internal balances	(3,627,935)	3,627,935	-
Deferred bond and lease costs, net	-	1,300,855	1,300,855
Capital assets:			
Rolling stock	-	109,195,303	109,195,303
Vehicles	-	49,916	49,916
Facilities	-	46,167,777	46,167,777
Track and signal improvements	-	26,342,184	26,342,184
Equipment and software	-	4,196,719	4,196,719
Construction in progress	-	15,841,673	15,841,673
Equity in local properties	-	2,622,399	2,622,399
Furniture, equipment and software	88,443	1,880,058	1,968,501
Less accumulated depreciation and amortization	(27,363)	(45,193,406)	(45,220,769)
Total assets	16,134,392	185,211,178	201,345,570

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET ASSETS
June 30, 2011

LIABILITIES	Primary Government		Total Primary Government
	Governmental Activities	Business-type Activities	
Accounts payable	\$ 170,160	\$ 1,122,889	\$ 1,293,049
Accounts payable - rolling stock	-	546,428	546,428
Accrued expenses	19,200	2,152,625	2,171,825
Accrued interest	-	850,974	850,974
Due to fiduciary fund	15,538,690	-	15,538,690
Deferred revenue	-	517,907	517,907
Lease liability	79,803	-	79,803
Contract retainage	-	1,835,371	1,835,371
Noncurrent liabilities:			
Due within one year:			
Compensated absences	28,605	1,104	29,709
Notes payable	-	1,734,009	1,734,009
Capital lease obligations	-	517,445	517,445
Bonds payable, net	-	5,610,000	5,610,000
Due in more than one year:			
Compensated absences	89,138	125,855	214,993
Notes payable	-	61,951,602	61,951,602
Capital lease obligations	-	9,375,881	9,375,881
Bonds payable, net	-	18,319,892	18,319,892
Total liabilities	15,925,596	104,661,982	120,587,578
 NET ASSETS			
Invested in capital assets, net of related debt	61,080	61,211,996	61,273,076
Restricted for liability insurance plan	-	5,026,484	5,026,484
Restricted for debt service and capital lease	-	6,259,239	6,259,239
Restricted grants or contributions	-	300,125	300,125
Unrestricted	147,716	7,751,352	7,899,068
Total net assets	\$ 208,796	\$ 80,549,196	\$ 80,757,992

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Primary government:							
Governmental activities:							
General and administration	\$ 2,332,225	\$ -	\$ 2,359,248	\$ -	\$ 27,023	\$ -	\$ 27,023
Jurisdiction transit	144,306,294	-	100,494,218	-	(43,812,076)	-	(43,812,076)
Total governmental activities	<u>146,638,519</u>	<u>-</u>	<u>102,853,466</u>	<u>-</u>	<u>(43,785,053)</u>	<u>-</u>	<u>(43,785,053)</u>
Business-type activities:							
Commuter rail	34,419,198	13,043,303	5,229,291	21,786,052	-	5,639,448	5,639,448
Total business-type activities	<u>34,419,198</u>	<u>13,043,303</u>	<u>5,229,291</u>	<u>21,786,052</u>	<u>-</u>	<u>5,639,448</u>	<u>5,639,448</u>
Total primary government	<u>\$ 181,057,717</u>	<u>\$ 13,043,303</u>	<u>\$ 108,082,757</u>	<u>\$ 21,786,052</u>	<u>(43,785,053)</u>	<u>5,639,448</u>	<u>(38,145,605)</u>
General revenues:							
Intergovernmental revenue - commuter rail					23,379,749	-	23,379,749
Intergovernmental revenue - motor vehicle fuel sales tax					43,812,756	-	43,812,756
Interest income					856	6,069	6,925
Other					8,316	-	8,316
Transfers					(23,379,749)	23,379,749	-
Total general revenues and transfers, net					<u>43,821,928</u>	<u>23,385,818</u>	<u>67,207,746</u>
Change in net assets					36,875	29,025,266	29,062,141
Net assets, beginning of year					<u>171,921</u>	<u>51,523,930</u>	<u>51,695,851</u>
Net assets, end of year					<u>\$ 208,796</u>	<u>\$ 80,549,196</u>	<u>\$ 80,757,992</u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 305,082	\$ -	\$ 305,082
Due from other governments:			
Commonwealth of Virginia	3,726,938	15,538,690	19,265,628
Federal	74,267	-	74,267
Due from proprietary fund	12,314	-	12,314
Other receivables	17,085	-	17,085
Deposits and prepaid items	39,185	-	39,185
	<u>\$ 4,174,871</u>	<u>\$ 15,538,690</u>	<u>\$ 19,713,561</u>
LIABILITIES			
Accounts payable	\$ 170,160	\$ -	\$ 170,160
Accrued salaries	19,200	-	19,200
Due to proprietary fund	3,640,249	-	3,640,249
Due to fiduciary fund	-	15,538,690	15,538,690
Total liabilities	<u>3,829,609</u>	<u>15,538,690</u>	<u>19,368,299</u>
FUND BALANCES			
Nonspendable			
Deposits and prepaid items	39,185	-	39,185
Unassigned	306,077	-	306,077
Total fund balance	<u>345,262</u>	<u>-</u>	<u>345,262</u>
	<u>\$ 4,174,871</u>	<u>\$ 15,538,690</u>	<u>\$ 19,713,561</u>

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

Fund balances - governmental funds	\$ 345,262
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$88,443 and the accumulated depreciation and amortization is \$27,363.	61,080
Lease liability only recognized in the government-wide financial statements.	(79,803)
Compensated absences are liabilities not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(117,743)</u>
Net assets - governmental activities	<u>\$ 208,796</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, 2011

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
Revenues:			
Intergovernmental revenues:			
Grants and contributions:			
Commonwealth of Virginia	\$ 24,607,926	\$ 100,494,218	\$ 125,102,144
Local jurisdictions	310,000	-	310,000
Federal	749,812	-	749,812
Motor vehicle fuel sales tax	680	43,812,076	43,812,756
Project chargebacks	70,000	-	70,000
Local project contributions	1,259	-	1,259
Interest income	856	-	856
Other income	8,316	-	8,316
Total revenues	25,748,849	144,306,294	170,055,143
Expenditures:			
Current:			
General and administration	857,601	-	857,601
Project costs	1,379,016	-	1,379,016
Payments to fiduciary fund	-	144,306,294	144,306,294
Capital outlay	61,738	-	61,738
Total expenditures	2,298,355	144,306,294	146,604,649
Other Financing Uses:			
Transfer out	(23,379,749)	-	(23,379,749)
Change in fund balances	70,745	-	70,745
Fund balances, beginning of year	274,517	-	274,517
Fund balances, end of year	\$ 345,262	\$ -	\$ 345,262

Change in fund balances - total governmental funds \$ 70,745

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	61,738
Deduct - depreciation and amortization expense	(6,217)

Amortization of lease liability is only recognized in the government-wide financial statements.	(79,803)
---	----------

The change in compensated absences included in the expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(9,588)
---	---------

Change in net assets of governmental activities	\$ 36,875
---	-----------

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2011

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 3,973,565
Accounts receivable:	
Due from general fund	3,640,249
Trade receivables, net of allowance for doubtful accounts	1,477,627
Other receivables	119,837
Inventory	1,888,504
Prepaid expenses and other	186,488
Restricted cash, cash equivalents and investments	<u>11,533,744</u>
Total current assets	<u>22,820,014</u>
Noncurrent Assets:	
Deferred bond and lease costs, net	<u>1,300,855</u>
Capital assets:	
Rolling stock	109,195,303
Vehicles	49,916
Facilities	46,167,777
Track and signal improvements	26,342,184
Equipment and software	4,196,719
Construction in progress	15,841,673
Equity in local properties	2,622,399
Furniture, equipment and software	<u>1,880,058</u>
	206,296,029
Less accumulated depreciation and amortization	<u>(45,193,406)</u>
Total capital assets, net	161,102,623
Total noncurrent assets	<u>162,403,478</u>
Total assets	<u><u>\$ 185,223,492</u></u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2011

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 1,122,889
Accounts payable – rolling stock	546,428
Due to general fund	12,314
Compensated absences	1,104
Accrued expenses	2,152,625
Accrued interest	850,974
Unearned revenue	517,907
Contract retainage	1,835,371
Notes payable	1,734,009
Current portion of capital lease obligations	517,445
Current portion of bonds payable	<u>5,610,000</u>
Total current liabilities	<u>14,901,066</u>
Noncurrent Liabilities:	
Capital lease obligations	9,375,881
Notes payable	61,951,602
Bonds payable, net	18,319,892
Compensated absences	<u>125,855</u>
Total noncurrent liabilities	<u>89,773,230</u>
Total liabilities	<u>104,674,296</u>
Net Assets:	
Invested in capital assets, net of related debt	61,211,996
Restricted for liability insurance plan	5,026,484
Restricted for debt service and capital lease	6,259,239
Restricted grants or contributions	300,125
Unrestricted	<u>7,751,352</u>
Total net assets	<u>80,549,196</u>
Total liabilities and net assets	<u><u>\$ 185,223,492</u></u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2011

