POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2020

PBMares[SM]

ASSURANCE, TAX & ADVISORY SERVICES

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Commission Board Members
Potomac and Rappahannock Transportation Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Potomac and Rappahannock Transportation Commission (Commission), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe 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 each major fund of the Commission, as of June 30, 2020, and the respective changes in financial position and 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 the Management's Discussion and Analysis and the required supplementary information on pages 4-10 and 58-63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 on the 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 the Commission's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 19, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Potomac and Rappahannock Transportation Commission ("PRTC") offers the users of PRTC's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the accompanying financial statements which follow this section.

FINANCIAL HIGHLIGHTS

The basic financial statements report information about the PRTC reporting entity as a whole. The PRTC reporting entity is composed of two funds: Bus Service and Member Jurisdictions Fund and the Commuter Rail Service Fund.

As of June 30, 2020, PRTC's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $358,947,689. Of this total, $129,609,234 is for bus service and member jurisdictions and $229,338,455 is for commuter rail service.

The net position of PRTC increased by $21,294,524 for fiscal year 2020. This is the net effect of a $15,597,434 increase from bus service and member jurisdictions and a $5,697,090 increase from commuter rail service.

As of June 30, 2020, PRTC's unrestricted net position is $81,856,251. Of this total, $22,179,932 is for bus service and member jurisdictions and $59,676,319 is for commuter rail service.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to PRTC's basic financial statements. PRTC's basic financial statements are comprised of: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; and notes to the financial statements. This report also contains required supplementary information and supplementary information in addition to the basic financial statements.

The S*tatement of Net Position* presents information on all of PRTC's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of PRTC is improving or declining.

The S*tatement of Revenues, Expenses and Changes in Net Position* presents information on revenues, expenses, and changes in PRTC's net position. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of PRTC's current year operation on its financial position.

The S*tatement of Cash Flows* summarizes all of PRTC's cash flows into four categories: cash flows from operating activities; cash flows from capital and related financing activities; cash flows from noncapital financing activities; and cash flows from investing activities. The Statement of Cash Flows, along with related notes and information in other financial statements, can be used to assess the following:

- PRTC's ability to generate future cash flows,
- PRTC's ability to pay its debt as it matures,
- Explanations of differences between PRTC's operating cash flows and operating loss, and
- The effect on PRTC's financial position of cash and non-cash transactions from investing, capital and financing activities.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found immediately following the financial statements.

The Bus Service and Member Jurisdictions Fund accounts for operation and maintenance costs for PRTC bus service as well as the 2.1% motor fuel tax activity for the PRTC member jurisdictions.

PRTC operates commuter bus service from the Prince William County and Manassas areas to various points in the metropolitan Washington, D.C. area, and local bus service within Prince William County and the Cities of Manassas and Manassas Park.

PRTC member jurisdictions receive motor fuel tax revenue from a 2.1% sales tax levied by the Commonwealth of Virginia through its Department of Motor Vehicles. The Department of Motor Vehicles collects the tax and remits funds to PRTC monthly, after deducting its administrative costs. These funds are separately maintained by PRTC for the benefit of each member jurisdiction and are used to pay administrative costs of PRTC and transportation projects serving a particular jurisdiction.

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

In order to present a full and accurate picture of VRE operations, all financial transactions related to the commuter rail program reported separately in the financial statements of PRTC and NVTC are combined in a separate set of financial statements. These audited financial statements can be obtained from the Director of Finance and Administration of PRTC at 14700 Potomac Mills Road, Woodbridge, Virginia 22192.

FINANCIAL ANALYSIS OF THE PRTC REPORTING ENTITY AS A WHOLE

Statement of Net Position

The following table presents a summary of the Statement of Net Position for the PRTC reporting entity as of June 30, 2020 and 2019:

Summary of Net Position
As of June 30

	Bus Service and Member Jurisdictions		Commuter Rail Service		Total	
	2020	2019	2020	2019	2020	2019
Assets and deferred outflows of resources:						
Current assets	$ 50,365,807	$ 57,071,389	$ 69,247,526	$ 62,213,825	$ 119,613,333	$ 119,285,214
Capital assets, net	88,155,088	70,358,325	167,509,924	170,998,515	255,665,012	241,356,840
Net pension asset	-	231,536	-	320,509	-	552,045
Deferred outflows of resources	564,255	294,875	787,618	416,635	1,351,873	711,510
Total assets and deferred outflows of resources	139,085,150	127,956,125	237,545,068	233,949,484	376,630,218	361,905,609
Liabilities and deferred inflows of resources:						
Current liabilities	7,716,764	12,075,981	3,533,691	5,069,271	11,250,455	17,145,252
Noncurrent liabilities	1,634,814	1,716,893	4,498,367	5,024,779	6,133,181	6,741,672
Deferred inflows of resources	124,338	151,451	174,555	214,069	298,893	365,520
Total liabilities and deferred inflows of resources	9,475,916	13,944,325	8,206,613	10,308,119	17,682,529	24,252,444
Net Position:						
Net investment in capital Assets	87,238,976	69,154,496	163,238,967	165,982,307	250,477,943	235,136,803
Restricted	20,190,326	21,944,378	6,423,169	5,824,191	26,613,495	27,768,569
Unrestricted	22,179,932	22,912,926	59,676,319	51,834,867	81,856,251	74,747,793
Total net position	$ 129,609,234	$ 114,011,800	$ 229,338,455	$ 223,641,365	$ 358,947,689	$ 337,653,165

As noted earlier, net position may serve as a useful indicator of a government's financial position. As shown above, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $358.9 million, an increase of $21.3 million over the previous fiscal year. The largest portion of net position, $250.5 million or 69.8%, represents the investment in capital assets (e.g., buses, rail rolling stock, building, building improvements and accumulated depreciation and amortization), less the related indebtedness outstanding used to acquire those capital assets. These assets are used to provide bus and rail service and consequently, are not available for future spending.

A portion of the net position, $26.6 million or 7.4%, represents resources restricted for member jurisdictions, commuter rail liability insurance plan, and commuter rail grants or contributions.

Current assets consist primarily of cash, cash equivalents, and investments; grant revenue due from the Federal Government and the Commonwealth of Virginia; and motor fuel tax revenue receivable collected on PRTC's behalf by the Commonwealth. Current assets showed a very slight increase from the prior year. `

Capital assets, net of accumulated depreciation and amortization, increased approximately $14.3 million or 5.9%, primarily as the result of bus additions, bus overhaul, and the construction in progress of the western bus maintenance facility.

Statement of Revenues, Expenses and Changes in Net Position

The following table shows the revenues and expenses and the change in net position of the PRTC reporting entity for the fiscal years ended June 30, 2020 and 2019:

Summary of Revenues, Expenses and Changes in Net Position
Years Ended June 30

	Bus Service and Member Jurisdictions		Commuter Rail Service		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Operating revenues	$ 35,049,412	$ 39,871,572	$ 18,705,331	$ 22,848,842	$ 53,754,743	$ 62,720,414
Nonoperating revenues	32,332,669	27,723,674	21,407,294	23,088,111	53,739,963	50,811,785
Capital grants & assistance, net	30,599,833	42,377,659	(2,459,979)	(1,083,803)	28,139,854	41,293,856
Transfers, net	(21,965,253)	(18,312,322)	21,965,253	18,312,322	-	-
Total revenues	76,016,661	91,660,583	59,617,899	63,165,472	135,634,560	154,826,055
Expenses:						
Operating expenses	50,934,788	47,878,521	43,859,582	45,356,075	94,794,370	93,234,596
Depreciation and amortization	9,342,977	7,903,798	9,845,159	9,271,402	19,188,136	17,175,200
Nonoperating expenses	141,462	85,536	216,068	249,819	357,530	335,355
Total expenses	60,419,227	55,867,855	53,920,809	54,877,296	114,340,036	110,745,151
Change in net position	15,597,434	35,792,728	5,697,090	8,288,176	21,294,524	44,080,904
Net position, beginning	114,011,800	78,219,072	223,641,365	215,353,189	337,653,165	293,572,261
Net position, ending	$ 129,609,234	$ 114,011,800	$ 229,338,455	$ 223,641,365	$ 358,947,689	$ 337,653,165

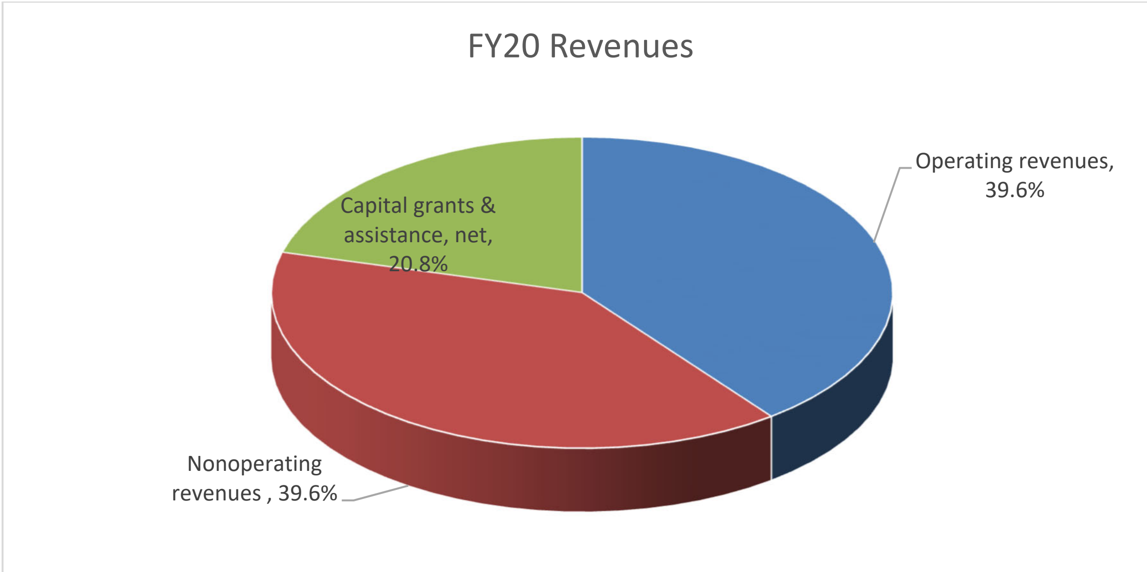
For the fiscal year ended June 30, 2020, revenues totaled $135.6 million, compared to $154.8 million in the preceding year, a decrease of $19.2 million or 12.4%. Expenses increased by $3.6 million or 3.2%. A discussion of the key components of these changes follows.

Operating revenues decreased $8.9 million or 14.3% from the prior year, primarily the result of decrease in motor fuel tax revenue of $2.0 million and $6.9 million decrease in passenger revenue. The decrease is primarily due to the COVID-19 Novel Coronavirus (COVID) pandemic during the fourth quarter of fiscal year 2020.

Nonoperating revenues increased by $2.9 million or 5.8% from the prior year, primarily the result of state and federal grant funding.

Net capital grants and assistance decreased by $13.2 million or 31.9%, which is attributable to less state and federal capital funding for fiscal year 2020 compared to fiscal year 2019.

The following chart shows PRTC reporting entity revenues by source for the fiscal year ended June 30, 2020.

