

NORTHERN VIRGINIA REGIONAL COMMISSION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NORTHERN VIRGINIA REGIONAL COMMISSION

DIRECTORY OF PRINCIPAL OFFICIALS AS OF JUNE 30, 2019

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Cydny Neville, Vice Chairperson
Kathy Smith, Treasurer
Robert W. Lazaro, Executive Director

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NORTHERN VIRGINIA REGIONAL COMMISSION
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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, 2019 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, 2019 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 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.

Supplementary 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 supplementary information is presented for purposes of additional analysis and is 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 supplementary information 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 supplementary information 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 25, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northern Virginia Regional Commission's 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

We have previously audited Northern Virginia Regional Commission's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
October 25, 2019

**NORTHERN VIRGINIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019**

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, 2019. 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 9)***, presents a snapshot of the Commission's assets, the amounts the Commission owes (liabilities), and the net difference, as of particular dates: June 30, 2019 and June 30, 2018. 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, 2019**

- ***The Statement of Revenue, Expenses and Changes in Net Position (page 10)*** 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 11)*** reports cash receipts, cash payments and net changes resulting from operations, capital and related financing activities. Provided for fiscal years 2019 and 2018, 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 - Pension Trust (page 12)*** 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 Fiduciary Net Position – Fiduciary Fund – Agency Funds (page 12)*** shows funds held for the “GO” Northern Virginia program. The “GO” Northern Virginia Council Program is to provide assistance to encourage regional cooperation among business, education, and government on strategic, economic, and workforce development efforts.
- ***The Statement of Changes in Fiduciary Net Position – Fiduciary Fund (page 13)*** provides 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 (2019 and 2018).
- ***The Notes to Financial Statements (pages 14-22)*** 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 Schedule of Resources, Appropriations and Expenditures– Actual and Budget (page 23)*** 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 Schedule of Resources, Appropriations and Expenditures by Program (pages 24-27)*** 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 Schedule of Member Government Contributions (page 28)*** is included as documentation of the respective dues paid by member local governments for fiscal years 2019 and 2018.
- ***The Schedule of Changes in Assets and Liabilities - Agency Funds (pages 29)*** – summarizes the increases and decreases of the funds held for the “GO” Northern Virginia Council.

**NORTHERN VIRGINIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019**

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.

Financial Highlights

Net Position

- At June 30, 2019, the Commission's net position totaled \$120,004, an improvement of \$545,907 from the previous year.
- From June 30, 2017 to June 30, 2018, the Commission's net position had improved by \$511,580, from (\$937,483) to (\$425,903); and from June 30, 2018 to June 30, 2019, it improved further, by \$545,907, to \$120,004.

See Tables 1 and 2, below.

	Table 1		
	Net Postion		
	2019	2018	2017
Assets			
Current and other assets	\$ 1,172,387	\$ 554,954	\$ 709,853
Capital assets, net of accumulated depreciation	46,168	75,911	90,184
Total assets	\$ 1,218,555	\$ 630,865	\$ 800,037
Liabilities	\$ 1,098,551	\$ 1,056,768	\$ 1,737,520
Net Position			
Investment in capital assets	\$ 46,168	\$ 75,911	\$ 90,184
Unrestricted	73,836	(501,814)	(1,027,667)
Total net position	\$ 120,004	\$ (425,903)	\$ (937,483)

**NORTHERN VIRGINIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019**

Table 2
Changes in Net Position

	2019	2018	2017
Federal, state, and local grants and contributions	\$ 7,226,902	\$ 9,664,177	\$ 12,113,826
Miscellaneous	321,569	306,369	351,952
Interest and other	13,248	4,522	3,761
Total revenue	\$ 7,561,719	\$ 9,975,068	\$ 12,469,539
Personnel costs	\$ 1,830,098	\$ 1,631,209	\$ 1,971,044
Contract services	661,525	772,408	980,160
Subgrants	3,763,885	6,347,786	8,667,247
Housekeeping expenses	585,619	571,657	558,683
Operating expenses	79,671	63,176	59,963
Duplicating	29,617	25,365	46,098
Travel and conference	62,915	49,274	53,826
Recruitment and development	2,309	2,613	5,981
Bad debt expenses	173	-	-
Total expenses	\$ 7,015,812	\$ 9,463,488	\$ 12,343,002
Increase (decrease) in net position	\$ 545,907	\$ 511,580	\$ 126,537

Financial Position

Under new leadership with a specific plan, the Commission's financial position continues to improve. Elimination of the accumulated deficit was achieved in FY 2019.