Operating Revenues:	
Passenger revenue	\$ 12,963,177
Equipment rentals and other	80,126
	<hr/>
Total operating revenues	13,043,303
	<hr/>
Operating Expenses:	
Contract operations and maintenance	8,572,905
Other operations and maintenance	5,186,034
Property leases and access fees	4,708,397
Insurance	1,621,955
Marketing and sales	601,713
General and administrative	2,388,917
	<hr/>
Total operating expenses	23,079,921
	<hr/>
Operating loss before depreciation and amortization	(10,036,618)
Depreciation and amortization	<hr/> (6,109,103)
	<hr/>
Operating loss	(16,145,721)
	<hr/>
Nonoperating Revenues (Expenses):	
Subsidies:	
Jurisdictional contributions	5,229,291
Interest income:	
Operating funds	5,877
Other restricted funds	192
Interest, amortization and other nonoperating expenses, net	<hr/> (5,094,371)
	<hr/>
Total nonoperating revenues, net	140,989
	<hr/>
Loss before capital contributions and transfers	(16,004,732)
	<hr/>
Capital contributions and transfers:	
Repayment to Commonwealth of Virginia	(4,515)
Other local contributions	33,450
Contribution from PRTC	21,757,117
Transfers in	23,379,749
	<hr/>
Total capital contributions and transfers	45,165,801
	<hr/>
Loss on disposal of assets	(135,803)
	<hr/>
Change in net assets	29,025,266
Net assets, beginning	<hr/> 51,523,930
Net assets, ending	<hr/> \$ 80,549,196

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, 2011

Cash Flows From Operating Activities:	
Receipts from customers	\$ 13,298,860
Payments to suppliers	(23,263,632)
Payments to employees	(1,646,385)
Net cash used in operating activities	<u>(11,611,157)</u>
Cash Flows From Noncapital Financing Activities:	
Governmental subsidies	<u>18,370,937</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(25,964,277)
Capital grants and assistance	9,553,268
Proceeds from sale of capital assets	75,000
Principal paid on capital lease obligations	(494,488)
Principal paid on notes	(1,654,016)
Principal paid on bonds	(5,195,000)
Interest paid on capital lease obligation	(471,191)
Interest paid on bonds and notes	(4,525,203)
Contribution from PRTC	22,430,350
Net cash used in capital and related financing activities	<u>(6,245,557)</u>
Cash Flows From Investing Activities:	
Interest received on investments	<u>6,029</u>
Increase in cash and cash equivalents	520,252
Cash and Cash Equivalents, beginning	14,987,057
Cash and Cash Equivalents, ending	<u>\$ 15,507,309</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
Operating loss	\$ (16,145,721)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	6,109,103
Loss on disposal of assets	13,818
(Increase) decrease in:	
Accounts receivable	138,767
Other receivables	22,146
Inventory	(508,576)
Prepaid expenses and other	122,821
Increase (decrease) in:	
Accounts payable and accrued expenses	(1,458,159)
Unearned revenue	94,644
Net cash used in operating activities	<u>\$ (11,611,157)</u>
Schedule of Noncash Capital Activities:	
Capital assets acquired through accounts payable	\$ 804,870
Capital assets acquired through notes payable	1,149,776
Capital assets acquired through accrued liabilities	1,437,916
Capital assets acquired through in-kind contributions	98,684
	<u>\$ 3,491,246</u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2011

	<u>Jurisdiction Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 118,421,124
Due from special revenue fund - Commonwealth of Virginia grants	6,427,396
Due from special revenue fund - Motor fuels sales tax	<u>9,111,294</u>
Total assets	<u>133,959,814</u>
NET ASSETS	
Net assets held in trust for member jurisdictions	<u><u>\$ 133,959,814</u></u>

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

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND**

Year Ended June 30, 2011

	<u>Jurisdiction Trust Fund</u>
Additions:	
Contributions from government	\$ 144,306,294
Investment income	252,712
Total additions	<u>144,559,006</u>
Deductions:	
Funds disbursed to WMATA:	
Capital improvement program	10,868,498
Project development	353,000
Metrorail operating	25,696,502
Metrobus operating	60,821,384
MetroAccess operating	11,683,861
Metro debt service	7,467,558
Other funds disbursed:	
Other capital disbursements	12,793,250
Other operating disbursements	29,477,080
Total deductions	<u>159,161,133</u>
Change in net assets	(14,602,127)
Net assets held in trust for member jurisdictions	
Beginning of year	148,561,941
End of year	<u><u>\$ 133,959,814</u></u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

NVTC reports the following major enterprise fund:

Commuter Rail Service Fund

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

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

D. Budgeting

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

E. Other Significant Accounting Policies

1. Cash and investments

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

2. Restricted cash and cash equivalents

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

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

3. Allowance for uncollectible accounts

The allowance for uncollectible accounts is calculated by using historical collection data and specific account analysis. The allowance was \$100,440 at June 30, 2011.

4. Inventory

An inventory of spare parts for rolling stock has been purchased and is maintained and managed at the Commissions' warehouse located at Broad Run. As the result of the transfer of maintenance operations to Keolis Rail Services Virginia, inventory that was previously maintained by Amtrak was shifted to the Commissions' warehouse in June and July 2010. Inventory is stated at cost, which approximates market, and is valued using the first-in-first-out method.

5. Prepaid expenses

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

6. Capital assets

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

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

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

6. Capital assets (Continued)

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

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

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

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2011.

7. Compensated absences

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

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

7. Compensated absences (Continued)

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

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

8. Long-term obligations

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

9. Fund equity

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

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

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

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

10. Indirect expenditure allocation

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

11. Net assets

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

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

12. Estimates and assumptions

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

Note 2. Deposits and Investments

At June 30, 2011, cash, cash equivalents, and investments consisted of the following, at cost which approximates fair value:

	Governmental Activities	Business-type Activities	Fiduciary Fund	Total
Cash	\$ 215,856	\$ 332,130	\$ -	\$ 547,986
LGIP	89,226	3,641,435	-	3,730,661
	<u>305,082</u>	<u>3,973,565</u>	<u>-</u>	<u>4,278,647</u>
Restricted:				
LGIP	-	248,021	118,421,124	118,669,145
Insurance trust fund – pooled funds	-	5,026,484	-	5,026,484
Money market funds – U.S. Treasuries	-	6,259,239	-	6,259,239
	<u>-</u>	<u>11,533,744</u>	<u>118,421,124</u>	<u>129,954,868</u>
Total	<u>\$ 305,082</u>	<u>\$ 15,507,309</u>	<u>\$ 118,421,124</u>	<u>\$ 134,233,515</u>

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, 2011, the reporting entity had investments of \$122,399,806 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, 2011, a total of \$10,052,968 was invested in the Insurance Trust, of which \$5,026,484 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 \$6,259,239 at June 30, 2011 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 SunTrust Bank and 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	100%
U. S. Treasury Obligations	100%
Certificates of Deposit	75%
Bankers' Acceptances	50%
Repurchase Agreements	35%
Commercial Paper	25%

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

Credit risk

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

Custodial credit risk

For deposits, custodial credit risk is the risk 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, 2011, due from other governments consisted of the following:

	Project and		Jurisdiction	Total
	Administrative	Transit		
Due from Commonwealth of Virginia:				
Motor fuel sales tax	\$ 131	\$ 9,111,294		\$ 9,111,425
Grants	3,726,807	6,427,396		10,154,203
	<u>3,726,938</u>	<u>15,538,690</u>		<u>19,265,628</u>
Due from Federal Transit Administration:				
Grants	74,267	-		74,267
	<u>\$ 3,801,205</u>	<u>\$ 15,538,690</u>		<u>\$ 19,339,895</u>

Amounts due from the Commonwealth for the Project and Administrative activities include \$3,640,249 for commuter rail and \$86,559 for other projects.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets being depreciated or amortized:				
Furniture, equipment and software	\$ 131,448	\$ 61,738	\$ (104,743)	\$ 88,443
Total accumulated depreciation or amortization	125,889	6,217	(104,743)	27,363
Governmental activities capital assets, net	<u>\$ 5,559</u>	<u>\$ 55,521</u>	<u>\$ -</u>	<u>\$ 61,080</u>
Business-type activities:				
Capital assets not being depreciated or amortized:				
Construction in progress	\$ 21,408,789	\$ 26,956,768	\$ (32,523,884)	\$ 15,841,673
Capital assets being depreciated or amortized:				
Rolling stock	87,926,088	-	21,269,215	109,195,303
Vehicles	37,081	12,835	-	49,916
Facilities	39,049,578	-	7,118,199	46,167,777
Track and signal improvements	26,075,500	-	266,684	26,342,184
Equipment and software	4,388,161	65,043	(256,485)	4,196,719
Equity in local properties	2,622,399	-	-	2,622,399
Furniture, equipment and software	1,862,332	17,726	-	1,880,058
Total capital assets being depreciated or amortized	161,961,139	95,604	28,397,613	190,454,356
Less accumulated depreciation or amortization for:				
Rolling stock	21,634,241	3,553,409	(3,809,761)	21,377,889
Vehicles	23,491	2,073	-	25,564
Facilities	9,255,089	1,184,149	-	10,439,238
Track and signal improvements	6,228,393	909,153	-	7,137,546
Equipment and software	3,400,022	268,407	(13,455)	3,654,974
Equity in local properties	1,248,749	74,926	-	1,323,675
Furniture, equipment and software	1,117,534	116,986	-	1,234,520
Total accumulated depreciation or amortization	42,907,519	6,109,103	(3,823,216)	45,193,406
Total capital assets being depreciated or amortized, net	119,053,620	(6,013,499)	32,220,829	145,260,950
Business-type activities capital assets, net	<u>\$ 140,462,409</u>	<u>\$ 20,943,269</u>	<u>\$ (303,055)</u>	<u>\$ 161,102,623</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 4. Capital Assets (Continued)

