

NORTHERN VIRGINIA REGIONAL COMMISSION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NORTHERN VIRGINIA REGIONAL COMMISSION

DIRECTORY OF PRINCIPAL OFFICIALS AS OF JUNE 30, 2017

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David Tarter, Vice Chairperson
John C. Cook, Treasurer
Robert W. Lazaro, Executive Director

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Lisa C. Merkel

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Town of Vienna

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NORTHERN VIRGINIA REGIONAL COMMISSION
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-9
<u>Financial Statements</u>	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	12
Statement of Fiduciary Net Position	13
Statement of Changes in Fiduciary Net Position	14
Notes to Financial Statements	15-24
Supplemental Information	
Schedule of Resources, Appropriations and Expenditures - Actual and Budget	25
Schedule of Resources, Appropriations and Expenditures by Program (Non-GAAP Basis)	26-28
Schedule of Member Government Contributions	29
<u>Compliance</u>	
Independent Auditors' 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>	30-31
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	32-33
Schedule of Expenditures of Federal Awards	34
Notes to the Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36
Summary Schedule of Prior Audit Findings	37

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

**To the Board of Commissioners
Northern Virginia Regional Commission
Fairfax, Virginia**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northern Virginia Regional Commission's basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017, on our consideration of Northern Virginia Regional Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern Virginia Regional Commission's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

Other auditors have previously audited Northern Virginia Regional Commission's 2016 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated October 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
October 26, 2017

**NORTHERN VIRGINIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

Introduction

This discussion and analysis is intended to be an easily readable analysis of the Northern Virginia Regional Commission's (the Commission) financial activities based on currently known facts, decisions or conditions. It provides an overview of the Commission's financial activities for the year ended June 30, 2017. Please read it in conjunction with the Commission's financial statements, which follow this section.

The Commission is a regional council of local governments in Northern Virginia. It is a public body created in 1969 pursuant to the Virginia Area Development Act and a regionally-executed Charter. In 1995, the Virginia Area Development Act was amended and renamed the "Regional Cooperation Act." It sets forth the purpose of planning district commissions as follows:

...to encourage and facilitate local government cooperation in addressing on a regional basis problems of greater than local significance. The cooperation resulting from this Act is intended to assist local governments in meeting their own problems by enhancing their abilities to recognize and analyze regional opportunities and take account of regional influences in planning and implementing their public policies and services.

The Commission's programs and policies are established by a 24-member board, composed entirely of elected officials from, and appointed by, the governing bodies of the Commission's thirteen member localities. The work of the Commission is supported, in part, by annual contributions from the member local governments, and by appropriations from the Virginia General Assembly.

The Commission serves as a neutral forum for decision-making; provides member governments and others with information and analyses necessary to make sound local and regionally beneficial decisions; provides professional and technical services to enable member governments to plan for their future individually and as a region; and carries out programs and functions at the request of member governments to supplement their own capacities or to achieve economies of scale through regional approaches. Services are divided into regional policy programs such as the legislative program; demographics and information programs; environmental and land use programs; and human services programs.

Overview of the Financial Statements

Besides this Management's Discussion and Analysis (MD&A), this report consists of Basic Financial Statements, Notes to the Financial Statements, and both required and other supplemental information.

The Basic Financial Statements include the following major parts:

- *The Statement of Net Position (page 10)*, presents a snapshot of the Commission's assets, the amounts the Commission owes (liabilities), and the net difference, as of particular dates: June 30, 2017 and June 30, 2016. The net difference between assets and liabilities is divided into two parts: (1) a "restricted" amount, including funds drawn from unrestricted reserves in the purchase of fixed assets and not yet restored through repayment (represented as depreciation costs) from annual operating funds; and (2) an unrestricted amount that comprises the Commission's unallocated reserves.

**NORTHERN VIRGINIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

- *The Statement of Revenues, Expenses and Changes in Net Position (page 11)* includes all of the current year's revenue and expenses and compare these data to the prior year's. These statements indicate the degree to which expenses are being covered by revenue earned during each given year.
- *The Statement of Cash Flows (page 12)* reports cash receipts, cash payments and net changes resulting from operations, capital and related financing activities. Provided for fiscal years 2017 and 2016, these statements show where the cash came from, how it was used, and how much the cash balance changed during each year.
- *The Statement of Fiduciary Net Position - Fiduciary Fund (page 13)* shows funds that are being held for an employee pension trust. Northern Virginia Regional Commission is responsible for these funds, which may be used only for their intended purpose - employee pension benefits that are earned and distributed according to an IRS-approved plan. These assets cannot be used to finance operations.
- *The Statement of Change in Fiduciary Net Position - Fiduciary Fund (page 14)* provide additional detail on the changes in the balance of funds in the pension trust, including the source or reason for additions and deductions during the fiscal years reported (2017 and 2016).
- *The Notes to Financial Statements (pages 15-24)* provide disclosures required by generally accepted accounting principles, along with information to assist the reader in understanding the Commission's financial condition and changes in financial condition.
- *The Supplemental Schedule of Resources, Appropriations and Expenditures- Actual and Budget (page 25)* summarizes the current year's revenue and expenses in comparison to the last-approved budget for the year. It provides detail on how actual experience varied from the projections incorporated into the budget.
- *The Supplemental Schedule of Resources, Appropriations and Expenditures by Program (pages 26-28)* focuses on gross and net costs of the Commission's separate programs, and the extent to which such programs rely on general revenues. This statement shows the degree to which the various programs are self-supporting and/or subsidized by general revenues.
- *The Supplemental Schedules of Member Government Contributions (page 29)* is included as documentation of the respective dues paid by member local governments for fiscal years 2017 and 2016.