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 has occurred since then.#

The state contribution of \$151,943 has not changed since FY 2012, and will not increase for FY 2020. Using the same population base that generates local government dues, the state contribution for FY 2020 will be equal to approximately 6¢ 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.

**NORTHERN VIRGINIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019**

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

By adhering to its plan, the Commission ended Fiscal Year 2019 with a surplus that erases the structural deficit and being able for the first time in many years to place money aside into the Commission's reserve account consistent with a policy adopted by the Commission.

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, 2019

(with comparative totals as of June 30, 2018)

	2019	2018
Assets:		
Current assets:		
Cash and cash equivalents	\$ 386,386	\$ 41,245
Accounts receivable, net:		
Federal	652,799	461,765
State and local	16,834	741
Total current assets	\$ 1,056,019	\$ 503,751
Other assets:		
Other receivables	\$ 3,056	\$ 3,330
Prepaid expenses	113,312	47,873
Depreciable capital assets, net	46,168	75,911
Total other assets	\$ 162,536	\$ 127,114
Total assets	\$ 1,218,555	\$ 630,865
Liabilities:		
Accounts payable	\$ 307,671	\$ 477,099
Pass-through funds payable	192,836	-
Compensated absences	119,677	127,032
Salaries payable	49,767	50,879
Unearned revenue	428,600	401,758
Total liabilities	\$ 1,098,551	\$ 1,056,768
Net position:		
Investment in capital assets	\$ 46,168	\$ 75,911
Unrestricted	73,836	(501,814)
Total net position	\$ 120,004	\$ (425,903)

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, 2019
(with comparative totals for year ended June 30, 2018)

	2019	2018
Operating revenue:		
Federal	\$ 5,021,866	\$ 7,305,346
State	259,846	166,137
Local	1,945,190	2,192,694
Miscellaneous	321,569	306,369
Total operating revenue	\$ 7,548,471	\$ 9,970,546
Operating expenses:		
Personnel costs	\$ 1,830,098	\$ 1,631,209
Contract services	661,525	772,408
Subgrants	3,763,885	6,347,786
Housekeeping expenses	585,619	571,657
Operating expenses	79,671	63,176
Duplicating	29,617	25,365
Travel and conference	62,915	49,274
Recruitment and development	2,309	2,613
Bad debt exepenses	173	-
Total operating expenses	\$ 7,015,812	\$ 9,463,488
Operating income (loss)	\$ 532,659	\$ 507,058
Nonoperating revenue (expenses):		
Interest income	\$ 13,248	\$ 4,522
Total nonoperating revenue (expenses)	\$ 13,248	\$ 4,522
Change in net position	\$ 545,907	\$ 511,580
Net position, beginning of year	(425,903)	(937,483)
Net position, end of year	\$ 120,004	\$ (425,903)

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, 2019
(with comparative totals for year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from federal, state and local governments	\$ 7,019,775	\$ 9,803,680
Payment to suppliers and subgrantees	(5,171,160)	(8,379,939)
Payments to employees	(1,838,565)	(1,631,610)
Other receipts	321,843	260,062
Net cash provided by (used for) operating activities	<u>\$ 331,893</u>	<u>\$ 52,193</u>
Cash flows from capital and related financing activities:		
Interest income	\$ 13,248	\$ 4,522
Purchase of capital assets	-	(15,470)
Net cash flows provided by (used for) capital and related financing activities	<u>\$ 13,248</u>	<u>\$ (10,948)</u>
Increase (decrease) in cash and cash equivalents	<u>\$ 345,141</u>	<u>\$ 41,245</u>
Cash and cash equivalents at beginning of year	<u>41,245</u>	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ 386,386</u></u>	<u><u>\$ 41,245</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income	\$ 532,659	\$ 507,058
Adjustments to reconcile net operating income to net cash provided by (used for) operating activities:		
Depreciation expense	29,743	29,743
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(206,853)	139,751
(Increase) decrease in prepaid expenses	(65,439)	56,393
Increase (decrease) in reconciled overdraft	-	(46,555)
Increase (decrease) in accounts payable and accruals	14,941	(606,907)
Increase (decrease) in unearned revenue	26,842	(27,290)
Net cash provided by (used for) operating activities	<u><u>\$ 331,893</u></u>	<u><u>\$ 52,193</u></u>