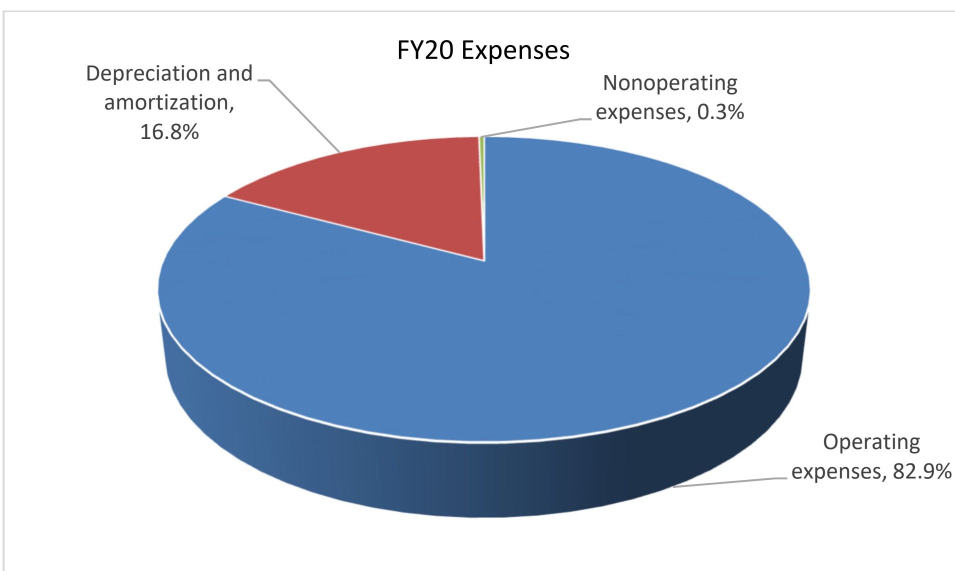


Operating expenses increased by $1.6 million or 1.7%.

For the Bus Service and Member Jurisdictions Fund, operating expenses increased by $3.1 million. Direct transportation expenses, which represent the use of jurisdictional motor fuel tax funds for the VRE subsidy as well as other jurisdictional transportation projects independent of PRTC, increased by $1.4 million, while combined expenses for fuel, supplies, contractual and other services increased by $1.7 million.

For the Commuter Rail Service Fund, operating expenses decreased by $1.5 million or 3.3%. PRTC's share of the reporting entity decreased from 54.0% to 53.5%, with a corresponding increase for NVTC.

The following chart shows PRTC reporting entity expenses for the fiscal year ended June 30, 2020.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The details of capital assets as of June 30, 2020 and 2019 are as follows:

	Bus Service and Member Jurisdictions		Commuter Rail Service		Total	
	2020	2019	2020	2019	2020	2019
Buses and related equipment	$ 91,578,089	$ 96,374,678	$ -	$ -	$ 91,578,089	$ 96,374,678
Rail rolling stock	-	-	142,639,959	142,639,959	142,639,959	142,639,959
Land	6,639,270	6,639,270	-	-	6,639,270	6,639,270
Buildings	8,052,341	8,052,341	-	-	8,052,341	8,052,341
Building improvements	4,301,854	4,347,976	-	-	4,301,854	4,347,976
Construction in progress	43,622,239	18,422,652	12,001,865	15,370,835	55,624,104	33,793,487
Site improvements	1,430,513	1,430,513	-	-	1,430,513	1,430,513
Bus shelters	1,465,910	1,512,303	-	-	1,465,910	1,512,303
Vehicles	287,598	143,131	72,781	72,781	360,379	215,912
Furniture and equipment	2,312,713	2,412,678	-	-	2,312,713	2,412,678
Software and easement	3,939,978	3,914,290	-	-	3,939,978	3,914,290
Facilities	-	-	56,404,726	54,925,894	56,404,726	54,925,894
Track and signal improvements	-	-	49,764,479	41,717,264	49,764,479	41,717,264
Furniture, equipment and software	-	-	9,258,059	9,090,291	9,258,059	9,090,291
Equity in property of others	-	-	2,893,643	2,893,643	2,893,643	2,893,643
	163,630,505	143,249,832	273,035,512	266,710,667	436,666,017	409,960,499
Less accumulated depreciation and amortization	75,475,417	72,891,507	105,525,588	95,712,152	181,001,005	168,603,659
Total capital assets, net	$ 88,155,088	$ 70,358,325	$ 167,509,924	$ 170,998,515	$ 255,665,012	$ 241,356,840

PRTC's investment in capital assets as of June 30, 2020, amounted to $255.7 million (net of accumulated depreciation and amortization), which represents an increase of $14.3 million or 5.9%.

For bus service and member jurisdictions, three OmniRide buses were delivered at a cost of $1.4 million. Twelve buses were disposed of during fiscal year 2020. Two paratransit vans were purchased and one OmniRide bus was overhauled. Construction in progress increased by $25.2 million, primarily due to the construction of the western bus maintenance facility, which will be completed during fiscal year 2021.

For commuter rail service, the major completed projects during the fiscal year were the Positive Train Control project ($6.75 million); Slaters Lane Track Crossover Improvements ($1.3 million); purchase of the Crossroads Maintenance Storage Facility Land ($1.25 million); lighting upgrades at various stations ($0.2 million); and the SharePoint Development and Implementation project ($0.2 million).

Debt Administration

At June 30, 2020, PRTC had an outstanding principal balance of $820,000 for its Series 2012 Revenue Bond with the Virginia Resources Authority.

PRTC's portion of debt for the commuter rail service is $4.3 million. PRTC and NVTC are co-lessees of the capital lease for rolling stock, which is secured by the related equipment.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of PRTC's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Administration, Potomac and Rappahannock Transportation Commission, 14700 Potomac Mills Road, Woodbridge, Virginia 22192, or by email to jembrey@omniride.com.

BASIC FINANCIAL STATEMENTS

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

STATEMENT OF NET POSITION
June 30, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Current Assets			
Cash and investments in bank	$ 19,224,284	$ 51,031,196	$ 70,255,480
Receivables:			
Due from other governments	25,287,046	-	25,287,046
Trade receivables, net of allowance for doubtful accounts	-	317,745	317,745
Miscellaneous	145,570	299,431	445,001
Internal balances	(10,323,119)	10,323,119	-
Inventory	-	1,471,873	1,471,873
Prepaid expenses and other assets	303,253	74,353	377,606
Restricted assets:			
Cash and investments in pooled funds - member jurisdictions	15,728,773	-	15,728,773
Cash, cash equivalents and investments	-	5,729,809	5,729,809
Total current assets	50,365,807	69,247,526	119,613,333
Noncurrent Assets			
Capital assets:			
Transportation equipment:			
Buses and related equipment	91,578,089	-	91,578,089
Rail rolling stock	-	142,639,959	142,639,959
Less: accumulated depreciation	(59,358,629)	(52,568,545)	(111,927,174)
Transportation equipment, net	32,219,460	90,071,414	122,290,874
Land, buildings and equipment:			
Land	6,639,270	-	6,639,270
Buildings	8,052,341	-	8,052,341
Building improvements	4,301,854	-	4,301,854
Construction in progress	43,622,239	12,001,865	55,624,104
Site improvements	1,430,513	-	1,430,513
Bus shelters	1,465,910	-	1,465,910
Vehicles	287,598	72,781	360,379
Furniture and equipment	2,312,713	-	2,312,713
Software and easement	3,939,978	-	3,939,978
Facilities	-	56,404,726	56,404,726
Track and signal improvements	-	49,764,479	49,764,479
Furniture, equipment and software	-	9,258,059	9,258,059
Equity in property of others	-	2,893,643	2,893,643
Less: accumulated depreciation and amortization	(16,116,788)	(52,957,043)	(69,073,831)
Land, buildings and equipment, net	55,935,628	77,438,510	133,374,138
Total capital assets, net	88,155,088	167,509,924	255,665,012
Total noncurrent assets	88,155,088	167,509,924	255,665,012
Total assets	138,520,895	236,757,450	375,278,345
Deferred Outflows of Resources			
Pension plan	494,802	680,256	1,175,058
Other postemployment benefits	69,453	107,362	176,815
Total deferred outflows of resources	564,255	787,618	1,351,873
Total assets and deferred outflows of resources	$ 139,085,150	$ 237,545,068	$ 376,630,218

See Notes to Financial Statements.

LIABILITIES AND NET POSITION	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Current Liabilities			
Accounts payable and other liabilities	$ 5,417,113	$ 1,161,348	$ 6,578,461
Accrued expenses	-	522,895	522,895
Accrued payroll and benefits	645,751	-	645,751
Accrued interest	9,881	32,673	42,554
Due to other governments	176,256	-	176,256
Unearned revenue	1,139,719	972,935	2,112,654
Capital leases	-	778,473	778,473
Compensated absences	68,044	57,514	125,558
Retainage payable	-	7,853	7,853
Bond payable	260,000	-	260,000
Total current liabilities	7,716,764	3,533,691	11,250,455
Noncurrent Liabilities			
Compensated absences	528,564	336,463	865,027
Net pension liability	154,448	212,336	366,784
Net other postemployment benefits liability	295,689	457,084	752,773
Capital leases	-	3,492,484	3,492,484
Bond payable, net	656,113	-	656,113
Total noncurrent liabilities	1,634,814	4,498,367	6,133,181
Total liabilities	9,351,578	8,032,058	17,383,636
Deferred Inflows of Resources			
Pension plan	103,207	141,890	245,097
Other postemployment benefits	21,131	32,665	53,796
Total deferred inflows of resources	124,338	174,555	298,893
Net Position			
Net investment in capital assets	87,238,976	163,238,967	250,477,943
Restricted	20,190,326	5,160,100	25,350,426
Restricted grants and contributions	-	1,263,069	1,263,069
Unrestricted	22,179,932	59,676,319	81,856,251
Total net position	129,609,234	229,338,455	358,947,689
Total liabilities and net position	$ 139,085,150	$ 237,545,068	$ 376,630,218

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2020

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Operating Revenues			
Motor fuel tax	$ 26,493,360	$ -	$ 26,493,360
Farebox and passenger	8,425,772	18,562,076	26,987,848
Advertising	130,280	-	130,280
Equipment rental and other	-	143,255	143,255
Total operating revenues	35,049,412	18,705,331	53,754,743
Operating Expenses			
Direct transportation	14,101,306	-	14,101,306
Salaries and related benefits	5,268,671	-	5,268,671
Contractual services	25,971,756	-	25,971,756
Other services	2,710,673	-	2,710,673
Materials, supplies and minor equipment	464,171	-	464,171
Fuel	2,418,211	-	2,418,211
Contract operations and maintenance	-	15,018,090	15,018,090
Other operations and maintenance	-	8,264,097	8,264,097
Property leases and access fees	-	9,321,122	9,321,122
Insurance	-	2,337,975	2,337,975
Marketing and sales	-	1,171,269	1,171,269
General and administrative	-	7,747,029	7,747,029
Total operating expenses	50,934,788	43,859,582	94,794,370
Operating loss before depreciation and amortization	(15,885,376)	(25,154,251)	(41,039,627)
Depreciation and amortization	(9,342,977)	(9,845,159)	(19,188,136)
Operating loss	(25,228,353)	(34,999,410)	(60,227,763)
Nonoperating Revenues (Expenses)			
Jurisdictional contributions	-	11,158,056	11,158,056
Commonwealth of Virginia grants	8,452,520	-	8,452,520
Federal grants	22,808,534	-	22,808,534
Commuter Rail Operating and Capital (C-ROC) Fund	-	9,428,342	9,428,342
Investment income	484,875	820,896	1,305,771
Pass-through grants - member jurisdictions	(141,462)	-	(141,462)
Interest, amortization and other nonoperating expenses, net	240	(216,068)	(215,828)
Other revenue	554,789	-	554,789
Total nonoperating revenues, net	32,159,496	21,191,226	53,350,722
Capital Grants and Assistance			
Commonwealth of Virginia grants	18,137,072	(381,451)	17,755,621
Federal grants	4,182,008	-	4,182,008
Regional transportation funding - NVTA	8,280,753	879,058	9,159,811
Contribution to NVTC	-	(2,957,586)	(2,957,586)
Total capital grants and assistance, net	30,599,833	(2,459,979)	28,139,854
Income (loss) before transfers and gain on disposal of assets	37,530,976	(16,268,163)	21,262,813
Transfers, net	(21,965,253)	21,965,253	-
Gain on Disposal of Assets	31,711	-	31,711
Change in net position	15,597,434	5,697,090	21,294,524
Net Position, beginning	114,011,800	223,641,365	337,653,165
Net Position, ending	$ 129,609,234	$ 229,338,455	$ 358,947,689