Capital Assets

Capital assets consist of building, furniture and equipment used in the governmental activities of the Commission. Currently, the Commission leases office space and so capital assets are limited to leasehold improvements, office furniture and fixtures, computers and other equipment.

**NORTHERN VIRGINIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

Financial Highlights

Net Position

- At June 30, 2017, the Commission's net position totaled (\$937,483), an improvement of \$126,537 from the previous year.
- From June 30, 2015 to June 30, 2016, the Commission's net position had decreased by \$374,967, from (\$689,053) to (\$1,064,020).

	Table 1 Net Postion		
	2017	2016	2015
Assets			
Current and other assets	\$ 709,853	\$ 1,278,265	\$ 1,372,993
Capital assets, net of accumulated depreciation	90,184	115,059	139,934
Total assets	\$ 800,037	\$ 1,393,324	\$ 1,512,927
Total liabilities	\$ 1,737,520	\$ 2,457,344	\$ 2,201,980
Net Position			
Investment in capital assets	\$ 90,184	\$ 115,059	\$ 139,934
Unrestricted	(1,027,667)	(1,179,079)	(828,987)
Total net position	\$ (937,483)	\$ (1,064,020)	\$ (689,053)

**NORTHERN VIRGINIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

Table 2
Changes in Net Position

	2017	2016	2015
Federal, state, and local grants and contributions	\$ 12,113,826	\$ 11,548,480	\$ 11,296,402
Miscellaneous	351,952	207,569	153,001
Interest and other	3,761	1,945	1,405
Total revenue	\$ 12,469,539	\$ 11,757,994	\$ 11,450,808
Personnel costs	\$ 1,971,044	\$ 2,319,539	\$ 2,334,645
Contract services	980,160	513,092	510,658
Subgrants	8,667,247	8,565,707	8,191,612
Housekeeping expenses	558,683	550,031	498,951
Operating expenses	59,963	78,564	119,993
Duplicating	46,098	29,873	66,038
Travel and conference	53,826	73,112	69,900
Recruitment and development	5,981	2,976	5,658
Interest expense	-	67	8,231
Total expenses	\$ 12,343,002	\$ 12,132,961	\$ 11,805,686
Increase (decrease) in net position	\$ 126,537	\$ (374,967)	\$ (354,878)

Financial Position

- Following adoption of a fiscal remediation plan in (October 2016), and with new leadership, the Commission began a multi-year process of taking specific steps to make sustained improvements in its financial position, and to restore a positive fund balance.
- At the conclusion of FY 2017, the results of implementing the first steps in the plan are evident in attainment of a surplus for the year, and reduction of the cumulative deficit.

**NORTHERN VIRGINIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

Economic Factors and Next Year's Budget

In November 2015, the Commission agreed to raise the members' per capita dues rate for FY 2017 by 7¢, to 60¢. The resulting dues increase, therefore, produced a dollar increase of \$184,130 over the FY 2016 dues - of which \$16,252 would have resulted from population increases alone. No increase in the dues rate was proposed for FY 2018; however, growth in the region's population would normally produce an increase of \$22,728. This will be offset by a reduction of approximately \$5,540, due to the Town of Purcellville's decision to withdraw from membership. If the Town does not rejoin, the population will be considered a part of Loudoun County in future dues calculations.

The state contribution of \$151,943 has not changed since FY 2012, and will not increase for FY 2018. Using the same population base that generates local government dues, the state contribution for FY 2018 will be equal to approximately 6.2¢ per capita - a substantial diminishment from the once-statutory rate (until 1985) of 20¢. NVRC members, advocates, and staff will continue to work with state representatives to demonstrate the opportunities that regional councils provide for efficiencies and savings in state government programs and activities.

During FY 2014, the Commission began providing office space for a sister regional agency, the Northern Virginia Transportation Authority (NVTA). It is expected that NVTA will continue to contribute toward office rent and use of NVRC VOIP telephone service, and that this arrangement will produce savings for both organizations. During FY 2017 the Commission began providing office space for another sister regional agency, the Health Systems Agency of Northern Virginia (HSANV), which also contributes toward office rent.

The last several years certainly have presented challenges to the Commission. The leadership of the Commission is committed to taking the steps necessary to proactively address the financial challenges of the organization. As such, working with the Executive Director and staff, the Commission has developed a conservative, fiscal remediation plan that addresses the structural deficit through a series of strategic spending cuts and realistic enhancement of revenues where possible.

By adhering to its Fiscal Remediation Plan, the Commission has ended the fiscal year with a surplus. We continue to work to implement the plan and anticipate FY18 will be a marked improvement over the previous fiscal year. Further, the Commission has entered into an agreement with the Community Foundation for Northern Virginia to help raise private sector funds to support Commission programming. Donations to the Foundation are tax deductible and broaden the opportunities for the Commission to obtain such funds.

**NORTHERN VIRGINIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017**

Financial Contact

The Northern Virginia Regional Commission's financial statements are designed to present users with a general overview of the Commission's finances and to demonstrate management's accountability. If you have questions about the report or need additional financial information, contact Executive Director Robert W. Lazaro, Jr. at 3040 Williams Drive, Suite 200, Fairfax, VA 22031. Telephone: 703/642-0700. Email: rlazaro@novaregion.org.