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

NORTHERN VIRGINIA REGIONAL COMMISSION

Statement of Fiduciary Net Position

June 30, 2019

(with comparative totals as of June 30, 2018)

	Pension Trust		Agency Funds	
	2019	2018	2019	2018
Assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 161,252	\$ 51,316
Investments	801,876	773,270	-	-
Total assets	\$ 801,876	\$ 773,270	\$ 161,252	\$ 51,316
Liabilities:				
Amounts held for others	\$ -	\$ -	\$ 161,252	\$ 51,316
Net position restricted for pension benefits	\$ 801,876	\$ 773,270	\$ -	\$ -

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, 2019

(with comparative totals for year ended June 30, 2018)

	Pension Trust	
	2019	2018
Additions:		
Contributions	\$ 17,713	\$ 85,598
Net increase (decrease) in fair value of investments	42,218	90,543
Total additions	\$ 59,931	\$ 176,141
Deductions:		
Distributions	\$ 31,325	\$ 829,922
Total deductions	\$ 31,325	\$ 829,922
Change in net position	\$ 28,606	\$ (653,781)
Net Position, beginning of year	773,270	1,427,051
Net Position, end of year	\$ 801,876	\$ 773,270

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, 2019

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 polices:

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 24-member Board. The Commission is composed entirely of elected officials from, and appointed by, the governing bodies of the Commission's 13-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, 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 two fiduciary funds. 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.

NORTHERN VIRGINIA REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 (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 and Agency 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.

"GO" Northern Virginia Agency Fund: This fund accounts for the increases and decreases of the funds held for the "GO" Northern Virginia Council.

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, 2019 and 2018. Bad debt expenses for the year ended June 30, 2019 totaled \$173.

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, 2019 (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 funds 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 \$2,500 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 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, 2019 (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. Operating revenues and expenses are defined as those items that result from providing services and include all transactions and events which are not capital and related financing, noncapital financing or investing activities. Nonoperating revenues are defined as investment and other revenues. Nonoperating expenses are defined as noncapital related financing and other expenses.

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 \$170,073 and \$15,355 as of June 30, 2019 and 2018, respectively and in the VML/VACO Virginia Investment Pool of \$193,549 as of June 30, 2019. There is no custodial credit risk for either of these investments as the amounts are fully collateralized. The LGIP and the VML/VACO funds were rated AAAM by Standard & Poors. All investment maturities are less than one year.

External Investment Pools

The value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

NORTHERN VIRGINIA REGIONAL COMMISSION

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 (Continued)**

NOTE 4–CAPITAL ASSETS:

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital assets, being depreciated:				
Furniture, Equipment and Improvements	\$ 239,515	\$ -	\$ 19,350	\$ 220,165
Total capital assets being depreciated	<u>\$ 239,515</u>	<u>\$ -</u>	<u>\$ 19,350</u>	<u>\$ 220,165</u>
Accumulated depreciation:				
Furniture, Equipment and Improvements	\$ 163,604	\$ 29,743	\$ 19,350	\$ 173,997
Total accumulated depreciation	<u>\$ 163,604</u>	<u>\$ 29,743</u>	<u>\$ 19,350</u>	<u>\$ 173,997</u>
Total capital assets being depreciated, net	<u>\$ 75,911</u>	<u>(29,743)</u>	<u>-</u>	<u>46,168</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$29,743 and \$29,743 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, employees are entitled to receive compensation at their current base salary for all unused vacation leave. All employees 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, 2019:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Compensated absences	\$ 127,032	\$ -	\$ 7,355	\$ 119,677

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, 2019 and 2018 was \$544,997 and \$533,846, respectively.

NORTHERN VIRGINIA REGIONAL COMMISSION

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 (Continued)**

NOTE 6—LEASE COMMITMENTS: (CONTINUED)

Future minimum lease payments required as of June 30, 2019, under the amended operating lease for office space are as follows:

For the years ending June 30,	
2020 \$	558,621
2021	572,587
2022	586,902
2023	601,574
2024	616,614
Thereafter	791,006
Total	\$ <u>3,727,304</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-lease 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, 2019 and 2018 was \$111,435 and \$108,981, respectively.