See Notes to Financial Statements.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Cash Flows from Operating Activities			
Receipts from motor fuel tax	$ 27,368,384	$ -	$ 27,368,384
Receipts from customers	9,914,440	20,158,386	30,072,826
Receipts from advertising	130,280	-	130,280
Payments to suppliers	(30,816,368)	(38,123,198)	(68,939,566)
Payments to member jurisdictions	(16,961,197)	-	(16,961,197)
Payments to employees	(4,269,763)	(8,297,670)	(12,567,433)
Net cash used in operating activities	(14,634,224)	(26,262,482)	(40,896,706)
Cash Flows from Capital and Related Financing Activities			
Interest payments on revenue bond	(45,428)	-	(45,428)
Principal payments on revenue bond	(245,000)	-	(245,000)
Principal payments on capital leases	-	(745,250)	(745,250)
Interest payments on capital leases	-	(221,759)	(221,759)
Proceeds from sale of assets	42,784	-	42,784
Contribution to NVTC	-	(2,957,586)	(2,957,586)
Capital grants and assistance	53,154,570	-	53,154,570
Purchase of buses and related equipment	(2,183,121)	-	(2,183,121)
Acquisition of capital assets	(27,185,808)	(7,456,340)	(34,642,148)
Net cash provided by (used in) capital and related financing activities	23,537,997	(11,380,935)	12,157,062
Cash Flows from Noncapital Financing Activities			
Governmental subsidies	16,269,801	18,227,111	34,496,912
Interfund transfers	(23,578,620)	23,578,620	-
Payments for jurisdiction grant - related expenditures	(141,462)	-	(141,462)
Net cash provided by (used in) noncapital financing activities	(7,450,281)	41,805,731	34,355,450
Cash Flows From Investing Activities			
Investment income	484,875	840,500	1,325,375
Other revenues	554,789	-	554,789
Net cash provided by investing activities	1,039,664	840,500	1,880,164
Increase (decrease) in cash and cash equivalents	2,493,156	5,002,814	7,495,970
Cash and Cash Equivalents			
Beginning	32,459,901	46,028,382	78,488,283
Ending	$ 34,953,057	$ 51,031,196	$ 85,984,253

See Notes to Financial Statements.

STATEMENT OF CASH FLOWS (Continued)
Year Ended June 30, 2020

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating loss	$ (25,228,353)	$ (34,999,410)	$ (60,227,763)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization	9,342,977	9,845,159	19,188,136
Pension expense	102,401	142,704	245,105
Other postemployment benefits expense	(6,762)	(13,822)	(20,584)
Write-off of construction in progress to expense	-	338,752	338,752
Changes in assets and liabilities:			
(Increase) decrease in:			
Due from other governments	2,279,034	-	2,279,034
Miscellaneous receivables	84,771	124,428	209,199
Prepaid expenses and other assets	120,963	18,727	139,690
Deferred outflows of resources - pension contributions	12,274	18,281	30,555
Deferred outflows of resources - other postemployment benefits contributions	119	415	534
Trade receivables	-	1,359,706	1,359,706
Inventory	-	50,901	50,901
Increase (decrease) in:			
Accounts payable and other liabilities	627,480	(3,117,245)	(2,489,765)
Accrued payroll and benefits	890,876	-	890,876
Due to other governments	(2,859,891)	-	(2,859,891)
Unearned revenue	(113)	(31,078)	(31,191)
Net cash used in operating activities	$ (14,634,224)	$ (26,262,482)	$ (40,896,706)
Schedule of Noncash Capital Activities			
Capital assets acquired through:			
Accounts payable	$ 1,101,586	$ 443,215	$ 1,544,801
Accrued expenses	-	142,286	142,286

Note 1. Organization

The Potomac and Rappahannock Transportation Commission ("PRTC" or the "Commission") was created on June 19, 1986, as a public body corporate and politic under the provisions of Chapter 32, Article 2, Title 15.1, of the *Code of Virginia*, 1950, as amended, for the purpose of facilitating the planning and development of an improved transportation system. The transportation system is composed of transit facilities, public highways, and other modes of transportation required in order to promote orderly transportation into, within, and from the various contiguous counties and cities composing the Commission, and to secure the comfort, convenience, and safety of its citizens through joint action by those contiguous counties and cities. The Commission includes the counties of Prince William, Spotsylvania, and Stafford, as well as the cities of Fredericksburg, Manassas, and Manassas Park (collectively referred to as "member jurisdictions"). The Commission was created to manage and control the function, affairs, and property of PRTC.

The Commission has 17 members, including three from the General Assembly and one ex-officio representative from the Virginia Department of Rail and Public Transportation. The governing body of each member jurisdiction appoints, from among its members, its representatives to act as Commissioners. The composition of the Commission is as follows:

	Members	Represented Jurisdictions
Prince William County	6	1
Stafford County	2	1
Spotsylvania County	2	1
City of Manassas	1	1
City of Manassas Park	1	1
City of Fredericksburg	1	1
Commonwealth House of Delegates	2	1
Commonwealth Senate	1	1
Virginia Department of Rail and Public Transportation	1	-
	17	8

Each Commission member, including the Virginia Department of Rail and Public Transportation representative, is entitled to one vote in all matters requiring action by the Commission. A majority vote of the Commission members present and voting, and a majority of the jurisdictions represented are required to act. For purposes of determining the number of jurisdictions present, the Virginia Department of Rail and Public Transportation is not counted as a separate jurisdiction.

Member jurisdictions do not have an explicit equity interest in PRTC. Each jurisdiction controls PRTC's use of the motor fuel tax proceeds from that jurisdiction.

Revenues of PRTC consist principally of a 2.1% motor fuel tax, farebox and passenger revenues, and federal and state grants. The fuel tax revenues represent a sales tax on retail sales of motor vehicle fuel levied by the Commonwealth of Virginia through its Department of Motor Vehicles. The Department of Motor Vehicles collects the tax and remits funds to PRTC monthly, after deducting its administrative costs. These funds are separately maintained by PRTC for the benefit of each member jurisdiction and are used to pay administrative costs of PRTC and transportation projects serving a particular jurisdiction.

Note 2. Summary of Significant Accounting Policies

The following summarizes PRTC's significant accounting policies:

Reporting entity: PRTC has considered its relationship with the member jurisdictions in establishing the appropriate reporting entity in terms of financial accountability and fiscal dependency. None of the member jurisdictions appoint a voting majority of the Commission. Although action by PRTC, including adoption of a budget and issuance of debt, requires approval of a majority of the member jurisdictions, each jurisdiction controls PRTC's use of its 2.1% motor fuel tax proceeds. PRTC is not fiscally dependent on one particular jurisdiction. Thus, PRTC does not consider itself a component unit of any government.

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

Basis of presentation: The accounting policies of PRTC conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds of governmental units. While separate funds are maintained internally to account for each member jurisdiction's 2.1% motor fuel tax revenues, one combined enterprise fund (Bus Service and Member Jurisdictions Fund) is used for financial statement presentation. The activities of PRTC are similar to those of proprietary funds of local jurisdictions.

PRTC reports the following major enterprise funds:

<u>Bus Service and Member Jurisdictions Fund</u>: The Bus Service and Member Jurisdictions Fund accounts for operation and maintenance costs for PRTC bus service, financed by the 2.1% motor fuel tax, charges for services and operating and capital funding received from the Federal government and Commonwealth of Virginia. This fund also includes the 2.1% motor fuel tax activity for the PRTC member jurisdictions.

<u>Commuter Rail Service Fund</u>: The Commuter Rail Service Fund accounts for PRTC's portion of operation and maintenance costs for commuter rail service, financed by passenger charges and operating and capital funding received from jurisdictional contributions, the Federal government, Commonwealth of Virginia and regional grants.

Basis of accounting: Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to timing of the measurements made, regardless of the measurement focus applied. PRTC uses the accrual basis of accounting, where revenues are recognized when they are earned and expenses are recognized when they are incurred. Eliminations have been made to minimize the double counting of internal activities.

Note 2. Summary of Significant Accounting Policies (Continued)

Cash and investments in pooled funds, member jurisdictions: Cash and investments in pooled funds represent PRTC's share of the pooled cash and investments held by the State Treasurer's Local Government Investment Pool ("LGIP") for the benefit of the member jurisdictions. The LGIP holds and invests certain funds of PRTC on its behalf.

The Commission classifies as cash and cash equivalents amounts on deposit with banks and cash invested temporarily in various instruments with maturities of three months or less at time of purchase.

Restricted assets: Restricted assets represent funds designated for specific purposes.

Restricted cash and investments in pooled funds – member jurisdictions of $15,728,773 at June 30, 2020 for the Bus Service and Member Jurisdictions Fund are comprised of funds related to the 2.1% motor fuel tax revenue received on behalf of the Member Jurisdictions to be used for transit related projects.

Restricted cash, cash equivalents and investments of $5,729,809 at June 30, 2020 for the Commuter Rail Service Fund are comprised of funds related to the balance in the Liability Insurance Plan, a small liability claims account, and funds related to a property transfer with restricted future uses.

Allowance for uncollectible accounts: The allowance for uncollectible accounts is calculated by using historical collection data and specific account analysis. The allowance was approximately $93,000 at June 30, 2020.

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

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

Deferred outflows/inflows of resources: In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. PRTC currently has items related to the pension plan and other postemployment benefits (OPEB) – Group Life Insurance Program (GLI) that qualify for reporting in this category. See Notes 12 and 13 for details regarding these items.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. PRTC currently has items related to the pension plan and GLI - OPEB that qualify for reporting in this category. See Notes 12 and 13 for details regarding these items.

Note 2. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets are stated at historical cost. Capital assets are defined by PRTC for the Bus Service and Member Jurisdictions Fund as tangible assets with an initial, individual cost of more than \$5,000 or intangible assets costing more than \$25,000 with an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation. The Commuter Rail Service Fund capitalizes assets that have an initial cost of \$5,000 or more per unit and a useable life of two or more years, with the exception of software purchases, which are only capitalized if the initial cost is \$15,000 or more.

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

Buses and related equipment	2 - 12 years
Rail rolling stock	8 - 25 years
Buildings and improvements	5 - 30 years
Site improvements	5 - 20 years
Bus shelters	5 years
Vehicles	5 years
Facilities	30 - 40 years
Track and signal improvements	5 - 30 years
Furniture, equipment, and software	2 - 15 years
Equity in property of others	3 - 35 years

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2020.

Compensated absences: Employees are granted annual and sick leave based on years of service. Employees with less than ten years of service may carry over a total of 225 hours of annual leave from year to year, while those with more than ten years may carry over 300 hours of annual leave. Excess annual leave may convert to sick leave or may be paid out with the approval of the Executive Director or Commuter Rail Service Chief Executive Officer. In the event of termination, an employee is reimbursed in full for accumulated annual leave.