Depreciation and amortization expenses for the year ended June 30, 2011 charged to the functions of the primary government are as follows:

	Governmental Activities	Business-type Activities
Primary Government:		
General and administration	\$ 6,217	\$ -
Commuter rail	-	6,109,103

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. The provisions of the 1998 agreement with Amtrak for maintenance of equipment, access to Union Station, and train operations terminated on June 25, June 28 and July 9, 2011, respectively.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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

Financial information from VRE's fiscal year 2011 audited financial statements is shown below.

VIRGINIA RAILWAY EXPRESS STATEMENT OF NET ASSETS June 30, 2011

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 9,921,706
Accounts receivable:	
Due from PRTC – funded by FTA	14,533,706
Federal grants – other	121,412
Commonwealth of Virginia grants	3,640,249
Trade and other, net of allowance	3,927,195
Inventory	4,715,458
Prepaid expenses and other	465,647
Restricted cash, cash equivalent, and investments	16,808,248
Total current assets	<u>54,133,621</u>
Noncurrent Assets	
Deferred bond and lease costs, net	1,396,804
Capital assets (net of \$85,815,038 accumulated depreciation and amortization)	322,205,246
Total noncurrent assets	<u>323,602,050</u>
Total assets	<u>\$ 377,735,671</u>
 LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 10,155,637
Unearned revenue	1,293,177
Contract retainage	3,670,741
Current portion of:	
Capital lease obligations	1,034,890
Long-term debt	5,610,000
Notes payable	1,734,009
Total current liabilities	<u>23,498,454</u>
Noncurrent Liabilities	
Capital lease obligations	18,751,762
Notes payable	61,951,602
Bonds payable, net	18,319,892
Compensated absences	314,250
Total noncurrent liabilities	<u>99,337,506</u>
Total liabilities	<u>122,835,960</u>
Net Assets	
Invested in capital assets, net of related debt	210,039,494
Restricted for liability insurance plan	10,052,968
Restricted for debt service and capital lease	6,259,239
Restricted grants or contributions	600,250
Unrestricted assets	27,947,760
Total net assets	<u>254,899,711</u>
Total liabilities and net assets	<u>\$ 377,735,671</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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

**VIRGINIA RAILWAY EXPRESS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
Year Ended June 30, 2011**

Operating revenues	\$ 32,568,192
Operating expenses	57,628,912
Operating loss before depreciation and amortization	<u>(25,060,720)</u>
Depreciation and amortization	(12,218,203)
Operating loss	<u>(37,278,923)</u>
Nonoperating revenues (expenses):	
Subsidies:	
Commonwealth of Virginia grants	12,806,509
Federal grants – with PRTC as grantee	16,157,284
Jurisdictional contributions	16,070,307
Interest income:	
Operating funds	14,675
Other restricted funds	384
Interest, amortization and other nonoperating expenses, net	(5,566,829)
Total nonoperating revenues, net	<u>39,482,330</u>
Capital grants and assistance:	
Commonwealth of Virginia grants	7,506,606
Federal grants – with PRTC as grantee	40,136,130
Federal grants – NVTC and other	3,308,513
Other local contributions	406,331
Total capital grants and assistance	<u>51,357,580</u>
Loss on disposal of assets	(271,606)
Change in net assets	53,289,381
Net assets, beginning	<u>201,610,330</u>
Net assets, ending	<u>\$ 254,899,711</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 6. Intergovernmental Revenues, Commonwealth of Virginia

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

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

Note 7. Pension Plans

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

NVTC – Target Benefit Plan

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

The plan is funded in amounts determined by an actuarial consultant. Employer contributions for the year ended June 30, 2011 totaled \$62,882 (10.7% of covered payroll). Required employee contributions for the year ended June 30, 2011 totaled \$11,803 (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, 2011 was approximately \$590,000.

VRE – Defined Benefit Plan

A. Plan Description

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

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

VRE – Defined Benefit Plan (Continued)

A. Plan Description (Continued)

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

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

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

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5 percent; under Plan 2, the COLA cannot exceed 6 percent. During years of no inflation or deflation, the COLA is 0 percent. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for VRS. A copy of that report may be obtained from their website at <http://www.varetire.org/Pdf/Publications/2010-Annual-Report.pdf> or obtained by writing to the system's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

VRE – Defined Benefit Plan (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5 percent of their compensation toward their retirement. All or part of the 5 percent member contribution may be assumed by the employer. In addition, VRE is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. VRE's contribution rate for the fiscal year ended June 30, 2011 was 10.92 percent of annual covered payroll, *inclusive of the 5 percent member contribution, and VRE also contributed 0.28 percent for group life insurance.*

C. Annual Pension Cost

For fiscal year 2011, VRE's annual pension cost of \$334,185 was equal to the VRE's required and actual contributions. The share included in the NVTC reporting entity equals \$105,715.

Three-Year Trend Information for VRE

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$341,017	100.0%	\$ -
June 30, 2010	365,253	100.0%	-
June 30, 2011	334,185	100.0%	-

The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.0 percent, (b) projected salary increases ranging from 3.75 percent to 5.60 percent per year for general government employees and 3.5 percent to 4.75 percent for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50 percent per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.5 percent. The actuarial value of the PRTC's assets is equal to the modified market value of assets (VRE's assets are not separated from PRTC's). This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five year period. PRTC's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 7. Pension Plans (Continued)

VRE – Defined Benefit Plan (Continued)

D. Funded Status and Funding Process

As of June 30, 2010, the most recent actuarial valuation date, the plan was 87.87 percent funded. The actuarial accrued liability for benefits was \$8,539,776 and the actuarial value of assets was \$7,503,689, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,036,087. The covered payroll (annual payroll of active employees of the plan) was \$5,733,383 and the ratio of the UAAL to the covered payroll was 18.07 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

Governmental activities

NVTC leases office space under a 125-month agreement which commenced on January 1, 2011 and expires May 31, 2021. The lease provides for 3% annual increases in base rent over the term of the lease, and the pass through of a proportionate share of the annual increases in common building expenses. The lease contains a provision for the abatement of the first five months of rent. For the government-wide financial statements, the cumulative minimum rent for the entire lease is amortized on a straight-line basis over the lease term, with an equal amount of rent expense recognized each month. Rent expense for Governmental Activities as reported in the government wide financial statements totals \$178,693 of which \$93,836 is for the present lease (\$14,033 paid plus \$79,803 additional amortization), and \$83,966 for the lease which expired December 31, 2010.

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 \$2,724 for the year ended June 30, 2011.

As of June 30, 2011, the minimum long-term lease commitments were as shown below:

Fiscal Year	Amount
2012	\$ 176,444
2013	181,579
2014	186,860
2015	192,307
2016	195,166
2017-2021	1,033,318
Total	\$ 1,965,674

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 8. Operating Leases (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, 2011, annual track usage fees totaled approximately \$6,210,000, of which \$2,484,100 is recognized by the NVTC reporting entity, and facility and other identified costs totaled approximately \$454,000, of which \$181,600 is recognized by the NVTC reporting entity.

Under the former Purchase of Services Agreement dated March 1, 1998 Amtrak operated and maintained the VRE service and rolling stock, and permitted the Commissions to use its terminal, station, and equipment maintenance facilities at Union Station, Washington, D.C. The provisions of the 1998 agreement for maintenance of equipment, access to Union Station, and train operations terminated on June 25, June 28 and July 9, 2010, respectively.

The new agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and mid-day maintenance, electrical power and other services became effective on June 28, 2010. Actual cost for the year ended June 30, 2011 was approximately \$8,759,000, of which \$3,503,600 was recognized by the NVTC reporting entity. Costs in future years will be adjusted based on changes to various published costs indices and the number of trains that have access to and are stored and serviced at the terminal.