Future minimum lease income due as of June 30, 2019, under the sub-lease for office space is as follows:

For the years ending June 30,	
2020 \$	<u>37,372</u>
Total	\$ <u>37,372</u>

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 Statement of Fiduciary Net Position.

The Commission Board annually votes on whether to contribute to the deferred compensation fund for the Executive Director. No contributions were made for fiscal years 2019 and 2018.

NORTHERN VIRGINIA REGIONAL COMMISSION

**NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 (Continued)**

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, 2019 and 2018, the employer contributions to the plan by the Commission were \$174,970 and \$144,174, 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 expenses 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, 2019 the market value of these funds was \$3,563.

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this guidance, 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.

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, 2019, was 59.84% calculated as follows:

$$\begin{array}{l} \text{Indirect costs} \\ \text{Total direct salaries and fringe benefits} \\ \text{(excluding temporary help)} \end{array} \quad \begin{array}{r} \$ \\ \hline \end{array} \frac{873,095}{1,459,130} = 59.84\%$$

NORTHERN VIRGINIA REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 (Continued)

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

The following are included in indirect costs allocated to projects:

Personnel costs:	
Salary	\$ 238,824
Fringe benefits	122,705
Total personnel costs	<u>\$ 361,529</u>
Housekeeping expenses	426,598
Contract services	43,247
Operating expenses	31,100
Travel and conference	4,010
Duplicating	5,791
Recruitment and development	820
Total indirect costs	<u><u>\$ 873,095</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, 2019 was 58.78%, and is calculated as follows:

Fringe benefit expense	\$ 674,034	
Total salaries	<u>1,107,959</u>	= 60.84%

Components of fringe benefits expense for the year ended June 30, 2019 are shown below:

Employee leave	\$ 224,637
Group hospitalization	159,561
Retirement costs	174,970
Social security taxes	93,407
Group life insurance	11,086
Group disability insurance	4,482
Unemployment taxes	2,071
Workmen's compensation	2,160
Ceridian flex admin fees	510
Employee assistance program	1,150
Total fringe benefits	<u><u>\$ 674,034</u></u>

NORTHERN VIRGINIA REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2019 (Continued)

NOTE 12—LINE OF CREDIT:

On June 11, 2018 the Commission entered into an agreement for a line of credit not to exceed \$250,000, payable at the Lender's Prime Rate per year. During the year ended June 30, 2019, the Commission did not draw down on the line of credit and there was no outstanding balance at June 30, 2019.

NOTE 13—"GO" NORTHERN VIRGINIA COUNCIL:

The following is a summary of the fiscal year activity for the "Go" Northern Virginia Council program funds:

Inflows:	
Virginia Department of Housing and Community Development	\$ 231,970
Other miscellaneous	1,109
Total Inflows	<u>\$ 233,079</u>
Outflows:	
Administrative expenses	\$ 6,888
Contract services	92,205
Grants awarded	24,050
Total Outflows	<u>\$ 123,143</u>
Net Inflows (Outflows)	<u>\$ 109,936</u>

NOTE 14—UPCOMING PRONOUNCEMENTS:

Statement No. 87, Leases, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

- Other Supplementary Information -

NORTHERN VIRGINIA REGIONAL COMMISSION
Schedule of Resources, Appropriations and Expenditures - Actual and Budget
Year Ended June 30, 2019

	<u>Actual</u>	<u>Approved Budget</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Federal	\$ 5,021,866	\$ 6,488,302	\$ (1,466,436)
State	259,846	151,943	107,903
Local	1,945,190	2,099,391	(154,201)
Miscellaneous	<u>321,569</u>	<u>214,110</u>	<u>107,459</u>
Total Revenues	<u>\$ 7,548,471</u>	<u>\$ 8,953,746</u>	<u>\$ (1,405,275)</u>
Expenses:			
Personnel costs	\$ 1,830,098	\$ 1,861,682	\$ 31,584
Contract services	661,525	539,094	(122,431)
Subgrants	3,763,885	5,190,554	1,426,669
Housekeeping expenses	585,619	587,326	1,707
Operating expenses	79,671	71,818	(7,853)
Duplicating	29,617	34,093	4,476
Travel and conference	62,915	89,752	26,837
Recruitment and development	2,309	10,665	8,356
Bad debt expenses	<u>173</u>	<u>5,000</u>	<u>4,827</u>
Total Expenses	<u>\$ 7,015,812</u>	<u>\$ 8,389,984</u>	<u>\$ 1,374,172</u>
Operating income (loss)	\$ 532,659	\$ 563,762	\$ (31,103)
Nonoperating revenue (expenses):			
Interest income	<u>13,248</u>	<u>3,000</u>	<u>10,248</u>
Change in net position	<u>\$ 545,907</u>	<u>\$ 566,762</u>	<u>\$ (20,855)</u>