Employees may accumulate sick leave without limitation. Employees who separate in good standing after five or more years of service will be paid for 25 percent of their sick leave credit in excess of 450 hours. Certain employees may accumulate compensatory leave for overtime worked and is payable upon termination of employment.

Compensated absences are accrued when incurred. The liability for compensated absences is included in the accompanying financial statements as both a current and noncurrent liability.

Long-term obligations: Bond premiums are deferred and amortized over the life of the bond using the straight-line method.

Note 2. Summary of Significant Accounting Policies (Continued)

Pensions: The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (PRTC's retirement plan) is a multiple-employer, agent plan. For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) PRTC's Retirement Plan and the additions to/deductions from the VRS PRTC's Retirement Plan net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Group life insurance program (GLI): The VRS GLI is a multiple employer, cost-sharing OPEB plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the net GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Revenue recognition: Intergovernmental revenues, consisting primarily of Federal and Commonwealth of Virginia grants, designated for payment of specific expenses, are recognized at the time the expenses are incurred. Capital grants and assistance are recognized as additions are made to capital assets and operating resources are included in the Statement of Revenues, Expenses and Changes in Net Position when expended.

Operating revenues and expenses: Operating revenues are generated from activities related to providing public transportation services to users. Operating revenues include 2.1% motor fuel tax revenues, farebox and passenger revenues, and advertising revenues. Nonoperating revenues include jurisdictional contributions, federal and state grants and investment income.

Operating expenses are incurred for activities related to providing public transportation services to users. Operating expenses include direct transportation expenses and general and administrative expenses. Nonoperating expenses include interest expense.

Statement of cash flows: For purposes of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits, pooled funds, money market funds, overnight repurchase agreements, and U.S. Government agency obligations having an original maturity of three months or less.

Note 2. Summary of Significant Accounting Policies (Continued)

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

Inter-fund transfers: Transactions among the Commission's funds would be treated as revenues and expenditures or expenses if they involved organizations external to the Commission. They are accounted for as revenues and expenditures or expenses in the fund involved.

Transactions, which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

Subsequent events: The Commission has evaluated subsequent events through November 19, 2020, which was the date the financial statements were available to be issued.

Note 3. Cash 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.

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

The Commission has investments in the LGIP and Federated Government Obligations Fund (FG), which are professionally managed money market funds that invest in qualifying obligations and securities as permitted by state statutes. Pursuant to Section 2.2-4605 *Code of Virginia,* the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. PRTC's investments in the LGIP are stated at amortized cost and classified as cash and cash equivalents. The LGIP and FG have been assigned an "AAAm" rating by Standard & Poor's. The maturity of the LGIP and FG is less than one year.

Note 3. Cash and Investments (Continued)

The Commonwealth of Virginia Department of the Treasury manages PRTC's Insurance Trust. State statutes govern the portion of assets invested in the Commonwealth's pooled accounts, while the remainder is invested by an external portfolio manager. At June 30, 2020, PRTC had $5,131,770 invested in the Insurance Trust.

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment if the investment is held for a long period of time. Interest rate risk does not apply to the LGIP since it is an external investment pool classified in accordance with Governmental Accounting Standards Board (GASB) Statement No. 79.

As of June 30, 2020, the carrying values and maturity of investments were as follows:

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total	Fair Value	Maturities Less Than One Year
Sweep Account	$ 19,226,000	$ -	$ 19,226,000	$ 19,226,000	$ 19,226,000
LGIP	-	47,386,524	47,386,524	47,386,524	47,386,524
	19,226,000	47,386,524	66,612,524	66,612,524	66,612,524
Restricted:					
Insurance trust fund - pooled funds	-	5,131,770	5,131,770	5,131,770	5,131,770
LGIP	15,728,773	598,039	16,326,812	16,326,812	16,326,812
	15,728,773	5,729,809	21,458,582	21,458,582	21,458,582
	$ 34,954,773	$ 53,116,333	$ 88,071,106	$ 88,071,106	$ 88,071,106

The Commission categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Commission has the following recurring fair value measurement as of June 30, 2020:

- Sweep Account of $19,226,000 is valued using quoted market prices (Level 2 inputs).

PRTC has adopted a formal investment policy. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities.

Note 3. Cash and Investments (Continued)

PRTC's investment policy establishes the maximum percentages of the portfolio permitted on each of the following instruments:

Authorized Investments

Authorized investments for public funds are set forth in Chapter 18, Sections 2.1-327 to 2.1-329.1 of the *Code of Virginia.* The following are included on the list of authorized investments:

1. Obligations issued or guaranteed by the U.S. Government, an agency thereof, or U.S. Government sponsored corporation.
2. Certificates of deposit and time deposits in any of Virginia's qualified public depositories federally insured to the maximum extent possible and collateralized under the Virginia Security for Public Deposits Act.
3. Repurchase agreements collateralized by U.S. Treasury/agency securities.
4. Bankers' acceptances from "prime quality" major U.S. banks and domestic offices of international banks.
5. "Prime quality" commercial paper issued by domestic corporations.
6. Short-term corporate notes and/or bank notes of domestic corporations/banks.
7. The LGIP as established by the Virginia Department of the Treasury.

Diversification

Diversification of investments by security type and by issuer will be consistent with the following guidelines:

1. The portfolio will be diversified with not more than 5% of the value of the investment pool's assets invested in the securities of any single issuer. This limitation will not apply to securities of the U.S. Government or agency thereof, government sponsored corporation securities, or fully insured and/or collateralized certificates of deposit.

2. The Bus Service and Member Jurisdiction Fund investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

LGIP	100% maximum
U.S. Treasury and Agency Securities	100% maximum
Certificates of Deposit	25% maximum
Repurchase Agreements	50% maximum
Bankers' Acceptances	40% maximum
Commercial Paper	35% maximum
Corporate Notes and Bank Notes	25% maximum

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

Note 3. Cash and Investments (Continued)

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

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

Funds are held in the LGIP for the benefit of the various member jurisdictions as follows:

	Bus Service and Member Jurisdictions
Stafford County	$ 2,370,883
Prince William County	6,936,557
City of Manassas	582,410
City of Manassas Park	2,754,159
City of Fredericksburg	2,329,238
Spotsylvania County	755,526
	$ 15,728,773

Note 4. Due To/From Other Governments

Amounts due from other governments are as follows:

	Bus Service and Member Jurisdictions
Virginia Department of Motor Vehicles - motor fuel tax receipts	$ 4,634,069
Virginia Department of Rail and Public Transportation	2,173,301
Federal Transit Administration	17,331,872
Northern Virginia Transportation Commission	623,763
Northern Virginia Transportation Authority	457,894
Washington Metropolitan Area Transit Authority	52,711
Virginia Department of Transportation	12,224
City of Manassas	1,006
Prince William County	206
	$ 25,287,046

Amounts due to other governments are as follows:

	Bus Service and Member Jurisdictions
Spotsylvania County	$ 172,516
Virginia Department of Rail and Public Transportation	3,740
	$ 176,256

Note 5. Capital Assets

Changes in capital assets for the year ended June 30, 2020 are as follows:

	Balance July 1, 2019	Increases	Decreases	Transfers	Balance June 30, 2020
Capital assets not being depreciated or amortized:					
Land	$ 6,639,270	$ -	$ -	$ -	$ 6,639,270
Construction in progress	33,793,487	31,887,417	(338,752)	(9,718,048)	55,624,104
Total capital assets not being depreciated or amortized	40,432,757	31,887,417	(338,752)	(9,718,048)	62,263,374
Capital assets being depreciated and amortized:					
Buses and related equipment	96,374,678	1,722,718	(6,519,307)	-	91,578,089
Rail rolling stock	142,639,959	-	-	-	142,639,959
Buildings	8,052,341	-	-	-	8,052,341
Building improvements	4,347,976	8,834	(54,956)	-	4,301,854
Site improvements	1,430,513	-	-	-	1,430,513
Bus shelters	1,512,303	21,432	(67,825)	-	1,465,910
Vehicles	215,912	144,467	-	-	360,379
Furniture and equipment	2,412,678	23,553	(123,518)	-	2,312,713
Software and easement	3,914,290	25,688	-	-	3,939,978
Facilities	54,925,894	-	-	1,478,832	56,404,726
Track and signal improvements	41,717,264	-	-	8,047,215	49,764,479
Furniture, equipment and software	9,090,291	7,493	(31,726)	192,001	9,258,059
Equity in property of others	2,893,643	-	-	-	2,893,643
Total capital assets being depreciated and amortized	369,527,742	1,954,185	(6,797,332)	9,718,048	374,402,643
Less accumulated depreciation and amortization for:					
Buses and related equipment	58,415,025	7,462,911	(6,519,307)	-	59,358,629
Rail rolling stock	46,768,104	5,800,441	-	-	52,568,545
Buildings	5,769,994	268,512	-	-	6,038,506
Building improvements	2,492,763	297,743	(48,415)	-	2,742,091
Site improvements	707,849	69,577	-	-	777,426
Bus shelters	1,371,771	86,960	(67,825)	-	1,390,906
Vehicles	140,700	43,881	-	-	184,581
Furniture and equipment	1,524,459	434,248	(123,518)	-	1,835,189
Software and easement	2,505,624	692,273	-	-	3,197,897
Facilities	22,385,004	1,664,873	-	-	24,049,877
Track and signal improvements	16,097,133	2,093,269	-	-	18,190,402
Furniture, equipment and software	8,440,980	191,151	(31,725)	-	8,600,406
Equity in property of others	1,984,253	82,297	-	-	2,066,550
Total accumulated depreciation and amortization	168,603,659	19,188,136	(6,790,790)	-	181,001,005
Total capital assets being depreciated and amortized, net	200,924,083	(17,233,951)	(6,542)	9,718,048	193,401,638
Total capital assets, net	$ 241,356,840	$ 14,653,466	$ (345,294)	$ -	$ 255,665,012

Note 6. Long-Term Liabilities

Revenue Bond

$2,335,000, Series 2012 Revenue Bond, due in annual installments of $260,000 to $285,000 through October 2022, plus interest at 4.82% to 4.83%	$ 820,000

Mandatory debt service requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total Required
2021	$ 260,000	$ 33,263	$ 293,263
2022	275,000	20,378	295,378
2023	285,000	6,878	291,878
	$ 820,000	$ 60,519	$ 880,519

Capitalized Lease - Gallery IV (11 cars)

	Total	PRTC Reporting Entity
$25,100,000 capitalized lease obligation (PRTC reporting entity, $12,550,000); $965,679 due semi-annually (PRTC reporting entity, $482,840), interest at 4.59%, maturing in 2025, collateralized with Gallery IV railcars with a carrying value of $12,946,565 (PRTC reporting entity, $6,473,283)	$ 8,541,916	$ 4,270,957

Future minimum lease payments as of June 30, 2020 are as follows:

Year Ending June 30,	Total	PRTC Reporting Entity
2021	$ 1,931,357	$ 965,679
2022	1,931,357	965,679
2023	1,931,357	965,679
2024	1,931,357	965,678
2025	1,931,357	965,678
Total minimum lease payments	9,656,785	4,828,393
Less amount representing interest	1,114,869	557,436
Present value of lease payments	$ 8,541,916	$ 4,270,957

Note 6. Long-Term Liabilities (Continued)