- Financial Statements -

NORTHERN VIRGINIA REGIONAL COMMISSION

Statement of Net Position

June 30, 2017

(with comparative totals as of June 30, 2016)

	2017	2016
Assets:		
Current assets:		
Cash and cash equivalents	\$ -	\$ 353,103
Accounts receivable, net		
Federal	564,099	786,200
State and local	37,910	48,965
Total current assets	\$ 602,009	\$ 1,188,268
Other assets:		
Other receivables	\$ 3,578	\$ 7,374
Prepaid expenses	82,360	51,039
Deferred rental income	21,906	31,584
Depreciable capital assets, net	90,184	115,059
Total other assets	\$ 198,028	\$ 205,056
Total assets	\$ 800,037	\$ 1,393,324
Liabilities:		
Reconciled overdraft	\$ 46,555	\$ -
Accounts payable	1,020,103	991,428
Pass-through funds payable	63,502	626,843
Compensated absences	130,262	150,215
Salaries payable	48,050	63,958
Unearned revenue	429,048	624,900
Total liabilities	\$ 1,737,520	\$ 2,457,344
Net position:		
Investment in capital assets	\$ 90,184	\$ 115,059
Unrestricted	(1,027,667)	(1,179,079)
Total net position	\$ (937,483)	\$ (1,064,020)

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

NORTHERN VIRGINIA REGIONAL COMMISSION

Statement of Revenues, Expenses, and Changes in Net Position
 Year Ended June 30, 2017
 (with comparative totals for year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating revenue:		
Federal	\$ 9,985,147	\$ 9,524,106
State	156,751	151,943
Local	1,971,928	1,872,431
Miscellaneous	351,952	207,569
Total operating revenue	<u>\$ 12,465,778</u>	<u>\$ 11,756,049</u>
Operating expenses:		
Personnel costs	1,971,044	2,319,539
Contract services	980,160	513,092
Subgrants	8,667,247	8,565,707
Housekeeping expenses	558,683	550,031
Operating expenses	59,963	78,564
Duplicating	46,098	29,873
Travel and conference	53,826	73,112
Recruitment and development	5,981	2,976
Total operating expenses	<u>\$ 12,343,002</u>	<u>\$ 12,132,894</u>
Operating income (loss)	<u>\$ 122,776</u>	<u>\$ (376,845)</u>
Nonoperating revenue (expenses):		
Interest income	\$ 3,761	\$ 1,945
Interest expense	-	(67)
Total nonoperating income (expenses)	<u>\$ 3,761</u>	<u>\$ 1,878</u>
Change in net position	\$ 126,537	\$ (374,967)
Net position, beginning of year	(1,064,020)	(689,053)
Net position, end of year	<u>\$ (937,483)</u>	<u>\$ (1,064,020)</u>

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

NORTHERN VIRGINIA REGIONAL COMMISSION

Statement of Cash Flows
Year Ended June 30, 2017
(with comparative totals for year ended June 30, 2016)

	2017	2016
Cash flows from operating activities:		
Receipts from federal, state and local governments	\$ 12,346,982	\$ 11,695,413
Payment to suppliers and subgrantees	(11,102,476)	(9,516,031)
Payments to employees	(2,006,905)	(2,313,049)
Other receipts	405,535	217,247
Net cash provided by (used for) operating activities	\$ (356,864)	\$ 83,580
Cash flows from capital and related financing activities:		
Interest income	\$ 3,761	\$ 1,945
Interest expense	-	(67)
Net cash flows provided by (used for) capital and related financing activities	\$ 3,761	1,878
Increase (decrease) in cash and cash equivalents	\$ (353,103)	\$ 85,458
Cash and cash equivalents at beginning of year	353,103	267,645
Cash and cash equivalents at end of year	\$ -	\$ 353,103
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 122,776	\$ (376,845)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation expense	24,875	24,875
Changes in operating asset and liabilities:		
(Increase) decrease in accounts receivable	236,952	176,880
(Increase) decrease in prepaid expenses	(31,321)	(6,372)
(Increase) decrease in deferred rental income	9,678	9,678
Increase (decrease) in reconciled overdraft	46,555	-
Increase (decrease) in accounts payable and accruals	(570,527)	325,456
Increase (decrease) in unearned revenue	(195,852)	(29,947)
Increase (decrease) in deferred rent expense	-	(40,145)
Net cash provided by (used for) operating activities	\$ (356,864)	\$ 83,580

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

NORTHERN VIRGINIA REGIONAL COMMISSION

Statement of Fiduciary Net Position

June 30, 2017

(with comparative totals as of June 30, 2016)

	Pension Trust	
	<u>2017</u>	<u>2016</u>
Assets:		
Investments	\$ <u>1,427,051</u>	\$ <u>1,424,182</u>
Total assets	\$ <u>1,427,051</u>	\$ <u>1,424,182</u>
Liabilities:	\$ <u>-</u>	\$ <u>-</u>
Net position restricted for pension benefits	\$ <u><u>1,427,051</u></u>	\$ <u><u>1,424,182</u></u>

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

NORTHERN VIRGINIA REGIONAL COMMISSION

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2017
(with comparative totals for year ended June 30, 2016)

	Pension Trust	
	2017	2016
Additions:		
Contributions	\$ 24,136	\$ 29,149
Investment income	-	968
Net increase (decrease) in fair value of investments	135,342	9,633
Total additions	\$ 159,478	\$ 39,750
Deductions:		
Distributions	\$ 156,484	\$ 125,295
Fees	125	226
Total deductions	\$ 156,609	\$ 125,521
Change in net position	\$ 2,869	\$ (85,771)
Net Position, beginning of year	1,424,182	1,509,953
Net Position, end of year	\$ 1,427,051	\$ 1,424,182