During fiscal year 2010 the Commissions entered into a contract with Keolis Rail Services Virginia, LLC for train operations and maintenance for a five year period beginning June 25, 2010. The actual cost of train operations and maintenance for the year ended June 30, 2011, based on an annual budget prepared in advance, was approximately \$18,151,000 including a small amount for the completion of mobilization services, of which \$7,260,400 is recognized by the NVTC reporting entity. Costs in future years will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

VRE has entered into a series of operating leases with Titan Transit for locomotives. For the year ended June 30, 2011, lease costs totaled approximately \$168,000, of which \$67,200 is recognized by the NVTC reporting entity. These leases are scheduled to terminate during the first quarter of fiscal year 2012.

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, 2011:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities					
Compensated absences	\$ 108,155	\$ 59,199	\$ (49,611)	\$ 117,743	\$ 28,605
Total governmental activities	108,155	59,199	(49,611)	117,743	28,605
Business-type activities					
Revenue bonds	29,490,000	-	(5,195,000)	24,295,000	5,610,000
Capital leases	10,387,814	-	(494,488)	9,893,326	517,445
Notes payable	64,189,851	1,149,776	(1,654,016)	63,685,611	1,734,009
	104,067,665	1,149,776	(7,343,504)	97,873,937	7,861,454
Compensated absences	119,393	100,387	(92,821)	126,959	1,104
Total business-type activities	104,187,058	1,250,163	(7,436,325)	98,000,896	7,862,558
Total Primary Government	\$ 104,295,213	\$ 1,309,362	\$ (7,485,936)	\$ 98,118,639	\$ 7,891,163

Revenue Bonds

\$31,700,000 Commuter Rail Revenue Refunding Bonds in the name of NVTC, series 1998; due in annual maturities of \$5,610,000 to \$6,555,000 through July 1, 2014, plus semi-annual interest at 5.375%.

\$ 24,295,000

Plus (less) unamortized:

Deferred loss

(471,325)

Premiums

106,217

Total bonded debt, net

\$ 23,929,892

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
2012	\$ 5,610,000	\$ 1,147,700	\$ 6,757,700
2013	5,910,000	841,794	6,751,794
2014	6,220,000	519,494	6,739,494
2015	6,555,000	176,166	6,731,166
	\$ 24,295,000	\$ 2,685,154	\$ 26,980,154

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Long-Term Debt Obligations (Continued)

Deferred bonds, lease and notes cost, consisting of issuance costs and insurance premiums are shown net of accumulated amortization. These costs are amortized on a straight-line basis over the life of the debt. Amortization of deferred costs, approximating \$76,700, is included in interest expense. Federal arbitrage regulations apply to the revenue bonds and the Gallery IV capitalized lease.

The Indentures of Trust for the 1997 Commuter Rail Revenue Bonds required that a debt service reserve be maintained. During fiscal year 2000, a surety in substitution of the debt service reserve fund was purchased, releasing the proceeds from the reserve. The Indentures of Trust for the bonds also require the maintenance of an operating reserve equivalent to one-third (33.3 percent) of annual budgeted operating expenses. As of June 30, 2011, \$37,325,284, of the VRE cash, inventory and receivables comprise this operating reserve. The reserves represent 64.90 percent of budgeted operating expenses for June 30, 2011.

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, 2011, are as follows:

Bond Interest Fund	\$ 649,234
Bond Principal Fund	<u>5,610,005</u>
Total held by Trustee	<u>\$ 6,259,239</u>

Capitalized Lease - Gallery IV (11 cars)

	Total	NVTC Reporting Entity
\$25,100,00 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 \$22,827,036 (NVTC reporting entity, \$11,413,518)	<u>\$ 19,786,652</u>	<u>\$ 9,893,326</u>

Future minimum lease payments as of June 30, 2011 are as follows:

Years Ending June 30,	Total	NVTC Reporting Entity
2012	\$ 1,931,357	\$ 965,679
2013	1,931,357	965,679
2014	1,931,357	965,679
2015	1,931,357	965,678
2016	1,931,357	965,678
2017-2021	9,656,785	4,828,392
2022-2025	<u>7,725,428</u>	<u>3,862,714</u>
Total minimum lease payments	27,038,998	13,519,499
Lease amount representing interest	7,252,346	3,626,173
Present value of lease payments	<u>\$ 19,786,652</u>	<u>\$ 9,893,326</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 2010, 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 2011 the terms were amended to include ten additional Gallery railcars. The first 15 of a series of promissory notes were authorized by the end of fiscal year 2011; when all funds have been borrowed, the individual notes will be combined into a single note. The notes are secured by the revenues of VRE and the railcars.

\$8,553,421 Promissory Note #1, due in quarterly maturities of \$51,149 to \$146,358 through March 2033, plus quarterly interest at 4.74%	\$	7,975,251
\$3,069,526 Promissory Note #2, due in quarterly maturities of \$18,356 to \$52,523 through March 2033, plus quarterly interest at 4.74%		2,862,040
\$7,673,804 Promissory Note #3, due in quarterly maturities of \$45,889 to \$131,304 through March 2033, plus quarterly interest at 4.74%		7,155,091
\$7,673,804 Promissory Note #4, due in quarterly maturities of \$46,129 to \$131,993 through March 2033, plus quarterly interest at 4.74%		7,192,528
\$5,400,287 Promissory Note #5, due in quarterly maturities of \$32,462 to \$92,885 through March 2033, plus quarterly interest at 4.74%		5,061,599
\$7,673,834 Promissory Note #6, due in quarterly maturities of \$46,129 to \$131,992 through March 2033, plus quarterly interest at 4.74%		7,192,556
\$7,673,814 Promissory Note #7, due in quarterly maturities of \$46,129 to \$131,991 through March 2033, plus quarterly interest at 4.74%		7,192,537
\$3,073,814 Promissory Note #8, due in quarterly maturities of \$18,578 to \$53,160 through March 2033, plus quarterly interest at 4.74%		2,896,747
\$2,350,000 Promissory Note #9, due in quarterly maturities of \$14,362 to \$41,096 through March 2033, plus quarterly interest at 4.74%		2,239,347
\$3,896,059 Promissory Note #10, due in quarterly maturities of \$23,943 to \$68,513 through March 2033, plus quarterly interest at 4.74%		3,733,323
\$1,989,000 Promissory Note #11, due in quarterly maturities of \$12,295 to \$35,178 through March 2033, plus quarterly interest at 4.74%		1,916,994
\$2,640,000 Promissory Note #12, due in quarterly maturities of \$16,417 to \$46,977 through March 2033, plus quarterly interest at 4.74%		2,559,808
\$2,780,343 Promissory Note #13; due in quarterly maturities of \$17,290 to \$49,473 through March 2033, plus quarterly interest at 4.74%		2,695,887

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Long-Term Debt Obligations (Continued)

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

\$1,541,791 Promissory Note #14, due in quarterly maturities of \$9,644 to \$27,595 through March 2033, plus quarterly interest at 4.74%	\$ 1,503,763
\$1,149,776 Promissory Note #15, due in quarterly maturities of \$7,235 to \$20,704 through March 2033, plus quarterly interest at 4.74%	<u>1,128,140</u>
	<u>\$ 63,305,611</u>

Mandatory debt service requirements for the first fifteen promissory notes consist of the following:

Years Ended June 30,	Principal	Interest	Total Required
2012	\$ 1,674,009	\$ 2,975,370	\$ 4,649,379
2013	1,763,030	2,886,349	4,649,379
2014	1,843,988	2,805,391	4,649,379
2015	1,932,958	2,716,421	4,649,379
2016	2,022,564	2,626,815	4,649,379
2017-2021	11,698,521	11,548,374	23,246,895
2022-2026	14,802,186	8,444,709	23,246,895
2027-2031	18,734,765	4,512,130	23,246,895
2032-2033	8,833,590	465,170	9,298,760
	<u>\$ 63,305,611</u>	<u>\$ 38,980,729</u>	<u>\$ 102,286,340</u>

Note Payable – VRE Offices

In June 2002, a borrowing was entered into in the name of NVTC with SunTrust Bank in the amount of \$900,000 to refinance a previous borrowing used to purchase the VRE offices. This note carried a repayment schedule of 15 years, with the terms of the note subject to revision June 2007. In November 2007 a new note was signed in the amount of \$600,000 at 4.31 percent interest with a 10 year amortization and a balloon payment after five years. Principal of \$5,000 plus interest is payable monthly. The note is secured by the office condominium. The balance outstanding was \$380,000 for the year ended June 30, 2011.

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, 2011.