Capitalized Leases – Copiers

	Total	PRTC Reporting Entity
$63,450 capitalized lease obligations; $1,329 due monthly, interest at 9.39%, maturing in 2020; collateralized with two multifunction copiers with a carrying value of $0 (PRTC reporting entity, $0) Leases retired in fiscal year 2020, and the copiers purchased at under $5,000 per unit (PRTC reporting entity, $5,000).	$ -	$ -

The following is a summary of long-term liability activity for the year ended June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bond	$ 1,065,000	$ -	$ 245,000	$ 820,000	$ 260,000
Unamortized premium	138,829	-	42,716	96,113	-
Capital leases	5,016,207	-	745,250	4,270,957	778,473
	$ 6,220,036	$ -	$ 1,032,966	$ 5,187,070	$ 1,038,473

Note 7. Net Position

Restricted net position represents net assets subject to restrictions beyond PRTC's control. Following is a summary of the components of restricted net position as of June 30, 2020:

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Cash and investments	$ 15,728,773	$ 28,330	$ 15,757,103
Due from other governments, net	4,461,553	-	4,461,553
Grants and contributions	-	1,263,069	1,263,069
Cash and investments - insurance trust fund	-	5,131,770	5,131,770
	$ 20,190,326	$ 6,423,169	$ 26,613,495

Note 7. Net Position (Continued)

Unrestricted net position consists of the following as of June 30, 2020:

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Designation of unrestricted net assets:			
Carry forward to support future years' budgets	$ 4,155,002	$ -	$ 4,155,002
Local match for federal/state grants	229,085	-	229,085
Total designations	4,384,087	-	4,384,087
Undesignated unrestricted net position	17,795,845	59,676,319	77,472,164
Total unrestricted net position	$ 22,179,932	$ 59,676,319	$ 81,856,251

Note 8. Joint Venture – Virginia Railway Express

The NVTC reporting entity and the PRTC reporting entity contain their respective shares of the financial activity of the VRE joint venture. In order to present a full and accurate picture of VRE operations, all financial transactions related to the commuter rail program are combined in a separate set of financial statements. These audited financial statements can be obtained from the Director of Finance and Administration of PRTC at 14700 Potomac Mills Road, Woodbridge, Virginia 22192.

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

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

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

Note 8. Joint Venture – Virginia Railway Express (Continued)

Pursuant to a Master Agreement signed in 1989, the Commissions own and operate VRE. VRE provides commuter rail service on two railroad lines originating in Fredericksburg and Manassas, Virginia and terminating at Union Station, Washington, D.C. The service uses existing track of the CSX Transportation Corporation ("CSX"), and the Norfolk Southern Railway Company, under respective operating access agreements. Trains are operated and maintained pursuant to an agreement between the Commissions and Keolis Rail Services Virginia, LLC, and Amtrak provides the Commissions with access to storage at Union Station and other services.

VRE is managed by the Commissions. Certain functions have been delegated to the VRE Operations Board, which consists of representatives of all contributing and participating jurisdictions and one representative of the Commonwealth of Virginia's Department of Rail and Public Transportation. The system is not currently configured for fare revenues alone to produce positive operating income. In addition to fares, the project is financed with proceeds from the Commuter Rail Revenue Bonds, a federal loan (refinanced in fiscal year 2018 to a bond), a lease financing, Federal and Commonwealth of Virginia grants, Northern Virginia Transportation Authority (NVTA) regional grants and jurisdictional contributions apportioned through a formula based on ridership, supplemented by voluntary donations from contributing jurisdictions. Grants and contributions fund both operations and capital projects. Participating jurisdictions include the counties of Fairfax, Prince William, Spotsylvania, and Stafford; and the cities of Manassas, Manassas Park, and Fredericksburg, Virginia. Contributing jurisdictions include Arlington County and the City of Alexandria, Virginia.

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

Note 8. Joint Venture – Virginia Railway Express (Continued)

Financial information from VRE's fiscal year 2020 audited financial statements is shown below.

VIRGINIA RAILWAY EXPRESS
STATEMENT OF NET POSITION
June 30, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets	
Cash and cash equivalents	$ 97,142,781
Accounts receivable:	
Federal due from PRTC	9,006,275
Federal CARES Act	2,688,095
Commonwealth of Virginia grants	5,415,225
Commuter Rail Operating and Capital (C-ROC) Fund	3,750,000
Trade receivables, net of allowance for doubtful accounts	594,027
Other receivables	602,064
Inventory	2,751,678
Prepaid expenses and other	139,004
Restricted cash, cash equivalents and investments	14,862,978
Total current assets	136,952,127
Noncurrent Assets	
Capital assets (net of $211,051,174 accumulated depreciation and amortization)	335,019,850
Total noncurrent assets	335,019,850
Total assets	471,971,977
Deferred Outflows of Resources	
Loss on refunding	393,423
Pension plan	680,256
Other postemployment benefits	107,362
Total deferred outflows of resources	1,181,041
Total assets and deferred outflows of resources	$ 473,153,018

Note 8. Joint Venture – Virginia Railway Express (Continued)

VIRGINIA RAILWAY EXPRESS
STATEMENT OF NET POSITION (Continued)
June 30, 2020

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current Liabilities	
Accounts payable and accrued liabilities	$ 5,307,212
Unearned revenue	1,818,911
Current portion of:	
Capital lease obligations	1,556,946
Bonds payable	2,350,000
Total current liabilities	11,033,069
Noncurrent Liabilities	
Pension liability	212,336
Other postemployment benefits	457,084
Capital lease obligations	6,984,969
Bonds payable	44,846,530
Compensated absences	629,021
Total noncurrent liabilities	53,129,940
Total liabilities	64,163,009
Deferred Inflows of Resources	
Pension plan	141,890
Other postemployment benefits	32,665
Total deferred inflows of resources	174,555
Net Position	
Net investment in capital assets	279,674,828
Restricted for liability insurance plan	10,320,199
Restricted for debt service	2,016,642
Restricted grants or contributions	2,526,137
Unrestricted assets	114,277,648
Total net position	408,815,454
Total liabilities, deferred inflows of resources and net position	$ 473,153,018

Note 8. Joint Venture – Virginia Railway Express (Continued)

VIRGINIA RAILWAY EXPRESS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2020

Operating Revenues	$ 34,969,771
Operating Expenses	78,525,443
Operating loss before depreciation and amortization	(43,555,672)
Depreciation and Amortization	(19,690,320)
Operating loss	(63,245,992)
Nonoperating Revenues (Expenses)	
Subsidies:	
Commonwealth of Virginia grants	18,712,734
Federal grants – with PRTC as grantee	15,271,669
Federal CARES Act	2,688,095
Jurisdictional contributions	17,767,748
Commuter Rail Operating and Capital (C-ROC) Fund	15,000,000
Interest income:	
Operating funds	1,009,626
Insurance trust	218,621
Commuter Rail Operating and Capital (C-ROC) Fund	294,176
Other restricted funds	48,899
Interest, amortization and other nonoperating expenses, net	(2,089,883)
Total nonoperating revenues, net	68,921,685
Capital Grants and Assistance	
Commonwealth of Virginia grants	2,110,561
Federal grants – with PRTC as grantee	3,696,057
Regional transportation funding (NVTA)	1,758,116
Total capital grants and assistance	7,564,734
Extraordinary or Special Items	1,372,379
Change in net position	14,612,806
Net Position, beginning of year	394,202,648
Net Position, ending	$ 408,815,454

Note 9. Direct Transportation Expenses

In addition to PRTC administrative costs, the member jurisdictions authorize disbursements from their respective 2.1% motor fuel tax revenues for transportation projects operating or originating within their jurisdiction. During the year ended June 30, 2020, amounts expended for joint and jurisdictional transportation projects consisted of:

	Bus Service and Member Jurisdictions
VRE support	$ 5,059,745
Other jurisdictional projects	9,041,561
	$ 14,101,306

VRE payments are made in accordance with operating and capital budgets prepared by VRE and adopted by its Operations Board.

Note 10. Risk Management and Liability Insurance Plan

PRTC and the VRE commuter rail operation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to address these risks, including workers' compensation and employee health and accidental insurance. The Virginia Department of Treasury, Division of Risk Management has established the terms of VRE's Commuter Rail Operations Liability Plan (the Insurance Plan). The Insurance Plan consists of a combination of self-insurance reserves and purchased insurance in amounts actuarially determined to meet the indemnification requirements of the Operating Access Agreements and the Purchase of Services Agreement and for liability and property coverage. The Commissions indemnify each of the railroads in an amount up to the passenger rail liability cap (currently at $295,000,000) for any claims against persons or property associated with commuter rail operations. Settled claims have not exceeded commercial coverage during any of the past three fiscal years. The liability for incurred but not reported claims was approximately $139,000 at June 30, 2020, of which $69,500 was included in the PRTC reporting entity. PRTC is indemnified from risk related to its bus/bus facility issues by virtue of its contract with First Transit, the third-party bus services provider.

Note 10. Risk Management and Liability Insurance Plan (Continued)

The Division of Risk Management manages the Insurance Trust Fund pursuant to provisions of the Insurance Plan. Since November 2006, all plan assets have been invested in the Department of the Treasury common pool. Activity in the Insurance Trust Fund for the year ended June 30, 2020 was as follows:

	Total	PRTC Reporting Entity
Beginning balance, July 1, 2019	$ 10,471,870	$ 5,235,935
Contribution to reserves	3,900,136	1,950,068
Insurance premiums paid	(4,256,144)	(2,128,072)
Claims mitigation and losses incurred	(55,493)	(27,747)
Investment income	218,621	109,311
Actuarial and administrative charges	(15,450)	(7,725)
Ending balance, June 30, 2020	$ 10,263,540	$ 5,131,770

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

Note 11. Deferred Compensation Benefits

PRTC offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all employees and permits them to defer a portion of their current salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of plan participants and/or beneficiaries. PRTC has the duty of due care that would be required of any prudent investor.

PRTC contributions to the deferred compensation plan for the year ended June 30, 2020 were $15,820.

PRTC also offers a Governmental Money Purchase Plan (401a) to the Executive Director for deferred compensation purposes. PRTC contributions to the 401a for the year ended June 30, 2020 were $6,461.

Note 12. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of PRTC are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virgini*a, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. •The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. •The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. •In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees.* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
Hybrid Opt-In Election Non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	*Hybrid Opt-In Election* Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Non-Eligible Members* Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** *Defined Benefit Component* Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. *Defined Contribution Component* Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions they make.	**Vesting** Same as Plan 1.	**Vesting** *Defined Benefit Component* Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. *Defined Contribution Component* Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required, except as governed by law.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The Basic Benefit is determined using the average final compensation, service credit, and plan multiplier. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** *Defined Benefit Component* See definition under Plan 1 *Defined Contribution Component* The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** *Defined Benefit Component* The retirement multiplier for the defined benefit component is 1.0%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** *Defined Benefit Component* Same as Plan 2. *Defined Contribution Component* Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	**Earliest Unreduced Retirement Eligibility** Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90.	**Earliest Unreduced Retirement Eligibility** *Defined Benefit Component* Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90. *Defined Contribution Component* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	**Earliest Reduced Retirement Eligibility** Age 60 with at least five years (60 months) of service credit.	**Earliest Reduced Retirement Eligibility** *Defined Benefit Component* Age 60 with at least five years (60 months) of service credit. *Defined Contribution Component* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. *Eligibility:* For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%), for a maximum COLA of 3%. *Eligibility:* Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component** Same as Plan 2. **Defined Contribution Component** Not applicable. *Eligibility:* Same as Plan 1 and Plan 2.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Continued) *Exceptions to COLA Effective Dates:* The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)** *Exceptions to COLA Effective Dates:* Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)** *Exceptions to COLA Effective Dates:* Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Eligible political subdivision (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** *Defined Benefit Component:* Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. *Defined Contribution Component:* Not applicable.

B. Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	28
Inactive members:	
Vested	21
Non-vested	24
Active elsewhere in VRS	9
Total inactive members	54
Active members	95
Total covered employees	177

C. Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

PRTC's contractually required contribution rate for the year ended June 30, 2020 was 4.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018.

Note 12. Pension Plan (Continued)

C. Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from PRTC were $323,989 and $354,543 for the years ended June 30, 2020 and 2019, respectively.

D. Net Pension (Asset) Liability

PRTC's net pension (asset) liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension (asset) liability was determined by an actuarial valuation performed as of June 30, 2018, rolled forward to the measurement date of June 30, 2019.

E. Actuarial Assumptions

The total pension liability for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	6.75 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality Rates:	15% of deaths are assumed to be service related.
– Pre-retirement:	RP-2014 Employee Rates at age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
– Post-retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
– Post-disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 12. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.0% to 6.75%

F. Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.63%

Note 12. Pension Plan (Continued)

F. Long-Term Expected Rate of Return (Continued)

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75%, which is roughly at the 40^{th} percentile of expected long-term results of the VRS fund asset allocation.

G. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2018, actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

H. Changes in the Net Pension (Asset) Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension (Asset) Liability
Balance at June 30, 2018	$ 17,978,233	$ 18,530,278	$ (552,045)
Changes for the year:			
Service cost	747,243	-	747,243
Interest	1,233,409	-	1,233,409
Changes of assumptions	631,239	-	631,239
Difference between expected and actual experience	312,560	-	312,560
Contributions – employer	-	354,543	(354,543)
Contributions – employee	-	414,063	(414,063)
Net investment income	-	1,249,744	(1,249,744)
Benefit payments, including refunds of employee contributions	(716,216)	(716,216)	-
Administrative expense	-	(11,937)	11,937
Other changes	-	(791)	791
Net changes	2,208,235	1,289,406	918,829
Balance at June 30, 2019	$ 20,186,468	$ 19,819,684	$ 366,784

Note 12. Pension Plan (Continued)

I. Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate

The following presents the net pension (asset) liability of the Commission, using the discount rate of 6.75%, as well as what the Commission's net pension (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Plan's net pension (asset) liability	$ 3,069,540	$ 366,784	$ (1,775,482)

J. Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the Commission recognized pension expense of $599,651. The Commission also reported deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 365,613	$ -
Changes of assumptions	485,456	(75,494)
Net difference between projected and actual earnings on pension plan investments	-	(169,603)
Employer contributions subsequent to the measurement date	323,989	-
Total	$ 1,175,058	$ (245,097)

The $323,989 reported as deferred outflows of resources related to pensions resulting from PRTC's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows and (inflows) of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30,	Amount
2021	$ 233,950
2022	64,045
2023	226,299
2024	81,678
	$ 605,972

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 13. Other Postemployment Benefits Plan – Group Life Insurance Program

A. Plan Description

All full-time, salaried permanent employees of PRTC are automatically covered by the VRS Group Life Insurance Program (GLI) upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI program. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts
The benefits payable under the GLI have several components.
• Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
• Accidental Death Benefit – The accidental death benefit is double the natural death benefit.
• Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  o Accidental dismemberment benefit
  o Safety belt benefit
  o Repatriation benefit
  o Felonious assault benefit
  o Accelerated death benefit option

Reduction in Benefit Amounts The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,463 as of June 30, 2020.

Note 13. Other Postemployment Benefits Plan – Group Life Insurance Program (Continued)

B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was .52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from PRTC were $46,663 and $47,196 for the years ended June 30, 2020 and June 30, 2019, respectively.

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2020, PRTC reported a liability of $752,773 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was $47,158 or 0.04626% as compared to $46,174 or 0.04670% at June 30, 2018.

For the year ended June 30, 2020, PRTC recognized GLI OPEB expense of $25,766. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ 50,064	$ (9,764)
Changes of assumptions	47,526	(22,699)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(15,463)
Changes in proportion	32,562	(5,870)
Employer contribution subsequent to the measurement date	46,663	-
Total	$ 176,815	$ (53,796)

Note 13. Other Postemployment Benefits Plan – Group Life Insurance Program (Continued)

C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

The $46,663 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2021	$ 11,034
2022	11,034
2023	17,583
2024	18,370
2025	14,388
Thereafter	3,947
	$ 76,356

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.5%
Salary increases, including inflation:	
Locality – general employees	3.5%-5.35%
Investment rate of return	6.75%, net of investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality Rates – Non-Largest 10 Locality Employers – General Employees

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward three years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward two years, 110% of rates; females 125% of rates.

Note 13. Other Postemployment Benefits Plan – Group Life Insurance Program (Continued)

D. Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI is as follows (expressed in thousands):

	GLI OPEB Program
Total GLI OPEB liability	$ 3,390,238
Plan fiduciary net position	1,762,972
GLI Net OPEB liability	$ 1,627,266

Plan fiduciary net position as a percentage of the total GLI OPEB liability	52.00%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Note 13. Other Postemployment Benefits Plan – Group Life Insurance Program (Continued)

F. Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.63%

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Note 13. Other Postemployment Benefits Plan – Group Life Insurance Program (Continued)

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by PRTC for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

H. Sensitivity of PRTC's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents PRTC's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what PRTC's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
PRTC's proportionate share of the GLI net OPEB liability	$ 988,936	$ 752,773	$ 561,252

I. GLI Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at varetire.org/Pdf/Publications/2019-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

Note 14. Contingencies and Contractual Commitments

Federal and State-Assisted Programs

The Commission has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based upon past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.

A combination of federal and state grants and local funds are relied upon to finance a majority of PRTC contractual services and capital projects.

At June 30, 2020, there were disputes between VRE and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal (with PRTC as grantee) and Commonwealth of Virginia grants (with NVTC – VRE as grantee) and local funds will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenses incurred as of June 30, 2020:

Stations and parking lots	$ 3,712,524
Rail rolling stock	5,121,050
Maintenance and layover yards	2,179,043
Track and signal improvements	130,746
Other administrative	288,390
Total	$ 11,431,753

Note 15. Operating Leases and Agreements

Operating Access Agreements with the CSX Transportation and Norfolk Southern railroads provide the Commissions the right to use tracks owned by the railroads in the provision of commuter rail passenger service. These agreements require the Commissions to pay the railroads a monthly base fee and to reimburse the railroads for any incremental cost incurred by the railroads as a result of providing track access for commuter rail service. For the year ended June 30, 2020, annual track usage fees totaled approximately $10,527,000, of which $5,631,000 is recognized by the PRTC reporting entity, and facility and other identified costs totaled approximately $584,000, of which $312,000 is recognized by the PRTC reporting entity. The increase in track usage fees primarily reflects normal annual increases to the base fees.

The agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and midday services and electrical power became effective on July 1, 2015 and ended June 30, 2020. A new agreement became effective on July 1, 2020. For the year ended June 30, 2020, costs for track access and equipment storage totaled approximately $6,714,000, of which $3,591,000 was recognized by the PRTC reporting entity. Costs for mid-day maintenance, utility, and other services totaled approximately $4,345,000, of which $2,324,000 was recognized by the PRTC reporting entity. Cost adjustments will be made in fiscal year 2021 to reflect changes to various published cost indices and the number of trains that have access to and are stored and serviced at the terminal. After October 1, 2015, charges for terminal access are determined in accordance with the cost-sharing arrangement for the Northeast Corridor passenger rail infrastructure mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA).

The Commissions signed a contract with Keolis Rail Services Virginia, LLC for train operations and maintenance for a five year period beginning July 1, 2015. Separate contracts for maintenance of equipment and facilities became effective for the period beginning July 1, 2016. The cost of train operations and maintenance for the year ended June 30, 2020, based on an annual budget prepared in advance, was approximately $23,654,000, of which $12,653,000 is recognized by the PRTC reporting entity. Costs for fiscal year 2020 reflect contractual increases and added services, including a focus on asset maintenance programs. Costs for fiscal year 2021 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

Note 16. Interfund Transfers

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total Transferred Out
Transfer from fund:			
Bus Service and Member Jurisdictions	$ -	$ 22,038,864	$ 22,038,864
Commuter Rail Service	(73,611)	-	(73,611)
Total transferred in	$ (73,611)	$ 22,038,864	$ 21,965,253

The transfer from the Commuter Rail Service Fund to the Bus Service and Member Jurisdictions Fund is for general administrative services related to grant activity performed by staff of the Bus Service and Member Jurisdictions Fund.

The transfer from the Bus Service and Member Jurisdictions Fund to the Commuter Rail Service Fund is for federal grant activity in which PRTC serves as grantee on behalf of VRE.

Note 17. Pending GASB Statements

At June 30, 2020, GASB had issued statements not yet implemented by PRTC. The statements which might impact PRTC are as follows:

GASB Statement No. 87, *Leases*, will increase the usefulness of PRTC's financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 90, *Majority Equity Interests,* is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Statement No. 90 will be effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 91, *Conduit Debt Obligations*, will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 will be effective for fiscal years beginning after December 15, 2021.

GASB Statement No. 92, *Omnibus 2020,* will improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics, including intra-entity transfers, the effective date of No. 87, *Leases*, the applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits, the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, terminology used to refer to derivative instruments. Statement No. 92 will be effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will address accounting and financial reporting implications that result from the replacement of an interbank offered rate-most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Portions of Statement No. 93 will be effective for fiscal years beginning after June 15, 2020, June 15, 2021, and December 31, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* will improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. Statement No. 94 will be effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

Note 17. Pending GASB Statements (Continued)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32,* will (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Statement No. 97 will be effective for fiscal years beginning after June 15, 2021.

PRTC has not yet determined the effect of these statements on its financial statements.

Note 18. Subsequent Events

In July 2020, the Commission authorized the Executive Director to execute a contract with Keolis Transit America fox fixed route bus and paratransit operations and maintenance services effective November 1, 2020 for an initial five-year term with up to five years in options thereafter that are PRTC's sole discretion to exercise.

In September 2020, the Commission authorized the Executive Director to execute a contract with James River Solutions to purchase ultra-low sulfur diesel fuel for one year, with up to four one-year options.

PRTC was granted Occupancy Permits for the three buildings at the Western Facility: Administration and Operations, Maintenance, and Fuel and Wash Buildings, on September 22, 2020. The Western Facility is located on the western side of Prince William County at 7850 Doane Drive. Some Administration staff were moved to the Admin building on October 20, 2020. It is anticipated that bus service from this facility will begin in early Spring of 2021.

In July 2020, the VRE Operations Board authorized the Acting Chief Executive Officer to execute a contract with Svanaco, Inc. (DBA Americaneagle.com) of Des Plaines, Illinois for Mobile Ticketing Services in the amount of $988,630, plus a 10 percent contingency of $98,863, for a total amount not to exceed $1,087,493, for a base year and five option years, with the Chief Executive Officer exercising the option years at his discretion. This will replace VRE's existing mobile ticketing solution.

In July 2020, the VRE Operations Board authorized the Acting Chief Executive Officer to formally withdraw from existing Standard Project Agreements (SPAs) with the Northern Virginia Transportation Authority (NVTA) for the Lorton and Rippon station expansion projects. This is a result of the Commonwealth's Transforming Rail in Virginia program of planned capital investments and associated operating plan. Under the new operating plan, expansions of those two stations are not projected to be needed until 2030 or later. The SPA for Lorton Station had a value of $7.9 million, and the SPA for Rippon Station had a value of $10.0 million.