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

NORTHERN VIRGINIA REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Northern Virginia Regional Commission (Commission) conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The Commission, a special purpose government engaged in a business-type activity, is a regional council of local governments in Northern Virginia. The Commission is a public body created in 1969 pursuant to the Virginia Area Development Act and a regionally-executed charter. The Act has since been amended and recodified in Sections 15.2-4200 to 15.2-4222 of the Virginia code, which states the purpose of planning district commissions is to encourage and facilitate local government cooperation in addressing on a regional basis problems of greater than local significance. The Commission's programs and policies are established by a 25-member Board. The Commission is composed entirely of elected officials from, and appointed by, the governing bodies of the Commission's 14-member localities. The work of the Commission is supported, in part, by annual contributions from the member local governments, and by appropriations from the Virginia General Assembly. The following local jurisdictions are members of the Commission: Arlington, Fairfax, Loudoun, and Prince William Counties; the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park; and the Towns of Dumfries, Herndon, Leesburg, Purcellville and Vienna. Commission funding is obtained from member jurisdictions' contributions, from funds provided by the Commonwealth of Virginia, and from federal, state and local grants and contracts for specified projects designed to further the Commission's goals and objectives.

B. Basis of Accounting

The Commission maintains one operating and one fiduciary fund. The Commission's financial statements (the statements of net position; revenues, expenses and changes in net position and cash flows) report information of all of the nonfiduciary activities. The Commission's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local governmental units. The Commission utilizes the accrual basis of accounting and the economic measurement focus in preparing its financial statements wherein revenues are recognized when earned and expenses are recognized when incurred. Under the modified accrual method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally ninety days. The Commission considers grant revenue as available when the grant expenditure is made since the expenditure is the prime factor for determining eligibility. Expenditures are recorded when the related fund liability is incurred.

NORTHERN VIRGINIA REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2017 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Budgets and Budgetary Accounting

A budget is prepared for information and fiscal planning purposes. None of the participating entities are required to approve the budget. The budget is adopted as a planning document and is not a legal control on expenses. The budget is prepared on the same basis of accounting as the basic financial statements are prepared.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Fiduciary Fund Types - Trust Funds

Pension Trust Fund: The commission maintains a pension trust fund to account for Commission employee' benefits. This fund is accounted for in essentially the same manner as a proprietary fund type.

F. Cash and Cash Equivalents

The Commission's cash and cash equivalents are considered to be cash on hand, and all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

G. Accounts Receivable

Accounts receivable represents funds owed the Commission for grants, member contributions and other fees related to the Commission's efforts to encourage and facilitate local government cooperation in addressing regional problems of greater than local significance. Accounts receivable are stated at unpaid balances. Receivables are reduced by the estimated portion that is expected to be uncollectible. This estimate is made based on collection history and current information regarding the credit worthiness of the debtors. When continued collection activity results in receipts of amounts previously written off, revenue is recognized for the amount collected, The Commission did not have an allowance for doubtful accounts as of June 30, 2017 and 2016. Bad debt expense for the years ended June 30, 2017 and 2016 were \$0 and \$3,866.

H. Project Expenses

The costs of goods and services which are identifiable for specific projects are directly charged to those projects at the time costs are incurred. Indirect costs are allocated to projects as described in Note 11. Personnel costs for Commission employees are direct charges to the appropriate projects. Expenses of annual, sick, and other types of paid leave and fringe benefits are allocated to projects as described in Note 11.

NORTHERN VIRGINIA REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2017 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

I. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

J. Net Position

Net Position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

K. Net Position Flow Assumption

Sometimes the Commission fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

L. Property and Equipment

Capital assets consisting of furniture and equipment are recorded at cost. Property and equipment with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year is recorded as capital assets unless instructed otherwise by the funding grant document. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets ranging from three to seven years.

M. Unearned Revenue

The Commission reports unearned revenue on its statement of net position. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Commission before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Commission has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

NORTHERN VIRGINIA REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2017 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Revenue Recognition

Intergovernmental revenues, consisting primarily of federal, state, local and other grants for the purpose of funding specific expenditures, are recognized when earned. Contributions of the member governments are based on population and are assessed annually. There is also provision for special assessments where problems warrant. The Commission recognizes a liability for funds received in excess of project expenditures.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “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. No deposits exceed FDIC insurance limits.

Investments

Statutes authorize the Commission to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, repurchase agreements, certificates of deposit or time deposits insured by the FDIC, and the local government investment pool. Therefore there is no foreign currency risk.

The Commission investments consist of investments in the Local Government Investment Pool of \$110,640 and \$314,923 as of June 30, 2017 and 2016, respectively. There is no custodial credit risk for either of these investments as the amounts are fully collateralized. In addition, there is no interest rate risk as the interest rates are adjusted daily for the repurchase agreement and periodically for the investment in the local government investment pool.