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 \$307,000 at June 30, 2011, of which \$153,500 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 2010, all plan assets have been invested in the Department of Treasury common pool. Prior to that time, approximately one-half of plan assets were invested in the common pool, and the remainder was invested in a portfolio managed by external financial consultants. Activity in the Insurance Trust Fund for the years ended June 30, 2011 was as follows:

	Total	NVTC Reporting Entity
Beginning balance, July 1	\$ 9,511,797	\$ 4,755,899
Contribution to reserves	4,525,000	2,262,500
Insurance premiums paid	(3,711,476)	(1,855,738)
Claims mitigation costs and losses incurred	(190,585)	(95,293)
Actuarial and administrative charges	(81,768)	(40,884)
Ending balance, June 30	<u>\$ 10,052,968</u>	<u>\$ 5,026,484</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, 2011, 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, 2011:

Stations and parking lots	\$ 3,473,961
Rolling stock	8,953,685
Maintenance and layover yards	1,915,297
Track and signal improvements	668,212
Other administrative	<u>562,031</u>
Total	<u>\$ 15,573,186</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 2011, VRE was holding the proceeds of the sale of older equipment in the amount of \$450,250 in a restricted account, to be used for the purchase of replacement rolling stock, of which \$225,125 is included in the NVTC reporting entity. Included in other receivables is \$150,000 due to VRE from the sale of rolling stock, of which \$75,000 is included in the NVTC reporting entity. Once collected, the proceeds will be used for the purchase of replacement rolling stock.

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Note 13. Pending GASB Statements

At June 30, 2011, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the NVTC reporting entity. The statements which might impact NVTC are as follows:

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Statement No. 62 will be effective for periods beginning after December 15, 2011.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. Statement No. 63 will be effective for periods beginning after December 15, 2011.

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

Note 14. Subsequent Events

The Commissions entered into contracts for the VRE joint venture at various times from May 2011 through September 2011 to purchase fuel at set prices for delivery in July 2011 through June 2012. The fuel will be used in the normal course of operations and is not being purchased for resale. The total commitment is for 798,000 gallons of fuel at a cost of approximately \$2.5 million.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

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
2010	\$ 7,503,689	\$ 8,539,776	\$ 1,036,087	87.87%	\$ 5,733,383	18.07%
2009	6,809,891	6,996,387	186,496	97.33%	5,743,627	3.25%
2008	5,875,612	6,065,059	189,447	96.88%	5,369,542	3.53%

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS BY JURISDICTION
JURISDICTION TRUST FUND
Year Ended June 30, 2011

	<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 primary government:							
Commonwealth of Virginia	\$ 13,226,888	\$ 24,127,735	\$ 1,288,391	\$ 61,111,307	\$ 694,160	\$ 45,737	\$ 100,494,218
Motor vehicle fuel sales tax	2,950,932	3,793,481	1,753,466	24,299,978	1,258,368	9,755,851	43,812,076
Interest income	10,247	62,794	2,304	140,740	873	35,754	252,712
Total additions	<u>16,188,067</u>	<u>27,984,010</u>	<u>3,044,161</u>	<u>85,552,025</u>	<u>1,953,401</u>	<u>9,837,342</u>	<u>144,559,006</u>
Deductions:							
Funds disbursed to WMATA:							
Capital improvement program	-	4,059,316	332,011	6,199,150	278,021	-	10,868,498
Project development	-	130,500	6,000	208,500	8,000	-	353,000
Metrorail operating	4,798,054	5,916,000	352,510	14,419,135	210,803	-	25,696,502
Metrobus operating	8,587,065	8,384,000	618,562	41,976,191	1,255,566	-	60,821,384
MetroAccess operating	868,533	-	209,590	10,487,849	117,889	-	11,683,861
Metro debt service	1,418,200	2,740,200	46,700	3,168,901	93,557	-	7,467,558
Other funds disbursed:							
Other capital disbursements	-	-	12,746	2,660,000	-	10,120,504	12,793,250
Other operating disbursements	-	4,868,528	2,183,135	15,701,878	19,056	6,704,483	29,477,080
Total deductions	<u>15,671,852</u>	<u>26,098,544</u>	<u>3,761,254</u>	<u>94,821,604</u>	<u>1,982,892</u>	<u>16,824,987</u>	<u>159,161,133</u>
Change in net assets	516,215	1,885,466	(717,093)	(9,269,579)	(29,491)	(6,987,645)	(14,602,127)
Net assets held in trust for member jurisdictions							
Beginning of year	<u>7,645,874</u>	<u>33,075,078</u>	<u>2,364,981</u>	<u>81,608,630</u>	<u>750,617</u>	<u>23,116,761</u>	<u>148,561,941</u>
End of year	<u>\$ 8,162,089</u>	<u>\$ 34,960,544</u>	<u>\$ 1,647,888</u>	<u>\$ 72,339,051</u>	<u>\$ 721,126</u>	<u>\$ 16,129,116</u>	<u>\$ 133,959,814</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF GENERAL, ADMINISTRATIVE AND PROJECT EXPENDITURES
GENERAL FUND
Year Ended June 30, 2011

	<u>Total</u>	<u>General and Administrative</u>	<u>Projects</u>
Expenditures:			
Advertising	\$ 264	\$ 264	\$ -
Capital purchases	61,738	61,738	-
Commissioners' per diem	17,550	17,550	-
Computer expense	3,372	1,824	1,548
Conference registration and training	124	124	-
Copier duplicating	8,331	8,331	-
Disability insurance	3,034	2,405	629
Employee group insurance	76,876	60,943	15,933
Employee retirement	65,182	51,673	13,509
Employer payroll taxes	72,346	57,352	14,994
Leave - annual, holiday and sick	69,451	55,058	14,393
Legal and auditing	17,320	17,320	-
Memberships and subscriptions	594	594	-
Miscellaneous	2,892	2,892	-
Moving and disposal	6,031	6,031	-
Office supplies	3,701	3,701	-
Office rent	99,862	99,862	-
Insurance and liability bonds	4,365	4,365	-
Parking and Metrochek	9,008	9,008	-
Postage and shipping	3,160	3,160	-
Project consultants and other project costs	1,195,157	-	1,195,157
Public information	12,381	693	11,688
Salaries and wages	554,058	442,943	111,115
Telephone and data	7,240	7,190	50
Travel and meetings	4,318	4,318	-
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 2,298,355</u>	<u>\$ 919,339</u>	<u>\$ 1,379,016</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT REVENUES AND EXPENDITURES
GENERAL FUND
Year Ended June 30, 2011**

	<u>Jurisdiction Grants & Projects</u>	<u>ITS</u>	<u>GPS / AVL</u>	<u>Marketing</u>	<u>Bus Data Collection</u>	<u>Vanpools</u>	<u>TransAction 2040 Update</u>	<u>Totals</u>
Revenues:								
Federal	\$ 384,222	\$ 264,511	\$ -	\$ -	\$ -	\$ 101,079	\$ -	\$ 749,812
Commonwealth of Virginia	27,317	29,390	-	11,689	258,633	25,269	103,480	455,778
Local	-	1,259	-	-	-	-	-	1,259
NVTC match	-	23,281	536	122,007	671	21,384	4,288	172,167
Total revenues	\$ 411,539	\$ 318,441	\$ 536	\$ 133,696	\$ 259,304	\$ 147,732	\$ 107,768	\$ 1,379,016
Expenditures:								
Salaries and wages	\$ -	\$ 15,168	\$ 349	\$ 78,438	\$ 437	\$ 13,930	\$ 2,793	\$ 111,115
Fringe benefits	-	8,116	187	41,972	234	7,454	1,495	59,458
Computer	-	-	-	1,548	-	-	-	1,548
Consultants	-	295,157	-	-	258,633	126,348	103,480	783,618
Costs incurred	411,539	-	-	-	-	-	-	411,539
Telephone and data	-	-	-	50	-	-	-	50
Public information	-	-	-	11,688	-	-	-	11,688
Total expenditures	\$ 411,539	\$ 318,441	\$ 536	\$ 133,696	\$ 259,304	\$ 147,732	\$ 107,768	\$ 1,379,016

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

Project Costs to Date - Active Projects
Period Ended June 30, 2011

	<u>Jurisdiction Grants & Projects</u>	<u>ITS</u>	<u>GPS / AVL</u>	<u>Marketing</u>	<u>Bus Data Collection</u>	<u>Vanpools</u>	<u>TransAction 2040 Update</u>	<u>Totals</u>
Revenues:								
Federal	\$ 699,670	\$ 264,511	\$ -	\$ -	\$ 113,067	\$ 101,079	\$ -	\$ 1,178,327
Commonwealth of Virginia	180,116	29,390	199,500	288,389	1,552,726	25,269	103,480	2,378,870
Local	5,000	1,259	-	13,500	50,000	-	-	69,759
NVTC match	71,102	23,281	38,505	924,909	47,213	21,384	13,540	1,139,934
	<u>\$ 955,888</u>	<u>\$ 318,441</u>	<u>\$ 238,005</u>	<u>\$ 1,226,798</u>	<u>\$ 1,763,006</u>	<u>\$ 147,732</u>	<u>\$ 117,020</u>	<u>\$ 4,766,890</u>
Total revenues								
Expenditures:								
Capital outlays	\$ -	\$ -	\$ -	\$ 17,556	\$ -	\$ -	\$ -	\$ 17,556
Salaries and wages	47,718	15,168	25,343	686,781	42,026	13,930	8,874	839,840
Fringe benefits	22,963	8,116	11,814	325,438	18,077	7,454	4,560	398,422
Advertising	306	-	448	354	852	-	-	1,960
Computer	-	-	404	15,008	-	-	-	15,412
Consultants	442,735	295,157	199,482	-	1,700,746	126,348	103,480	2,867,948
Dues and memberships	-	-	-	770	-	-	-	770
Postage	-	-	-	-	874	-	-	874
Telephone and data	108	-	-	909	21	-	-	1,038
Office supplies	-	-	-	187	-	-	-	187
Travel	-	-	-	3,310	350	-	-	3,660
Parking and Metrochek	8	-	56	577	60	-	106	807
Public information	-	-	-	163,106	-	-	-	163,106
Events	-	-	-	12,802	-	-	-	12,802
Costs incurred	442,050	-	458	-	-	-	-	442,508
	<u>\$ 955,888</u>	<u>\$ 318,441</u>	<u>\$ 238,005</u>	<u>\$ 1,226,798</u>	<u>\$ 1,763,006</u>	<u>\$ 147,732</u>	<u>\$ 117,020</u>	<u>\$ 4,766,890</u>
Total expenditures								