Note 18. Subsequent Events (Continued)

In September 2020, following a nationwide search and affirming the recommendation of the VRE Operations Board, the Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC) named the Acting Chief Executive Officer, Rich Dalton, to be the new Chief Executive Officer of VRE. Mr. Dalton was appointed VRE's acting CEO in November 2019. Prior to his appointment as Acting Chief Executive Officer, Mr. Dalton had been with VRE for 11 years as Deputy Chief Executive Officer and Chief Operating Officer.

In September 2020, the VRE Operations Board authorized an increase in the Chief Executive Officer's procurement authorization authority to $1,000,000 and an increase in the Chief Executive Officer's contract award authority to $200,000.

In September 2020, the VRE Operations Board authorized the Chief Executive Officer to execute a contract with Clark Construction Group, LLC of Bethesda, Maryland for Construction of the Lifecycle Overhaul and Upgrade (LOU) Facility in the amount of $37,673,006, plus a 10% contingency of $3,767,301, for a total amount not to exceed $41,440,307.

In September 2020, the VRE Operations Board authorized the Chief Executive Officer to execute a contract with Archer Western Construction, LLC of Herndon, Virginia, for construction of Quantico Station Improvements in the amount of $16,709,330, plus a 10% contingency of $1,670,933, for a total amount not to exceed $18,380,263. The VRE Operations Board also authorized the Chief Executive Officer (CEO) to execute a contract with Dewberry Engineers Inc. of Fairfax, Virginia, for Construction Management Services for the Quantico Station Improvements in the amount of $1,868,776, plus a 10% contingency of $186,878, for a total amount not to exceed $2,055,654.

In September 2020, the VRE Operations Board authorized the Chief Executive Officer to execute contracts with HDR Engineering, Inc. (HDR) of Vienna, Virginia, for Project Design Services and STV Incorporated (STV) of Fairfax, Virginia, for Construction Management Services for a base year and four option years in an amount not to exceed $6 million in aggregate per year for a total not to exceed amount of $30 million in aggregate for the five-year term of the contract.

In October 2020, VRE Operations Board authorized the Chief Executive Officer to execute a contract with Sumter Contracting Corp. of Fairfax, Virginia, for Construction of Rolling Road Station Improvements in the amount of $2,234,474, plus a 10 percent contingency of $223,447, for a total amount not to exceed $2,457,921.

Note 19. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Commission operates. While it is unknown how long these conditions will last, many Commission activities were and continue to be affected.

REQUIRED SUPPLEMENTARY INFORMATION

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,						
	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution (CRC)	$ 528,296	$ 460,763	$ 478,465	$ 419,283	$ 413,760	$ 354,543	$ 323,989
Contributions in relation to the CRC	528,296	460,763	478,465	419,283	413,760	354,543	323,989
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 6,582,460	$ 7,265,941	$ 7,785,947	$ 8,627,885	$ 8,875,155	$ 9,076,294	$ 8,973,619
Contributions as a percentage of covered payroll	8.03%	6.34%	6.15%	4.86%	4.66%	3.91%	3.61%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF CHANGES IN THE NET PENSION (ASSET) LIABILITY AND RELATED RATIOS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,					
	2014	2015	2016	2017	2018	2019
Total Pension Liability						
Service cost	$ 722,134	$ 743,258	$ 778,686	$ 756,831	$ 796,518	$ 747,243
Interest	763,704	850,266	942,652	1,051,830	1,132,348	1,233,409
Changes of assumptions	-	-	-	(243,263)	108,387	631,239
Differences between expected and actual experience	-	92,275	284,843	38,724	-	312,560
Benefit payments, including refunds of employee contributions	(222,525)	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)
Net change in total pension liability	1,263,313	1,409,867	1,550,103	1,167,210	1,566,424	2,208,235
Total pension liability - beginning	11,021,316	12,284,629	13,694,496	15,244,599	16,411,809	17,978,233
Total pension liability - ending (a)	$ 12,284,629	$ 13,694,496	$ 15,244,599	$ 16,411,809	$ 17,978,233	$ 20,186,468
Plan Fiduciary Net Position						
Contributions - employer	$ 528,296	$ 460,763	$ 478,465	$ 419,283	$ 413,760	$ 354,543
Contributions - employee	414,844	494,240	375,574	407,825	411,106	414,063
Net investment income	1,697,173	603,590	259,738	1,829,732	1,265,980	1,249,744
Benefit payments, including refunds of employee contributions	(222,525)	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)
Administrative expense	(8,482)	(7,442)	(8,396)	(9,970)	(10,415)	(11,937)
Other	89	(131)	(107)	(1,654)	(1,150)	(791)
Net change in plan fiduciary net position	2,409,395	1,275,088	649,196	2,208,304	1,608,452	1,289,406
Plan fiduciary net position - beginning	10,379,843	12,789,238	14,064,326	14,713,522	16,921,826	18,530,278
Plan fiduciary net position - ending (b)	12,789,238	14,064,326	14,713,522	16,921,826	18,530,278	19,819,684
PRTC's net pension (asset) liability - ending (a) - (b)	$ (504,609)	$ (369,830)	$ 531,077	$ (510,017)	$ (552,045)	$ 366,784
Plan fiduciary net position as a percentage of the total pension liability	104.11%	102.70%	96.52%	103.11%	103.07%	98.18%
Covered payroll	$ 6,582,460	$ 7,265,941	$ 7,785,947	$ 8,627,885	$ 8,875,155	$ 9,076,294
PRTC's net pension (asset) liability as a percentage of covered payroll	-7.67%	-5.09%	6.82%	-5.91%	-6.22%	4.04%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, PRTC will present information for those years for which information is available.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,		
	2017	2018	2019
Total Group Life Insurance OPEB Liability			
The Commission's Portion of the Net GLI OPEB Liability	0.04678%	0.04670%	0.04626%
The Commission's Proportionate Share of the Net GLI OPEB Liability	$ 703,000	$ 709,000	$ 752,773
The Commission's Covered Payroll	$ 8,627,885	$ 8,875,155	$ 9,076,294
The Commission's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.15%	7.99%	8.29%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%	52.00%

Note to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF PRTC CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution (CRC)	$ 25,277	$ 25,929	$ 34,313	$ 34,887	$ 38,509	$ 41,266	$ 44,865	$ 46,151	$ 47,196	$ 46,663
Contributions in relation to the CRC	25,277	25,929	34,313	34,887	38,509	41,266	44,865	46,151	47,196	46,663
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 5,744,800	$ 5,892,844	$ 6,474,129	$ 6,582,460	$ 7,265,941	$ 7,785,947	$ 8,627,885	$ 8,875,155	$ 9,076,294	$ 8,973,619
Contributions as a percentage of covered payroll	0.44%	0.44%	0.53%	0.53%	0.53%	0.53%	0.52%	0.52%	0.52%	0.52%

See Notes to Required Supplementary Information – OPEB

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – VIRGINIA RETIREMENT SYSTEM
Year Ended June 30, 2020

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through nine years of service
Disability Rates	Lowered rates
Salary Scale	No change
Discount Rate	Decrease rate from 7.00% to 6.75%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS
Year Ended June 30, 2020

Note 1. Group Life Insurance Program

A. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

B. Changes of Assumptions

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest 10 Locality Employers – General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

SUPPLEMENTARY INFORMATION

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

COMPARATIVE STATEMENTS OF NET POSITION – BUS SERVICE AND MEMBER JURISDICTIONS
June 30, 2020 and 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
Current Assets		
Cash and investments in bank	$ 19,224,284	$ 12,992,209
Receivables:		
Due from other governments	25,287,046	35,251,024
Due from Commuter Rail Service Fund	1,372,852	2,015,520
Miscellaneous	145,570	230,065
Prepaid expenses and other assets	303,253	424,217
Restricted assets:		
Cash and investments in pooled funds - member jurisdictions	15,728,773	19,467,692
Total current assets	62,061,778	70,380,727
Noncurrent Assets		
Net pension asset	-	231,536
Capital assets:		
Transportation equipment:		
Buses and related equipment	91,578,089	96,374,678
Less: accumulated depreciation	(59,358,629)	(58,415,025)
Transportation equipment, net	32,219,460	37,959,653
Land, buildings and equipment:		
Land	6,639,270	6,639,270
Buildings	8,052,341	8,052,341
Building improvements	4,301,854	4,347,976
Construction in progress	43,622,239	18,422,652
Site improvements	1,430,513	1,430,513
Bus shelters	1,465,910	1,512,303
Vehicles	287,598	143,131
Furniture and equipment	2,312,713	2,412,678
Software and easement	3,939,978	3,914,290
Less: accumulated depreciation and amortization	(16,116,788)	(14,476,482)
Land, buildings and equipment, net	55,935,628	32,398,672
Total capital assets, net	88,155,088	70,358,325
Total noncurrent assets	88,155,088	70,589,861
Total assets	150,216,866	140,970,588
Deferred Outflows of Resources		
Pension plan	494,802	246,329
Other postemployment benefits	69,453	48,546
Total deferred outflows of resources	564,255	294,875
Total assets and deferred outflows of resources	$ 150,781,121	$ 141,265,463

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2020	2019
Current Liabilities		
Accounts payable and other liabilities	**$ 5,417,113**	$ 7,012,283
Accrued payroll and benefits	**645,751**	508,762
Accrued interest	**9,881**	12,833
Due to other governments	**176,256**	3,036,147
Due to Commuter Rail Service Fund	**11,695,971**	13,309,338
Unearned revenue	**1,139,719**	1,256,483
Compensated absences	**68,044**	4,473
Bond payable - current portion	**260,000**	245,000
Total current liabilities	**19,412,735**	25,385,319
Noncurrent Liabilities		
Compensated absences	**528,564**	480,916
Net pension liability	**154,448**	-
Net other postemployment benefits liability	**295,689**	277,148
Bond payable, net	**656,113**	958,829
Total noncurrent liabilities	**1,634,814**	1,716,893
Total liabilities	**21,047,549**	27,102,212
Deferred Inflows of Resources		
Pension plan	**103,207**	126,043
Other postemployment benefits	**21,131**	25,408
Total deferred inflows of resources	**124,338**	151,451
Net Position		
Net investment in capital assets	**87,238,976**	69,154,496
Restricted	**20,190,326**	21,944,378
Unrestricted	**22,179,932**	22,912,926
Total net position	**129,609,234**	114,011,800
Total liabilities, deferred inflows of resources and net position	**$ 150,781,121**	$ 141,265,463

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – BUS SERVICE AND MEMBER JURISDICTIONS
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Motor fuel tax	$ 26,493,360	$ 28,517,370
Farebox	8,425,772	11,235,523
Advertising	130,280	118,679
Total operating revenues	35,049,412	39,871,572
Operating Expenses		
Direct transportation	14,101,306	12,701,074
Salaries and related benefits	5,268,671	5,056,121
Contractual services	25,971,756	24,057,908
Other services	2,710,673	2,095,728
Materials, supplies and minor equipment	464,171	1,323,159
Fuel	2,418,211	2,644,531
Total operating expenses	50,934,788	47,878,521
Operating loss before depreciation and amortization	(15,885,376)	(8,006,949)
Depreciation and amortization	(9,342,977)	(7,903,798)
Operating loss	(25,228,353)	(15,910,747)
Nonoperating Revenues (Expenses)		
Commonwealth of Virginia grants	8,452,520	6,773,121
Federal grants	22,808,534	19,958,817
Investment income	484,875	662,032
Pass-through grants - member jurisdictions	(141,462)	(74,299)
Interest income (expense)	240	(11,237)
Other revenue	554,789	315,629
Total nonoperating revenues, net	32,159,496	27,624,063
Capital Grants and Assistance		
Commonwealth of Virginia grants	18,137,072	20,389,243
Federal grants	4,182,008	13,769,171
Regional transportation funding - NVTA	8,280,753	8,219,245
Total capital grants and assistance	30,599,833	42,377,659
Income before transfers and gain on disposal of assets	37,530,976	54,090,975
Transfers In	73,611	77,085
Transfers Out	(22,038,864)	(18,389,407)
Transfers, net	(21,965,253)	(18,312,322)
Gain on Disposal of Assets	31,711	14,075
Change in net position	15,597,434	35,792,728
Net Position, beginning	114,011,800	78,219,072
Net Position, ending	$ 129,609,234	$ 114,011,800