NORTHERN VIRGINIA REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2017 (Continued)

NOTE 3- DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments at June 30, 2017 are as follows:

Federal Government:

U.S. Department of Health and Human Services:

HIV Emergency Relief Project Grants - CARE ACT PART A \$ 91,976

HIV Emergency Relief Project Grants - CARE ACT PART B 142,187

U.S. Department of Interior:

NPS Task Agreement 4,465

U.S. Department of Housing and Urban Development:

Housing Opportunities for Persons with AIDS - HOPWA 221,441

U.S. Department of Commerce:

Regional Native Plant Marketing 8,477

Pennsylvania Living Shore 17,460

Coastal Program Technical Assistance 5,804

Resiliency 5,290

U.S. Department of Transportation:

Four Mile Run Bridge Design 18,480

Triple Trial Earmark Project 12,094

Bicycle/Pedestrian Safety Guide 23,944

Fast Ferry 1,073

U.S. Environmental Protection Agency:

Four Mile Run Tidal Corridor 11,408

Total Federal Government \$ 564,099

State and Local \$ 37,910

NORTHERN VIRGINIA REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2017 (Continued)

NOTE 4-CAPITAL ASSETS:

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets, being depreciated:				
Furniture, Equipment and Improvements	\$ 224,045	\$ -	\$ -	\$ 224,045
Total capital assets being depreciated	<u>\$ 224,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,045</u>
Accumulated depreciation:				
Furniture, Equipment and Improvements	\$ 108,986	\$ 24,875	\$ -	\$ 133,861
Total accumulated depreciation	<u>\$ 108,986</u>	<u>\$ 24,875</u>	<u>\$ -</u>	<u>\$ 133,861</u>
Total capital assets being depreciated, net	<u>\$ 115,059</u>	<u>(24,875)</u>	<u>-</u>	<u>90,184</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$24,875 and \$24,875 respectively.

NOTE 5-COMPENSATED ABSENCES:

The Commission policy allows employees to accumulate unused vacation leave up to certain maximum hours. Commission employees earn from 13-26 vacation days per year, depending on the length of their employment. Upon termination or retirement, employee are entitled to receive compensation at their current base salary for all unused vacation leave. All employee receive 12 sick days a year. Sick leave is cancelled upon termination of employment, with no compensation to the employee. The following is a summary of changes in accrued annual leave for the year ended June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Compensated absences	\$ 150,215	\$ -	\$ 19,953	\$ 130,262

NORTHERN VIRGINIA REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2017 (Continued)

NOTE 6—LEASE COMMITMENTS:

The Commission is obligated under noncancelable operating leases for office facilities and equipment.

In October 2014, the Commission amended its lease for office space, extending the lease term to expire on July 31, 2025. The Commission is required to pay as "additional rent" a proportionate share of the increase in building operating costs over the base year 2005. Operating costs are defined to include real estate taxes and other expenses incurred by the landlord in ownership and operation of the building. The lease also provides for annual base rent escalations of 2.5% per year. Rent expense for the years ended June 30, 2017 and 2016 was \$521,986 and \$485,804, respectively.

Future minimum lease payments required as of June 30, 2017, under the amended operating lease for office space are as follows:

For the years ending June 30,

2018 \$	533,846
2019	544,997
2020	558,621
2021	572,587
2022	586,902
Thereafter	<u>1,903,209</u>
Total	<u>\$ 4,700,162</u>

The first six and a half months of the amended lease term was abated. The difference between the amount charged to rent expense and the rent paid is recorded as unearned revenue and amortized over the lease term.

As part of the office lease agreement, the landlord purchased office furniture and equipment for the Commission. The value of the office furniture and equipment is recorded as unearned revenue and amortized on a straight-line basis over the life of the lease.

In 2016, the Commission entered into an operating lease to sub-leases office space. The lease expires October 31, 2019, and provides for annual base rent escalations of 2.5% per year. Rental income for the years ended June 30, 2017 and 2016 was \$106,059 and \$100,981, respectively.

Future minimum lease income required as of June 30, 2017, under the sub-lease for office space are as follows:

For the years ending June 30,

2018 \$	108,723
2019	111,435
2020	<u>37,372</u>
Total	<u>\$ 257,530</u>

NORTHERN VIRGINIA REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2017 (Continued)

NOTE 7-DEFERRED COMPENSATION PLAN:

The Commission has established a voluntary deferred compensation plan, pursuant to Section 457 of the Internal Revenue Code. Under this plan, any employee may elect to have a portion of their current salary retained by the Commission and invested by the plan trustees. The employee may begin to collect at termination, retirement, or disability. The assets of the plan are reflected on the Statements of Fiduciary Net Position.

The Commission Board has voted to annually contribute to the deferred compensation fund for the Executive Director. The contribution amount for fiscal years 2017 and 2016 was \$5,231 and \$16,346, respectively.

NOTE 8-PENSION PLAN:

Effective July 1, 2003, the Commission established a defined contribution retirement plan, which is named the Northern Virginia Regional Commission Employees' Retirement Plan and Trust and the Northern Virginia Regional Commission 457 Matching Plan. Employees are eligible to make elective deferrals to the plan upon completing one year of service. Employees are eligible to receive matching contributions and non-elective contributions upon completing one year of service. Employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits, The Commission contributes by matching 25% of the first 6% of eligible employee contributions. The Commission also makes an additional contribution to the plan which is called a non-elective contribution. For the years ended June 30, 2017 and 2016, the employer contributions to the plan by the Commission were \$154,308 and \$170,899, respectively.

If an employee leaves the pension plan before their portion of the Commission's contribution to the plan is fully vested, the unvested funds are forfeited by the employee. These funds are recorded as prepaid expense and are available for the Commission to use to meet the Commission's portion of future contributions to the plan. These funds are invested in mutual funds and recorded at fair market value based on quoted prices in active markets for identical assets (level 1 inputs). As of June 30, 2017 the market value of these funds was \$12,814.

NOTE 9-COMMITMENTS/CONTINGENT LIABILITIES:

Federal programs in which the Commission participates were audited in accordance with the provisions of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements.