NORTHERN VIRGINIA REGIONAL COMMISSION
SCHEDULE OF RESOURCES, APPROPRIATIONS, AND EXPENDITURES BY PROGRAM
(Non-GAAP Basis)
YEAR ENDED JUNE 30, 2019

	Regional Council Services	Legislative Services	Communications	Demographics	Four Mile Run Watershed Management	Solid Waste Management	Occoquan Programs
Resources							
Federal (Direct)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal (Indirect)	-	-	-	-	-	-	-
State	89,513	-	-	-	-	-	-
Local	1,456	-	-	-	114,402	74,224	197,997
Other	171,580	-	2,500	-	10,455	-	-
Total Resources	<u>\$ 262,549</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ 124,857</u>	<u>\$ 74,224</u>	<u>\$ 197,997</u>
NVRC Appropriation	<u>\$ 315,630</u>	<u>\$ -</u>	<u>\$ 33,536</u>	<u>\$ 11,042</u>	<u>\$ 1,080</u>	<u>\$ -</u>	<u>\$ -</u>
Total Resources and Appropriations	<u><u>\$ 578,179</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 36,036</u></u>	<u><u>\$ 11,042</u></u>	<u><u>\$ 125,937</u></u>	<u><u>\$ 74,224</u></u>	<u><u>\$ 197,997</u></u>
Expenditures							
Personnel Cost	\$ 195,406	\$ -	\$ 16,452	\$ 2,406	\$ 4,330	\$ 41,342	\$ 65,583
Contract Services	76,442	-	950	133	118,983	4,800	90,563
Housekeeping	152,011	-	2,670	-	-	55	8
Operating	7,958	-	6,120	7,061	-	1,500	300
Duplicating	2,253	-	-	2	18	221	168
Travel and Conferences	27,310	-	-	-	15	1,632	2,132
Recruitment and Development	-	-	-	-	-	-	-
Bad Debt Expenses	173	-	-	-	-	-	-
Indirect Cost	116,626	-	9,844	1,440	2,591	24,674	39,243
Total Expenditures	<u>\$ 578,179</u>	<u>\$ -</u>	<u>\$ 36,036</u>	<u>\$ 11,042</u>	<u>\$ 125,937</u>	<u>\$ 74,224</u>	<u>\$ 197,997</u>

NORTHERN VIRGINIA REGIONAL COMMISSION
SCHEDULE OF RESOURCES, APPROPRIATIONS, AND EXPENDITURES BY PROGRAM (CONTINUED)
(Non-GAAP Basis)
YEAR ENDED JUNE 30, 2019

	Coastal Resources Management	Regional Water Supply Plan	MS4	Chesapeake Bay WIP	Chesapeake Bay PDC Local Implementation	Environmental General	Regional Sustainable Development
Resources							
Federal (Direct)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal (Indirect)	97,623	-	-	65,000	5,420	-	-
State	-	-	-	-	-	-	-
Local	8,700	11,574	49,475	-	-	-	-
Other	112,063	-	-	-	-	-	-
Total Resources	<u>\$ 218,386</u>	<u>\$ 11,574</u>	<u>\$ 49,475</u>	<u>\$ 65,000</u>	<u>\$ 5,420</u>	<u>\$ -</u>	<u>\$ -</u>
NVRC Appropriation	<u>\$ 82,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,653</u>	<u>\$ -</u>	<u>\$ 26,085</u>	<u>\$ 530</u>
Total Resources and Appropriations	<u><u>\$ 300,951</u></u>	<u><u>\$ 11,574</u></u>	<u><u>\$ 49,475</u></u>	<u><u>\$ 70,653</u></u>	<u><u>\$ 5,420</u></u>	<u><u>\$ 26,085</u></u>	<u><u>\$ 530</u></u>
Expenditures							
Personnel Cost	\$ 105,766	\$ 7,235	\$ 30,837	\$ 43,409	\$ 3,383	\$ 14,419	\$ 298
Contract Services	122,587	-	-	-	-	-	-
Housekeeping	19	-	-	65	-	640	-
Operating	7,829	-	-	196	-	-	-
Duplicating	242	10	93	-	-	68	-
Travel and Conferences	1,221	-	93	1,009	13	1,080	54
Recruitment and Development	-	-	-	-	-	1,250	-
Bad Debt Expenses	-	-	-	-	-	-	-
Indirect Cost	63,287	4,329	18,452	25,974	2,024	8,628	178
Total Expenditures	<u><u>\$ 300,951</u></u>	<u><u>\$ 11,574</u></u>	<u><u>\$ 49,475</u></u>	<u><u>\$ 70,653</u></u>	<u><u>\$ 5,420</u></u>	<u><u>\$ 26,085</u></u>	<u><u>\$ 530</u></u>