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS
Year Ended June 30, 2011**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2010</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission</u>									
Virginia Department of Rail and Public Transportation (DRPT)									
Capital:									
Fiscal Year 2011	10/5/2010	72511-04	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiscal Year 2011	10/5/2010	73011-29	53,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-30	249,524	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-31	344,500	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-32	362,361	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-34	530,000	-	214,864	214,864	214,864	-	214,864
Fiscal Year 2011	10/5/2010	73011-35	74,200	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-38	66,250	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-39	651,900	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-40	795,000	-	12,889	12,889	12,889	-	12,889
Fiscal Year 2011	10/5/2010	73011-41	6,890	-	6,755	6,755	6,755	-	6,755
Fiscal Year 2011	10/5/2010	73011-42	2,544,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-43	2,120,000	-	-	636,560	636,560	636,560	636,560
Fiscal Year 2011	10/5/2010	73011-44	689,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-45	106,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-46	336,550	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-47	132,500	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-48	530,000	-	15,274	15,274	15,274	-	15,274
Fiscal Year 2011	10/5/2010	73011-49	212,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-50	265,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-51	185,500	-	33,019	33,019	33,019	-	33,019
Fiscal Year 2011	10/5/2010	73011-52	265,000	-	265,000	265,000	265,000	-	265,000
Fiscal Year 2011	10/5/2010	73011-53	530,000	-	-	-	-	-	-
Fiscal Year 2011	10/5/2010	73011-60	3,928,618	-	3,928,617	3,928,617	3,928,617	-	3,928,617
Fiscal Year 2011	10/5/2010	73011-61	30,280	-	29,180	29,180	29,180	-	29,180
Fiscal Year 2011	10/5/2010	73011-62	5,685,112	-	5,452,946	5,452,946	5,452,946	-	5,452,946
Fiscal Year 2011	10/5/2010	73011-63	437,250	-	419,629	419,629	419,629	-	419,629
Fiscal Year 2011	10/5/2010	73011-65	2,463,424	-	7,705,795	7,705,795	7,705,795	-	7,705,795
Fiscal Year 2011	10/5/2010	73011-66	14,288,470	-	-	-	-	-	-
Fiscal Year 2010	12/28/2010	72510-18	221,540	-	-	-	-	-	-
Fiscal Year 2010	8/18/2010	72510-57	60,000	-	27,317	27,317	27,317	-	27,317
Fiscal Year 2010	7/2/2009	73010-25	3,384,000	-	3,051,900	3,051,900	3,051,900	-	3,051,900
Fiscal Year 2010	7/2/2009	73010-26	792,000	113,164	278,455	165,291	165,291	-	278,455
Fiscal Year 2010	7/2/2009	73010-27	320,000	-	71,771	71,771	71,771	-	71,771
Fiscal Year 2010	7/2/2009	73010-28	1,200,000	-	390,276	390,276	390,276	-	1,200,000
Fiscal Year 2010	7/2/2009	73010-29	3,600,000	-	-	-	-	-	-

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)
Year Ended June 30, 2011**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2010</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission (continued)</u>									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
Capital (continued):									
Fiscal Year 2010	7/2/2009	73010-30	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiscal Year 2010	7/2/2009	73010-31	80,000	-	-	-	-	-	-
Fiscal Year 2010	7/2/2009	73010-32	996,000	-	-	-	-	-	-
Fiscal Year 2010	7/2/2009	73010-33	812,000	-	-	-	-	-	-
Fiscal Year 2010	7/2/2009	73010-34	54,400	-	-	-	-	-	-
Fiscal Year 2010	7/2/2009	73010-35	171,200	-	171,201	171,201	171,201	-	171,201
Fiscal Year 2010	7/2/2009	73010-36	800,000	-	184,960	184,960	184,960	-	184,960
Fiscal Year 2010	7/2/2009	73010-37	800,000	-	800,000	800,000	800,000	-	800,000
Fiscal Year 2010	7/2/2009	73010-40	13,946,240	-	6,303,954	6,303,954	6,303,954	-	12,678,400
Fiscal Year 2010	7/2/2009	73010-41	7,725,600	-	1,318,400	1,318,400	1,318,400	-	7,725,600
Fiscal Year 2010	7/2/2009	73010-42	635,250	-	-	-	-	-	577,501
Fiscal Year 2010	7/2/2009	73010-43	5,707,240	-	-	-	-	-	5,188,399
Fiscal Year 2010	7/2/2009	73110-10	2,387,837	-	1,200,566	1,200,566	1,200,566	-	1,715,097
Fiscal Year 2010	7/2/2009	72509-21	156,270	-	-	-	-	-	-
Fiscal Year 2010	7/2/2009	72509-22	190,190	-	-	-	-	-	-
Fiscal Year 2009	7/1/2008	73009-37	160,000	-	-	-	-	-	-
Fiscal Year 2009	7/1/2008	73009-38	160,000	-	5,894	5,894	5,894	-	70,017
Fiscal Year 2009	7/1/2008	73009-40	400,000	-	144,807	144,807	144,807	-	233,913
Fiscal Year 2009	7/1/2008	73009-42	6,084,800	-	-	-	-	-	-
Fiscal Year 2009	7/1/2008	73009-43	500,000	-	500,000	500,000	500,000	-	500,000
Fiscal Year 2009	7/1/2008	73009-44	4,626,150	-	-	-	-	-	-
Fiscal Year 2009	7/1/2008	73009-45	160,000	-	19,685	19,685	19,685	-	19,685
Fiscal Year 2009	7/1/2008	73009-46	863,168	-	-	-	-	-	-
Fiscal Year 2009	7/1/2008	73009-47	100,000	-	-	-	-	-	-
Fiscal Year 2009	7/1/2008	73009-49	6,804,000	-	636,942	636,942	636,942	-	6,804,000
Fiscal Year 2009	7/1/2008	73009-53	201,040	-	105,822	105,822	105,822	-	201,041
Fiscal Year 2009	7/1/2008	73009-54	203,201	-	81,553	81,553	81,553	-	203,201
Fiscal Year 2009	7/1/2008	73009-55	58,800	-	-	57,302	57,302	57,302	57,302
Fiscal Year 2009	7/1/2008	73009-56	67,200	-	35,139	35,139	35,139	-	67,200
Fiscal Year 2009	7/1/2008	73009-57	416,325	13,478	13,478	315,507	315,507	315,507	328,985
Fiscal Year 2009	7/1/2008	73009-58	120,000	-	-	-	-	-	-
Fiscal Year 2009	7/2/2009	72508-08	150,480	-	-	-	-	-	-
Fiscal Year 2009	7/2/2009	72508-09	175,560	-	-	-	-	-	-
Fiscal Year 2009	7/2/2009	72508-10	100,320	-	-	-	-	-	-
Fiscal Year 2008	8/12/2008	72508-12	125,400	-	-	-	-	-	-