Additionally, the federal government may subject grant programs to additional compliance tests, which could result in disallowed expenditures. In the opinion of management, any future disallowances of grant program expenditures would be immaterial.

NOTE 10-LITIGATION:

As represented by management, there were no lawsuits pending which would materially affect the Commission's financial position as of the date of these financial statements.

NORTHERN VIRGINIA REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2017 (Continued)

NOTE 11—COST ALLOCATION BASIS - INDIRECT COSTS AND FRINGE BENEFITS:

Indirect costs, which support all projects, are allocated based on the ratio of the individual project's direct salaries, leave, and fringe benefits to total direct salaries, leave, and fringe benefits (excluding temporary help). The indirect cost rate for the fiscal year ended June 30, 2017, was 68.79% calculated as follows:

$$\begin{array}{r} \text{Indirect costs} \\ \text{Total direct salaries and fringe benefits} \\ \text{(excluding temporary help)} \end{array} \quad \begin{array}{r} \$ \quad 1,017,050 \\ \hline 1,478,529 \end{array} = 68.79\%$$

The following are included in indirect costs allocated to projects:

The following are included in indirect costs allocated to projects:

Personnel costs:

Salary	\$	298,361
Deferred compensation		5,231
Fringe benefits		188,922
Total personnel costs	\$	<u>492,514</u>
Housekeeping expenses		422,900
Contract services		63,700
Operating expenses		26,643
Travel and conference		2,221
Duplicating		5,197
Recruitment and development		3,875
Total indirect costs	\$	<u><u>1,017,050</u></u>

Fringe benefit expense is allocated using the percentage of benefits to total salaries including all personnel costs included in other categories. The fringe benefit rate for the fiscal year ended June 30, 2017 was 61.23%, and is calculated as follows:

$$\begin{array}{r} \text{Fringe benefit expense} \\ \text{Total salaries} \end{array} \quad \begin{array}{r} \$ \quad 746,558 \\ \hline 1,219,256 \end{array} = 61.23\%$$

NORTHERN VIRGINIA REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2017 (Continued)

NOTE 11—COST ALLOCATION BASIS - INDIRECT COSTS AND FRINGE BENEFITS: (CONTINUED)

Components of fringe benefits expense for the year ended June 30, 2017 are shown below:

Employee leave	\$ 296,502
Group hospitalization	172,466
Retirement costs	154,308
Social security taxes	103,828
Group life insurance	9,736
Group disability insurance	4,694
Unemployment taxes	1,282
Workmen's compensation	1,692
Ceridian flex admin fees	774
Employee assistance program	1,276
Total fringe benefits	<u>\$ 746,558</u>

NOTE 12—LINE OF CREDIT:

The Commission had a \$1,000,000 revolving line of credit bearing interest at the bank's prime interest rate, with a minimum rate of 3.75%. The line was secured by the assets of the Commission and matured in March 2016. The Commission plans to apply for a new line of credit. Interest expense paid on the line of credit for the year ended June 30, 2016 was \$67. There was no outstanding balance on the line as of June 30, 2017 and June 30, 2016.

NORTHERN VIRGINIA REGIONAL COMMISSION
Schedule of Resources, Appropriations and Expenditures - Actual and Budget
Year Ended June 30, 2017

	<u>Actual</u>	<u>Approved Budget</u>	Variance Positive (Negative)
Revenues:			
Federal	\$ 9,985,147	\$ 11,137,771	\$ (1,152,624)
State	156,751	151,943	4,808
Local	1,971,928	2,098,980	(127,052)
Miscellaneous	<u>351,952</u>	<u>223,638</u>	<u>128,314</u>
Total Revenues	<u>\$ 12,465,778</u>	<u>\$ 13,612,332</u>	<u>\$ (1,146,554)</u>
Expenses:			
Personnel costs	\$ 1,971,044	\$ 2,029,753	\$ 58,709
Contract services	980,160	966,516	(13,644)
Subgrants	8,667,247	9,774,193	1,106,946
Housekeeping expenses	558,683	586,302	27,619
Operating expenses	59,963	44,854	(15,109)
Duplicating	46,098	22,298	(23,800)
Travel and conference	53,826	33,787	(20,039)
Recruitment and development	5,981	4,967	(1,014)
Other	<u>-</u>	<u>4,035</u>	<u>4,035</u>
Total Expenses	<u>\$ 12,343,002</u>	<u>\$ 13,466,705</u>	<u>\$ 1,123,703</u>
Operating income (loss)	\$ 122,776	\$ 145,627	\$ (22,851)
Nonoperating revenue (expenses):			
Interest income	<u>3,761</u>	<u>2,000</u>	<u>1,761</u>
Change in net position	<u>\$ 126,537</u>	<u>\$ 147,627</u>	<u>\$ (21,090)</u>

NORTHERN VIRGINIA REGIONAL COMMISSION
SCHEDULE OF RESOURCES, APPROPRIATIONS, AND EXPENDITURES BY PROGRAM
(Non-GAAP Basis)
YEAR ENDED JUNE 30, 2017