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

COMPARATIVE STATEMENTS OF NET POSITION – COMMUTER RAIL SERVICE
June 30, 2020 and 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
Current Assets		
Cash and investments in bank	**$ 51,031,196**	$ 40,204,191
Receivables:		
Due from Bus Service and Member Jurisdictions Fund	**11,695,971**	13,309,338
Trade receivables, net of allowance for doubtful accounts	**317,745**	1,693,866
Miscellaneous	**299,431**	1,566,091
Inventory	**1,471,873**	1,537,676
Prepaid expenses and other assets	**74,353**	93,992
Restricted cash, cash equivalents and investments	**5,729,809**	5,824,191
Total current assets	**70,620,378**	64,229,345
Noncurrent Assets		
Net pension asset	**-**	320,509
Capital assets:		
Transportation equipment:		
Rail rolling stock	**142,639,959**	142,639,959
Less: accumulated depreciation	**(52,568,545)**	(46,768,104)
Transportation equipment, net	**90,071,414**	95,871,855
Buildings and equipment:		
Construction in progress	**12,001,865**	15,370,835
Vehicles	**72,781**	72,781
Facilities	**56,404,726**	54,925,894
Track and signal improvements	**49,764,479**	41,717,264
Furniture, equipment and software	**9,258,059**	9,090,291
Equity in property of others	**2,893,643**	2,893,643
Less: accumulated depreciation and amortization	**(52,957,043)**	(48,944,048)
Buildings and equipment, net	**77,438,510**	75,126,660
Total capital assets, net	**167,509,924**	170,998,515
Total noncurrent assets	**167,509,924**	171,319,024
Total assets	**238,130,302**	235,548,369
Deferred Outflows of Resources		
Pension plan	**680,256**	340,985
Other postemployment benefits	**107,362**	75,650
Total deferred outflows of resources	**787,618**	416,635
Total assets and deferred outflows of resources	**$ 238,917,920**	$ 235,965,004

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**2020**	2019
Current Liabilities		
Accounts payable and other liabilities	**$ 1,161,348**	$ 1,590,031
Accrued expenses	**522,895**	1,666,781
Due to Bus Service and Member Jurisdictions Fund	**1,372,852**	2,015,520
Unearned revenue	**972,935**	1,013,839
Capital lease	**778,473**	745,249
Interest payable - capital lease	**32,673**	38,364
Retainage payable	**7,853**	-
Compensated absences	**57,514**	15,007
Total current liabilities	**4,906,543**	7,084,791
Noncurrent Liabilities		
Net pension liability	**212,336**	-
Net other postemployment benefits liability	**457,084**	431,852
Compensated absences	**336,463**	321,969
Capital lease	**3,492,484**	4,270,958
Total noncurrent liabilities	**4,498,367**	5,024,779
Total liabilities	**9,404,910**	12,109,570
Deferred Inflows of Resources		
Pension plan	**141,890**	174,477
Other postemployment benefits	**32,665**	39,592
Total deferred inflows of resources	**174,555**	214,069
Net Position		
Net investment in capital assets	**163,238,967**	165,982,307
Restricted for liability insurance plan	**5,160,100**	5,263,810
Restricted grants and contributions	**1,263,069**	560,381
Unrestricted	**59,676,319**	51,834,867
Total net position	**229,338,455**	223,641,365
Total liabilities, deferred inflows of resources and net position	**$ 238,917,920**	$ 235,965,004

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – COMMUTER RAIL SERVICE
Years Ended June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Passenger revenues	**$ 18,562,076**	$ 22,679,123
Equipment rental and other	**143,255**	169,719
Total operating revenues	**18,705,331**	22,848,842
Operating Expenses		
Contract operations and maintenance	**15,018,090**	14,553,688
Other operations and maintenance	**8,264,097**	8,954,338
Property leases and access fees	**9,321,122**	9,019,074
Insurance	**2,337,975**	2,131,055
Marketing and sales	**1,171,269**	1,390,532
General and administrative	**7,747,029**	9,307,388
Total operating expenses	**43,859,582**	45,356,075
Operating loss before depreciation and amortization	**(25,154,251)**	(22,507,233)
Depreciation and amortization	**(9,845,159)**	(9,271,402)
Operating loss	**(34,999,410)**	(31,778,635)
Nonoperating Revenues (Expenses)		
Jurisdictional contributions	**11,158,056**	12,025,284
Regional transportation funding	**-**	97,253
Commuter Rail Operating and Capital (C-ROC) Fund	**9,428,342**	10,030,038
Investment income	**820,896**	935,536
Interest, amortization and other nonoperating expenses, net	**(216,068)**	(249,819)
Total nonoperating revenues, net	**21,191,226**	22,838,292
Capital Grants and Assistance		
Commonwealth of Virginia grants	**(381,451)**	381,451
Regional transportation funding	**879,058**	1,152,103
Contributions to NVTC	**(2,957,586)**	(2,617,357)
Total capital grants and assistance, net	**(2,459,979)**	(1,083,803)
Loss before transfers and loss on disposal of assets	**(16,268,163)**	(10,024,146)
Transfers Out	**(73,611)**	(77,085)
Transfers In	**22,038,864**	18,389,407
Transfers, net	**21,965,253**	18,312,322
Change in net position	**5,697,090**	8,288,176
Net Position, beginning	**223,641,365**	215,353,189
Net Position, ending	**$ 229,338,455**	$ 223,641,365

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF MEMBER JURISDICTIONS' FUNDS
Year Ended June 30, 2020

	City of Fredericksburg	City of Manassas	City of Manassas Park	County of Prince William	County of Stafford	County of Spotsylvania	Total
Funds Available - July 1, 2019	$ 1,530,476	$ 847,559	$ 2,854,976	$ 9,116,760	$ 5,653,805	$ 1,940,802	$ 21,944,378
Funds Received:							
Motor fuel tax	1,336,288	858,233	685,442	13,799,323	4,324,039	5,490,035	26,493,360
Transfer from PRTC (carryforward)	28,100	50,600	27,100	2,984,000	63,300	71,900	3,225,000
Other	-	137,185	-	-	-	-	137,185
Interest	26,286	7,257	43,307	135,499	81,459	45,901	339,709
Total funds received	1,390,674	1,053,275	755,849	16,918,822	4,468,798	5,607,836	30,195,254
Funds Disbursed:							
Direct transportation expenses:							
VRE operating and capital	321,028	694,742	405,485	-	2,352,820	1,285,670	5,059,745
Other jurisdictional projects	-	-	85,000	-	4,518,615	4,437,946	9,041,561
Transfers to PRTC:							
Administrative	36,800	21,600	19,500	304,000	95,200	104,300	581,400
OmniRide, OmniLink, Capital Improvement, Marketing, VanPool	3,500	449,700	230,200	16,564,300	9,000	9,900	17,266,600
Total funds disbursed	361,328	1,166,042	740,185	16,868,300	6,975,635	5,837,816	31,949,306
Funds Available - June 30, 2020	$ 2,559,822	$ 734,792	$ 2,870,640	$ 9,167,282	$ 3,146,968	$ 1,710,822	$ 20,190,326

Note 1 - The schedule of member jurisdictions' funds is prepared on an accrual basis and reflects the funds held by the Potomac and Rappahannock Transportation Commission (PRTC) for the benefit of the various member jurisdictions and the activity for the year ended June 30, 2020. Total funds available reconcile to amounts reported on the statement of net position as follows:

Cash and investments in pooled funds - member jurisdictions	$ 15,728,773
Due from other governments - Motor fuel tax revenue receipts (see Note 4)	4,634,069
Due to other governments - member jurisdictions (see Note 4)	(172,516)
	$ 20,190,326

Note 2 - Expenses for other jurisdictional projects consist of:

	City of Fredericksburg	City of Manassas	City of Manassas Park	County of Prince William	County of Stafford	County of Spotsylvania	Total
Road improvements/maintenance	$ -	$ -	$ 85,000	$ -	$ 2,190,417	$ -	$ 2,275,417
Airport; human services transportation	-	-	-	-	437,106	-	437,106
FRED transit costs	-	-	-	-	1,891,092	383,072	2,274,164
Transportation salaries/benefits; debt service	-	-	-	-	-	4,054,874	4,054,874
	$ -	$ -	$ 85,000	$ -	$ 4,518,615	$ 4,437,946	$ 9,041,561

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended June 30, 2020

State Granting Agency	State Grant Number	Expenditures
Direct Payments:		
Virginia Department of Rail and Public Transportation:		
Operating Assistance	72020-27; 72120-27	$ 5,949,744
Commuter Assistance	71020-11; 71420-14;72519-15	143,214
Transportation Intern	71220-05	20,672
I-95 Transit and TDM Bus Services	72020-61; 72020-62; 72020-63	638,097
I-395 Transit and TDM Bus Services	72518-15	44,897
I-66 TMP Bus Services	72518-12	11,746
Vanpool Program	71118-05;72518-10	595,551
WMATA Platform Improvement Project	71319-10	77,332
Capital - FY 15	73115-03	4,061
Capital - FY 16	73116-05	944,298
Capital - FY 18	73018-77	230,268
Capital - FY 19	72519-14	1,464
Capital - FY 19	72519-18	10,986,709
Capital - FY 19	73019-50	9,574
Capital - FY 19	73019-56	16,368
Capital - FY 19	73019-57	180
Capital - FY 19	73019-83	288,647
Capital - FY 19	50014-01	5,461,011
Capital - FY 20	72520-25	21,432
Capital - FY 20	73020-50	101,528
Capital - FY 20	73020-51	9,999
Capital - FY 20	73020-52	58,222
Capital - FY 20	73020-53	141,462
Capital - FY 20	73020-54	3,311
		25,759,787
Northern Virginia Transportation Commission:		
Dale City to Ballston Bus Service		27,281
Gainesville to Pentagon/DC Bus Service		171,081
Haymarket to Rosslyn Bus Service		57,688
Linton Hall Metro Express Bus Service		57,971
Prince William Metro Express Bus Service		120,952
Route 1 OmniRide Local Bus Service		149,450
Stafford to Pentagon/DC Bus Service		215,602
		800,025
Virginia Department of Transportation:		
Congestion Mitigation & Air Quality (Employer Outreach)		15,242
Total State Awards Expended		$ 26,575,054

Notes:

(1) State funds of $525,890 from 72518-11 and $516,682 from 72520-24 classified as farebox revenue on Comparative Statements of Revenues, Expenses, and Changes in Net Assets for Bus Service and Member Jurisdictions.

COMPLIANCE SECTION

PBMares

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

To the Honorable Commission Board Members
Potomac and Rappahannock Transportation Commission

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 each major fund of the Potomac and Rappahannock Transportation Commission (Commission), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 19, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
November 19, 2020