NORTHERN VIRGINIA REGIONAL COMMISSION
SCHEDULE OF RESOURCES, APPROPRIATIONS, AND EXPENDITURES BY PROGRAM (CONTINUED)
(Non-GAAP Basis)
YEAR ENDED JUNE 30, 2019

	Heritage Resource Programs	Other Human Services	CARE Act Part A	CARE Act Part B	HOPWA	Energy Sustainability
Resources						
Federal (Direct)	\$ 14,720	\$ -	\$ -	\$ -	\$ -	\$ -
Federal (Indirect)	164,370	-	1,748,329	627,571	2,222,077	333
State	18,390	-	-	-	-	-
Local	-	-	-	-	-	91,250
Other	200	7,654	1,983	2,332	-	15,050
Total Resources	<u>\$ 197,680</u>	<u>\$ 7,654</u>	<u>\$ 1,750,312</u>	<u>\$ 629,903</u>	<u>\$ 2,222,077</u>	<u>\$ 106,633</u>
NVRC Appropriation	<u>\$ 59,189</u>	<u>\$ 30,138</u>	<u>\$ 32,562</u>	<u>\$ 34,193</u>	<u>\$ 25,421</u>	<u>\$ 60,363</u>
Total Resources and Appropriations	<u><u>\$ 256,869</u></u>	<u><u>\$ 37,792</u></u>	<u><u>\$ 1,782,874</u></u>	<u><u>\$ 664,096</u></u>	<u><u>\$ 2,247,498</u></u>	<u><u>\$ 166,996</u></u>
Expenditures						
Personnel Cost	\$ 75,258	\$ 18,587	\$ 212,838	\$ 266,809	\$ 74,029	\$ 102,149
Contract Services	118,251	-	1,429,554	226,996	2,128,486	800
Housekeeping	326	243	1,481	678	172	501
Operating	650	121	8,316	7,264	117	399
Duplicating	14,617	69	2,193	1,693	286	1,022
Travel and Conferences	2,755	7,747	1,395	5,275	500	1,004
Recruitment and Development	-	-	40	199	-	-
Bad Debt Expenses	-	-	-	-	-	-
Indirect Cost	45,012	11,025	127,057	155,182	43,908	61,121
	<u>\$ 256,869</u>	<u>\$ 37,792</u>	<u>\$ 1,782,874</u>	<u>\$ 664,096</u>	<u>\$ 2,247,498</u>	<u>\$ 166,996</u>

NORTHERN VIRGINIA REGIONAL COMMISSION
SCHEDULE OF RESOURCES, APPROPRIATIONS, AND EXPENDITURES BY PROGRAM (CONTINUED)
(Non-GAAP Basis)
YEAR ENDED JUNE 30, 2019

	<u>Regional Economic Vitality</u>	<u>General Funds</u>	<u>Total Programs</u>
Resources			
Federal (Direct)	\$ 76,423	\$ -	\$ 91,143
Federal (Indirect)	-	-	4,930,723
State	-	151,943	259,846
Local	165,303	1,230,809	1,945,190
Other	65	10,935	334,817
Total Resources	<u>\$ 241,791</u>	<u>\$ 1,393,687</u>	<u>\$ 7,561,719</u>
NVRC Appropriation	<u>\$ 129,794</u>	<u>\$ (1,393,687)</u>	<u>\$ (545,906)</u>
Total Resources and Appropriations	<u><u>\$ 371,585</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,015,813</u></u>
Expenditures			
Personnel Cost	\$ 188,032	\$ -	\$ 1,468,568
Contract Services	63,618	-	4,382,163
Housekeeping	153	-	159,022
Operating	740	-	48,571
Duplicating	871	-	23,826
Travel and Conferences	5,671	-	58,906
Recruitment and Development	-	-	1,489
Bad Debt Expenses	-	-	173
Indirect Cost	112,500	-	873,095
	<u>\$ 371,585</u>	<u>\$ -</u>	<u>\$ 7,015,813</u>