	Regional Council Services	Legislative Services	Communications	Demographics	Four Mile Run Watershed Management	Solid Waste Management	Occoquan Programs
Resources							
Federal (Direct)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal (Indirect)	-	-	-	-	234,755	-	-
State	-	-	-	-	4,808	-	-
Local	1,759	-	-	-	123,259	76,033	200,632
Other	131,619	-	-	-	17,360	95	-
Total Resources	<u>\$ 133,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,182</u>	<u>\$ 76,128</u>	<u>\$ 200,632</u>
NVRC Appropriation	<u>\$ 142,024</u>	<u>\$ 40</u>	<u>\$ 25,629</u>	<u>\$ 173,543</u>	<u>\$ 60,552</u>	<u>\$ 8,990</u>	<u>\$ 29,822</u>
Total Resources and Appropriations	<u><u>\$ 275,402</u></u>	<u><u>\$ 40</u></u>	<u><u>\$ 25,629</u></u>	<u><u>\$ 173,543</u></u>	<u><u>\$ 440,734</u></u>	<u><u>\$ 85,118</u></u>	<u><u>\$ 230,454</u></u>
Expenditures							
Personnel Cost	\$ 75,024	\$ -	\$ 12,119	\$ 97,627	\$ 76,195	\$ 44,309	\$ 52,503
Contract Services	4,500	-	-	-	311,760	7,179	139,834
Housekeeping	130,099	26	-	14	-	234	16
Operating	5,167	-	4,758	8,399	-	574	-
Duplicating	1,245	7	416	346	77	370	78
Travel and Conferences	7,759	7	-	-	288	1,972	1,907
Recruitment and Development	-	-	-	-	-	-	-
Indirect Cost	51,608	-	8,336	67,157	52,414	30,480	36,116
Total Expenditures	<u><u>\$ 275,402</u></u>	<u><u>\$ 40</u></u>	<u><u>\$ 25,629</u></u>	<u><u>\$ 173,543</u></u>	<u><u>\$ 440,734</u></u>	<u><u>\$ 85,118</u></u>	<u><u>\$ 230,454</u></u>

NORTHERN VIRGINIA REGIONAL COMMISSION
SCHEDULE OF RESOURCES, APPROPRIATIONS, AND EXPENDITURES BY PROGRAM
(Non-GAAP Basis)
YEAR ENDED JUNE 30, 2017

	Coastal Resources Management	Regional Water Supply Plan	MS4	Environmental General	Sustainable Development Programs	Heritage Resource Programs	Other Human Services
Resources							
Federal (Direct)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,487	\$ -
Federal (Indirect)	246,942	-	-	-	-	119,781	-
State	-	-	-	-	-	-	-
Local	43,765	6,629	71,948	-	-	-	90
Other	182,632	-	-	-	169	450	6,540
Total Resources	<u>\$ 473,339</u>	<u>\$ 6,629</u>	<u>\$ 71,948</u>	<u>\$ -</u>	<u>\$ 169</u>	<u>\$ 148,718</u>	<u>\$ 6,630</u>
NVRC Appropriation	<u>\$ 125,024</u>	<u>\$ 1</u>	<u>\$ 17,598</u>	<u>\$ 61,735</u>	<u>\$ 44,244</u>	<u>\$ 85,108</u>	<u>\$ 15,636</u>
Total Resources and Appropriations	<u><u>\$ 598,363</u></u>	<u><u>\$ 6,630</u></u>	<u><u>\$ 89,546</u></u>	<u><u>\$ 61,735</u></u>	<u><u>\$ 44,413</u></u>	<u><u>\$ 233,826</u></u>	<u><u>\$ 22,266</u></u>
Expenditures							
Personnel Cost	\$ 119,270	\$ 3,928	\$ 52,406	\$ 36,488	\$ 26,115	\$ 91,604	\$ 9,089
Contract Services	389,514	-	-	-	-	53,148	-
Housekeeping	396	-	18	-	-	824	174
Operating	4,213	-	-	-	-	1,696	-
Duplicating	638	-	42	63	-	21,218	34
Travel and Conferences	2,288	-	1,030	84	334	2,323	6,717
Recruitment and Development	-	-	-	-	-	-	-
Indirect Cost	82,044	2,702	36,050	25,100	17,964	63,013	6,252
Total Expenditures	<u><u>\$ 598,363</u></u>	<u><u>\$ 6,630</u></u>	<u><u>\$ 89,546</u></u>	<u><u>\$ 61,735</u></u>	<u><u>\$ 44,413</u></u>	<u><u>\$ 233,826</u></u>	<u><u>\$ 22,266</u></u>

NORTHERN VIRGINIA REGIONAL COMMISSION
SCHEDULE OF RESOURCES, APPROPRIATIONS, AND EXPENDITURES BY PROGRAM
(Non-GAAP Basis)
YEAR ENDED JUNE 30, 2017

	CARE Act Part A	CARE Act Part B	HOPWA	Energy Sustainability	Regional Economic Vitality	General Funds	Total Programs
Resources							
Federal (Direct)	\$ -	\$ -	\$ -	\$ -	\$ 1,072	\$ -	\$ 29,559
Federal (Indirect)	5,805,736	1,388,624	2,163,477	-	(3,727)	-	9,955,588
State	-	-	-	-	-	151,943	156,751
Local	-	-	-	91,249	157,595	1,198,969	1,971,928
Other	-	855	-	12,230	3,656	107	355,713
Total Resources	<u>\$ 5,805,736</u>	<u>\$ 1,389,479</u>	<u>\$ 2,163,477</u>	<u>\$ 103,479</u>	<u>\$ 158,596</u>	<u>\$ 1,351,019</u>	<u>\$ 12,469,539</u>
NVRC Appropriation	<u>\$ 108,514</u>	<u>\$ 41,799</u>	<u>\$ 55,967</u>	<u>\$ 55,604</u>	<u>\$ 172,652</u>	<u>\$ (1,351,019)</u>	<u>\$ (126,537)</u>
Total Resources and Appropriations	<u><u>\$ 5,914,250</u></u>	<u><u>\$ 1,431,278</u></u>	<u><u>\$ 2,219,444</u></u>	<u><u>\$ 159,083</u></u>	<u><u>\$ 331,248</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,343,002</u></u>
Expenditures							
Personnel Cost	\$ 287,176	\$ 112,470	\$ 96,486	\$ 93,017	\$ 192,703	\$ -	\$ 1,478,529
Contract Services	5,403,006	1,230,522	2,044,144	-	100	-	9,583,707
Housekeeping	2,385	647	28	555	367	-	135,783
Operating	4,982	768	1,507	740	516	-	33,320
Duplicating	3,355	983	9,509	327	2,193	-	40,901
Travel and Conferences	14,670	7,593	1,364	459	2,811	-	51,606
Recruitment and Development	1,131	941	34	-	-	-	2,106
Indirect Cost	197,545	77,354	66,372	63,985	132,558	-	1,017,050
Total Expenditures	<u><u>\$ 5,914,250</u></u>	<u><u>\$ 1,431,278</u></u>	<u><u>\$ 2,219,444</u></u>	<u><u>\$ 159,083</u></u>	<u><u>\$ 331,248</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,343,002</u></u>