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)
Year Ended June 30, 2011**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2010</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2011</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	8/5/2010	72508-13	\$ 59,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fiscal Year 2008	10/1/2008	72508-14	59,500	-	-	-	-	-	-
Fiscal Year 2008	8/12/2008	72508-16	59,500	-	-	-	-	-	-
Fiscal Year 2008	9/19/2008	72508-19	100,320	-	-	-	-	-	-
Fiscal Year 2008	7/2/2009	72508-45	712,460	-	39,166	146,318	146,318	107,152	146,318
Fiscal Year 2008	7/2/2009	73008-47	99,000	-	7,275	7,275	7,275	-	7,275
Fiscal Year 2008	1/4/2008	73006-30	40,000,000	-	-	-	-	-	38,770,400
Fiscal Year 2008	7/1/2007	73008-05	473,070	-	-	-	-	-	429,000
Fiscal Year 2008	10/16/2007	73008-17	2,139,112	-	-	-	-	-	1,965,471
Fiscal Year 2008	10/16/2007	73008-18	65,000	-	5,479	5,479	5,479	-	5,479
Fiscal Year 2008	10/16/2007	73008-19	88,000	-	24,000	24,000	24,000	-	24,000
Fiscal Year 2008	10/16/2007	73008-20	2,113,800	3,482	101,670	98,188	98,188	-	2,113,800
Fiscal Year 2008	10/16/2007	73008-21	5,982,926	52,836	53,286	450	450	-	5,975,899
Fiscal Year 2007	7/2/2009	72507-06	142,768	-	-	-	-	-	-
Fiscal Year 2007	9/19/2008	72507-08	95,178	-	-	-	-	-	-
Fiscal Year 2007	8/12/2008	72507-31	118,973	-	-	-	-	-	-
Fiscal Year 2007	8/12/2008	72507-35	56,678	-	-	-	-	-	-
Fiscal Year 2007	7/1/2008	72507-32	56,678	6,190	28,327	29,390	29,390	7,253	56,678
Fiscal Year 2007	10/1/2008	72507-33	56,678	-	-	-	-	-	-
Fiscal Year 2007	7/1/2006	73007-19	2,390,740	-	-	-	-	-	2,903
Fiscal Year 2007	7/1/2006	73007-20	348,480	-	-	-	-	-	254,315
Fiscal Year 2007	7/1/2006	73007-21	6,600	-	-	-	-	-	5,240
Fiscal Year 2007	7/1/2006	73007-22	9,952,611	-	-	-	-	-	9,370,408
Fiscal Year 2007	7/2/2009	72507-29	166,563	-	-	-	-	-	-
Fiscal Year 2007	7/2/2009	72507-30	95,178	-	-	-	-	-	-
Fiscal Year 2006	7/1/2005	73006-17	31,500	-	-	-	-	-	26,528

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)
Year Ended June 30, 2011**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2010</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission (continued)</u>									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
FTM/Admin (Operating):									
Fiscal Year 2011	10/5/2010	72011-26	\$ 51,237,065	\$ -	\$ 46,967,316	\$ 51,237,065	\$ 51,237,065	\$ 4,269,749	\$ 51,237,065
Fiscal Year 2011	10/5/2010	72011-27	1,289,658	-	1,160,688	1,289,658	1,289,658	128,970	1,289,658
Fiscal Year 2011	10/5/2010	72011-28	2,047,408	-	1,842,668	2,047,408	2,047,408	204,740	2,047,408
Fiscal Year 2011	10/5/2010	72011-29	416,747	-	375,072	416,747	416,747	41,675	416,747
Fiscal Year 2011	10/5/2010	72011-30	22,214	-	22,214	22,214	22,214	-	22,214
Fiscal Year 2011	10/5/2010	72011-31	6,914,903	-	6,223,416	6,914,903	6,914,903	691,487	6,914,903
Fiscal Year 2010	7/2/2009	72010-25	1,135,037	40,485	40,485	-	-	-	1,135,037
Fiscal Year 2010	7/2/2009	72010-26	2,129,710	75,962	75,962	-	-	-	2,129,710
Fiscal Year 2010	7/2/2009	72010-27	468,380	16,704	16,704	-	-	-	468,380
Fiscal Year 2010	7/2/2009	72010-28	7,876,960	280,956	280,956	-	-	-	7,876,960
Fiscal Year 2010	7/2/2009	72010-30	50,188,024	893,867	893,867	-	-	-	50,188,024
Fiscal Year 2010	7/2/2009	72010-31	79,470	2,834	2,834	-	-	-	79,470
Demonstration \ Experimental:									
Fiscal Year 2011									
NVTA Transaction 2040	11/22/2011	47010-21	100,000	-	10,433	20,695	20,695	10,262	20,695
Fiscal Year 2010									
Vanpool	7/13/2010	72510-66	40,000	-	23,762	26,009	26,009	2,247	26,009
Fiscal Year 2007									
Hydrogen Fuel Injection	7/1/2006	71107-08	86,600	-	-	-	-	-	48,458
Fiscal Year 2004									
SmarTrip POS Devices	7/1/2003	71004-40	48,545	-	45,737	45,737	45,737	-	45,737
Fiscal Year 2001									
Intern:									
Fiscal Year 2006	7/1/2005	71206-07	24,700	3,454	3,454	-	-	-	22,565
Total State Assistance - NVTC			\$ 293,114,774	\$ 1,503,412	\$ 91,670,859	\$ 96,640,351	\$ 96,640,351	\$ 6,472,904	\$ 243,999,227

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)
Year Ended June 30, 2011**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2010</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Cumulative Expenditures</u>
Virginia Railway Express									
Virginia Department of Rail and Public Transportation (DRPT)									
Capital:									
Fiscal Year 2011	10/5/2010	73011-72	\$ 2,238,131	\$ -	\$ 1,043,643	\$ 1,348,766	\$ 1,348,766	\$ 305,123	\$ 1,348,766
Fiscal Year 2011	7/22/2011	73111-20	135,899	-	-	-	-	-	-
Fiscal Year 2010	3/18/2010	72510-19	141,075	-	-	83,595	83,595	83,595	83,595
Fiscal Year 2010	6/10/2011	72510-51	720,474	-	-	-	-	-	-
Fiscal Year 2010	6/10/2011	72510-74	50,000	-	-	-	-	-	-
Fiscal Year 2010	1/21/2011	72510-75	821,902	-	-	-	-	-	-
Fiscal Year 2010	8/25/2010	73010-45	1,545,440	-	1,545,440	1,545,440	1,545,440	-	1,545,440
Fiscal Year 2010	8/25/2010	73010-46	168,108	-	160,000	160,000	160,000	-	160,000
Fiscal Year 2010	8/25/2010	73010-47	46,400	-	23,358	27,285	27,285	3,927	27,285
Fiscal Year 2010	8/25/2010	73010-48	39,360	-	34,255	39,360	39,360	5,105	39,360
Fiscal Year 2010	8/25/2010	73010-49	95,520	-	-	-	-	-	-
Fiscal Year 2010	8/25/2010	73010-50	24,000	-	-	-	-	-	-
Fiscal Year 2010	8/25/2010	73010-51	210,880	-	-	-	-	-	-
Fiscal Year 2010	8/25/2010	73010-52	64,000	-	-	14,545	14,545	14,545	14,545
Fiscal Year 2010	8/25/2010	73010-53	446,292	-	266,275	266,275	266,275	-	266,275
Fiscal Year 2010	8/25/2010	73010-54	284,270	-	283,868	283,868	283,868	-	283,868
Fiscal Year 2010	8/25/2010	73010-55	293,230	-	292,572	292,572	292,572	-	293,230
Fiscal Year 2010	7/1/2009	73010-56	945,000	-	-	-	-	-	-
Fiscal Year 2010	8/25/2010	73010-57	178,780	-	96,168	129,958	129,958	33,790	129,958
Fiscal Year 2010	7/1/2009	73010-58	4,734,800	394,629	3,449,165	3,054,536	3,054,536	-	4,734,800
Fiscal Year 2010	8/25/2010	73010-59	39,040	-	-	-	-	-	-
Fiscal Year 2010	8/25/2011	73010-60	29,148	-	1,609	6,051	6,051	4,442	6,051
Fiscal Year 2010	8/25/2011	73010-61	68,810	-	64,551	68,637	68,637	4,086	68,810
Fiscal Year 2010	8/25/2011	73010-62	29,148	-	3,627	20,575	20,575	16,948	20,575
Fiscal Year 2010	8/25/2011	73010-63	4,620	-	-	-	-	-	-
Fiscal Year 2010	8/25/2011	73010-64	14,000	-	-	-	-	-	-
Fiscal Year 2010	8/25/2011	73010-65	32,340	-	22,357	28,365	28,365	6,008	28,365
Fiscal Year 2010	8/25/2011	73010-66	280,000	-	272,312	280,000	280,000	7,688	280,000
Fiscal Year 2010	8/25/2011	73010-67	51,838	-	32,128	38,468	38,468	6,340	38,468
Fiscal Year 2010	8/25/2011	73010-69	14,000	-	-	-	-	-	-
Fiscal Year 2010	3/18/2010	73010-70	1,774,000	-	1,774,000	1,774,000	1,774,000	-	1,774,000
Fiscal Year 2010	8/25/2011	73010-71	893,120	-	396,137	893,120	893,120	496,983	893,120
Fiscal Year 2009	7/2/2010	47009-30	660,000	-	660,000	660,000	660,000	-	660,000
Fiscal Year 2009	1/30/2009	72509-33	135,850	-	71,529	135,850	135,850	64,321	135,850
Fiscal Year 2009	9/1/2009	72509-74	270,000	4,263	4,263	37,708	37,708	37,708	109,269
Fiscal Year 2009	7/1/2008	73009-59	3,694,477	-	-	-	-	-	3,694,477

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF COMMONWEALTH OF VIRGINIA AWARDS (Continued)
Year Ended June 30, 2011**