NORTHERN VIRGINIA REGIONAL COMMISSION
SCHEDULE OF MEMBER GOVERNMENT CONTRIBUTIONS
YEAR ENDED JUNE 30, 2019
(with comparative totals for year ended June 30, 2018)

Jurisdiction	<u>2019</u>	<u>2018</u>
Alexandria	\$ 95,678	\$ 95,743
Arlington County	142,015	140,807
City of Fairfax	13,954	13,916
Falls Church	8,474	8,510
Fairfax County	657,857	652,944
Herndon	14,636	14,741
Vienna	9,881	9,913
Loudoun County	199,632	188,406
Leesburg	31,564	30,725
Manassas City	24,970	24,946
Manassas Park	9,481	9,420
Prince William County	265,718	262,948
Dumfries	3,112	3,130
Total Contributions	<u>\$ 1,476,972</u>	<u>\$ 1,456,149</u>

NORTHERN VIRGINIA REGIONAL COMMISSION

Schedule of Changes in Assets and Liabilities - Agency Funds
Year Ended June 30, 2019

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
"GO" Northern Virginia Council:				
Assets:				
Cash and cash equivalents	\$ <u>51,316</u>	\$ <u>233,079</u>	\$ <u>123,143</u>	\$ <u>161,252</u>
Liabilities:				
Amounts held for others	\$ <u>51,316</u>	\$ <u>233,079</u>	\$ <u>123,143</u>	\$ <u>161,252</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 business-type activities, and the aggregate remaining fund information of Northern Virginia Regional Commission as of and for the year ended June 30, 2019, 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 25, 2019.

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 25, 2019



**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, 2019. 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* 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, 2019.

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 with 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 a 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 25, 2019

NORTHERN VIRGINIA REGIONAL COMMISSION

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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	16Z023/18B023	\$ 1,748,329	\$ 1,413,684
Virginia Department of Health: HIV Care Formula Grants	93.917	NVRHCS611GY18/ NVRHCS611GY19/	627,571	221,715
Total Department of Health and Human Services			\$ 2,375,900	\$ 1,635,399
<u>Environmental Protection Agency:</u>				
Pass-through Payments:				
Virginia Department of Environmental Quality Chesapeake Bay Program	66.466	16654/16815	\$ 70,420	\$ -
<u>Department of Interior:</u>				
Direct Payments:				
National Trails Systems Projects	15.935	P18AC01136	\$ 14,720	\$ -
<u>Department of Transportation:</u>				
Direct Payments:				
America's Marine Highway Grants	20.816	DTMA9117G00011	\$ 76,423	\$ -
Pass-through Payments:				
Virginia Department of Motor Vehicles: State and Community Highway Safety	20.600	FPS-2018-58131-8131 FPS-2019-59152-9152	90,808	-
Virginia Department of Transportation: Highway Planning and Construction	20.205	SLEN-969-101, PE101, C501	73,562	-
Total Department of Transportation			\$ 240,793	\$ -
<u>Department of Commerce:</u>				
Pass-through Payments:				
Virginia Department of Environmental Quality: Coastal Zone Management Administration Awards	11.419	16NOS4190164(54) NA17NOS4190152(46) NA18NOS4190152 (46) NOS4190171 (83) NA18NOS4190152(83)	\$ 97,623	\$ -
<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	18B313/19C313	\$ 2,222,077	\$ 2,128,486
<u>Department of Energy:</u>				
Pass-through Payments:				
Maryland Energy Administration State Energy Program Special Projects	81.119	2019-04-449F1	\$ 333	\$ -
Total expenditures of federal awards			\$ 5,021,866	\$ 3,763,885

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, 2019

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Northern Virginia Regional Commission under programs of the federal government for the year ended June 30, 2019. 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>\$ 5,021,866</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 5,021,866</u></u>

NORTHERN VIRGINIA REGIONAL COMMISSION

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

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 200.516(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? Yes

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, 2019

There are no prior year audit findings.