NORTHERN VIRGINIA REGIONAL COMMISSION
SCHEDULE OF MEMBER GOVERNMENT CONTRIBUTIONS
YEAR ENDED JUNE 30, 2017
(with comparative totals for year ended June 30, 2016)

Jurisdiction	<u>2017</u>	<u>2016</u>
Alexandria	\$ 53,066	\$ 80,146
Arlington County	137,581	120,387
City of Fairfax	14,838	12,687
Falls Church	8,113	7,057
Fairfax County	646,723	570,323
Herndon	14,732	12,956
Vienna	9,875	8,676
Loudoun County	181,970	154,596
Leesburg	29,698	25,267
Purcellville	5,357	4,561
Manassas City	25,098	21,566
Manassas Park	9,256	8,042
Prince William County	259,466	225,828
Dumfries	3,115	2,739
Total Contributions	<u>\$ 1,398,888</u>	<u>\$ 1,254,831</u>

**Independent Auditors' 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 Board of Commissioners
Northern Virginia Regional Commission
Fairfax, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, and the aggregate remaining fund information of Northern Virginia Regional Commission as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Northern Virginia Regional Commission's basic financial statements and have issued our report thereon dated October 26, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
October 26, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Commissioners
Northern Virginia Regional Commission
Fairfax, Virginia

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Northern Virginia Regional Commission's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
October 26, 2017

NORTHERN VIRGINIA REGIONAL COMMISSION

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Payments to Subrecipients
<u>Department of Health and Human Services:</u>				
Pass-through Payments:				
District of Columbia Department of Health HIV Emergency Relief Project Grants	93.914	16Z023/17A023	\$ 5,805,736	\$ 5,397,407
Virginia Department of Health: HIV Care Formula Grants	93.917	NVRHCS611GY16/ NVRHCS611GY17	1,388,624	1,190,926
Total Department of Health and Human Services			<u>\$ 7,194,360</u>	<u>\$ 6,588,333</u>
<u>Environmental Protection Agency:</u>				
Pass-through Payments:				
City of Alexandria and County of Arlington Congressionally Mandated Projects	66.202	Not available	\$ 165,910	\$ -
<u>Department of Interior:</u>				
Direct Payments:				
National Trails Systems Projects	15.935	N/A	\$ 28,487	\$ -
<u>Department of Transportation:</u>				
Direct Payments:				
America's Marine Highway Grants	20.816	N/A	\$ 1,072	\$ -
Pass-through Payments:				
Virginia Department of Motor Vehicles State and Community Highway Safety	20.600	PS-2015-55022-5761/ PS-2016-56103-6303/ PS-2017-57151-6800	80,636	-
Virginia Department of Transportation: Highway Planning and Construction	20.205	SLEN-969-101, PE101, C501/ VCTIR RC00037/ EN-000-125,P101, C501	104,263	39,146
Total Department of Transportation			<u>\$ 185,971</u>	<u>\$ 39,146</u>
<u>Department of Commerce:</u>				
Pass-through Payments:				
Virginia Department of Environmental Quality Coastal Zone Management Administration Awards	11.419	15NOS4190164/ NA16NOS4190171	\$ 81,726	\$ -
National Fish and Wildlife Federation Habitat Conservation	11.463	063.15.049753	165,216	-
Total Department of Commerce			<u>\$ 246,942</u>	<u>\$ -</u>
<u>Department of Housing and Urban Development:</u>				
Pass-through Payments:				
District of Columbia Department of Health Housing Opportunities for Persons with AIDS	14.241	16Z313/17A313	\$ 2,163,477	\$ 2,039,768
Total expenditures of federal awards			<u>\$ 9,985,147</u>	<u>\$ 8,667,247</u>

See accompanying notes to the schedule of expenditures of federal awards.

NORTHERN VIRGINIA REGIONAL COMMISSION

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note 1 - Basis of Presentation:

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

Note 2 - Summary of Significant Accounting Policies:

- (1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The Commission did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 3 - Relationship to Financial Statements:

Federal expenditures, revenues and capital contributions are reported in the Commission's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements	<u>\$ 9,985,147</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 9,985,147</u></u>

NORTHERN VIRGINIA REGIONAL COMMISSION

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section .516(a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
93.914	HIV Emergency Relief Project Grants

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

Auditee qualified as low-risk auditee? No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

NORTHERN VIRGINIA REGIONAL COMMISSION

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

There are no prior year audit findings.