<u>Grant</u>	<u>Contract Date</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/2010</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2011</u>	<u>Cumulative Expenditures</u>
Virginia Railway Express (continued)									
Virginia Department of Rail and Public Transportation (DRPT) (continued)									
Capital (continued):									
Fiscal Year 2009	7/1/2008	73009-60	\$ 749,000	\$ -	\$ 27,549	\$ 78,048	\$ 78,048	\$ 50,499	\$ 78,048
Fiscal Year 2009	8/25/2010	73109-16	61,832	-	61,832	61,832	61,832	-	61,832
Fiscal Year 2009	8/25/2010	73109-38	75,680	-	-	-	-	-	-
Fiscal Year 2008	1/30/2009	72508-21	125,400	-	125,400	125,400	125,400	-	125,400
Fiscal Year 2008	1/30/2009	72508-48	191,680	-	5,761	38,252	38,252	32,491	131,525
Fiscal Year 2008	7/20/2009	72508-58	537,902	-	-	-	-	-	-
Fiscal Year 2008	7/1/2007	73008-01	1,776,710	7,127	7,127	-	-	-	1,776,710
Fiscal Year 2008	3/16/2009	73008-56	11,582	395	1,276	881	881	-	11,582
Fiscal Year 2008	3/16/2009	73008-58	20,800	-	-	1,906	1,906	1,906	1,906
Fiscal Year 2008	3/16/2009	73008-59	374,061	133,641	237,132	137,440	137,440	33,949	313,304
Fiscal Year 2008	3/16/2009	73008-65	198,848	-	28,965	28,965	28,965	-	198,848
Fiscal Year 2008	3/16/2009	73008-69	10,400	4,157	4,157	614	614	614	10,202
Fiscal Year 2008	3/16/2009	73008-70	20,800	-	-	-	-	-	-
Fiscal Year 2008	3/16/2009	73008-71	73,632	-	-	-	-	-	-
Fiscal Year 2008	3/16/2009	73008-72	10,400	5,931	10,400	4,469	4,469	-	10,400
Fiscal Year 2008	3/16/2009	73008-73	8,718	-	-	-	-	-	-
Fiscal Year 2007	2/1/2008	72507-11	118,973	-	81,617	81,617	81,617	-	118,973
Fiscal Year 2007	2/1/2008	73007-24	218,880	1,986	15,011	15,765	15,765	2,740	171,133
Fiscal Year 2007	2/1/2008	73007-25	355,392	79,516	103,067	40,526	40,526	16,975	280,492
Fiscal Year 2006	8/2/2007	72506-08	500,000	94,157	100,553	6,396	6,396	-	100,553
Fiscal Year 2006	8/2/2007	73006-28	1,771,812	170,938	311,162	143,091	143,091	2,867	1,611,732
Fiscal Year 2005	6/23/2008	73005-26	475,396	7,915	7,915	-	-	-	475,396
Fiscal Year 2004	7/1/2003	73004-20	4,825,414	75,588	104,424	36,406	36,406	7,570	4,785,316
Capital - State Transit Partnership:									
FTM/Admin (Operating):									
Fiscal Year 2011	10/5/2010	73011-32	7,480,189	-	6,732,172	7,478,707	7,478,707	746,535	7,478,707
Fiscal Year 2010	7/1/2009	73010-32	8,077,470	288,110	288,110	-	-	-	8,077,470
Other Special Projects:									
Rail Enhancement Fund:									
Cherry Hill Station	4/15/2008	76507-07	750,000	-	483,900	560,594	560,594	76,694	586,765
Eligible expenditures accrued, not yet assigned to specific grants									
		N/A	N/A	1,691,577	-	(114,777)	(114,777)	1,576,800	(114,777)
Total State Assistance - VRE			<u>49,994,923</u>	<u>2,959,930</u>	<u>19,234,787</u>	<u>19,915,106</u>	<u>19,915,106</u>	<u>3,640,249</u>	<u>42,927,624</u>
Total State Assistance - NVTC and VRE			<u>\$ 343,109,697</u>	<u>\$ 4,463,342</u>	<u>\$ 110,905,646</u>	<u>\$ 116,555,457</u>	<u>\$ 116,555,457</u>	<u>\$ 10,113,153</u>	<u>\$ 286,926,851</u>

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011**

	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Grant Award</u>	<u>Accrued (Deferred) Revenue 6/30/10</u>	<u>Cash Received</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/11</u>	<u>Cumulative Expenditures</u>
<u>Northern Virginia Transportation Commission</u>									
Federal Transit Administration									
City of Alexandria ITS Project	20.500	VA 04-0013	\$ 226,710	\$ -	\$ 88,548	\$ 117,561	\$ 117,561	\$ 29,013	\$ 226,710
City of Alexandria ITS Project	20.514	VA 26-0017	353,249	-	110,684	146,950	146,950	36,266	353,249
Alexandria Potomac Yards Env Analysis	20.507	VA 95-0077	240,000	-	109,269	109,269	109,269	-	109,269
Vanpool Incentive Feasibility Study	20.507	VA 95-2084	160,000	-	92,091	101,079	101,079	8,988	101,079
Crystal City/Potomac Yard Busway	20.500	VA 03-0112	777,422	-	274,953	274,953	274,953	-	274,953
			<u>1,757,381</u>	<u>-</u>	<u>675,545</u>	<u>749,812</u>	<u>749,812</u>	<u>74,267</u>	<u>1,065,260</u>
Virginia Department of Rail and Public Transportation									
NVTA Transaction 2040 Plan Update	20.205	47010-21	<u>400,000</u>	<u>-</u>	<u>41,733</u>	<u>82,783</u>	<u>82,783</u>	<u>41,050</u>	<u>82,783</u>
Total Federal Assistance - NVTC			<u>2,157,381</u>	<u>-</u>	<u>717,278</u>	<u>832,595</u>	<u>832,595</u>	<u>115,317</u>	<u>1,148,043</u>
<u>Virginia Railway Express</u>									
Virginia Department of Rail and Public Transportation									
Bonus Obligation Funding (STP)	20.205	47009-30	<u>3,300,000</u>	<u>-</u>	<u>3,300,000</u>	<u>3,300,000</u>	<u>3,300,000</u>	<u>-</u>	<u>3,300,000</u>
Total Federal Assistance - NVTC and VRE			<u>\$ 5,457,381</u>	<u>\$ -</u>	<u>\$ 4,017,278</u>	<u>\$ 4,132,595</u>	<u>\$ 4,132,595</u>	<u>\$ 115,317</u>	<u>\$ 4,448,043</u>

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

COMPLIANCE SECTION

YEAR ENDED JUNE 30, 2011

**NORTHERN VIRGINIA TRANSPORTATION COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011**

Federal Granting Agency/ Grant Program/Grant Number	Federal CFDA Number	Expenditures
Department of Transportation		
<u>Direct Payments:</u>		
Federal Transit Administration:		
State Grant Number:		
VA 04-0013	20.500	\$ 117,561
VA 95-0077	20.507	109,269
VA 95-2084	20.507	101,079
VA 03-0112	20.500	<u>274,953</u>
Total federal transit cluster		<u>602,862</u>
State Grant Number:		
VA 26-0017	20.514	<u>146,950</u>
Total direct payments		<u>749,812</u>
<u>Passthrough Payments:</u>		
Virginia Department of Rail and Public Transportation:		
Surface Transportation Program funding (STP)	20.205	82,783
Bonus Obligation Funding (STP)	20.205	<u>3,300,000</u>
		<u>3,382,783</u>
Total federal awards expended		<u>\$ 4,132,595</u>

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

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation and Accounting

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

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

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

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 are the clusters administered by NVTC: Federal Transit – Capital Investment Grants and Federal Transit – Formula Grants.



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

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

We have audited the financial statements of the Northern Virginia Transportation Commission (Commission) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

PBGH, LLP

Harrisonburg, Virginia
December 20, 2011

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

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

Compliance

We have audited the compliance of the Northern Virginia Transportation Commission (Commission) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Commission's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

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

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 11-01.

Internal Control Over Compliance

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

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

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

The Commission's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Commission's response and, accordingly, we express no opinion on it.

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

PBGH, LLP

Harrisonburg, Virginia
December 20, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? Yes No
 Significant deficiencies identified? Yes None Reported
 Noncompliance material to financial statements noted? Yes No

Federal awards

Internal control over major programs:

Material weaknesses identified? Yes No
 Significant deficiencies identified? Yes None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction – Bonus Obligation Funding

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 No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

II. FINANCIAL STATEMENT FINDINGS

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Compliance Findings:

11-01 Submission of Audited Financial Statements to Federal Audit Clearinghouse (FAC)

During the course of our audit, it was noted that management did not submit the June 30, 2010 financial statements to the Federal Audit Clearinghouse (FAC) by the required due date. We recommend that management implement a policy to ensure the timely submission of the financial statements to the FAC by the required due date.

Management's Response:

Management agrees that internal control processes could be enhanced to reduce the possibility of this finding from occurring in the future. The internal control policies for financial reporting have been modified to require the Director of Finance and Administration, and the Assistant Financial Officer to independently from one another maintain electronic reminders of the due date for filing the financial statements with the FAC, and to conform with the FAC that the financial statements have been filed prior to the due date.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2011

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