

**POTOMAC AND RAPPAHANNOCK  
TRANSPORTATION COMMISSION**

**FINANCIAL AND COMPLIANCE REPORTS**

**YEAR ENDED JUNE 30, 2019**



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ASSURANCE, TAX & ADVISORY SERVICES

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

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## **FINANCIAL SECTION**



## 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, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **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, 2019, 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 57-62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and Schedule of Expenditures of Federal Awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019 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 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 21, 2019

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## 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, 2019. 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, 2019, PRTC's assets exceeded liabilities by \$337,653,165. Of this total, \$114,011,800 is for bus service and member jurisdictions and \$223,641,365 is for commuter rail service.

The net position of PRTC increased by \$44,080,904 for fiscal year 2019. This is the net effect of a \$35,792,728 increase from bus service and member jurisdictions and a \$8,288,176 increase from commuter rail service.

As of June 30, 2019, PRTC's unrestricted net position is \$74,747,793. Of this total, \$22,912,926 is for bus service and member jurisdictions and \$51,834,867 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 *Statement 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 *Statement 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 *Statement 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, 2019 and 2018:

#### Summary of Net Position As of June 30

	Bus Service and Member Jurisdictions		Commuter Rail Service		Total	
	2019	2018	2019	2018	2019	2018
Assets and deferred outflows of resources:						
Current assets	\$ 57,071,389	\$ 47,074,164	\$ 62,213,825	\$ 48,449,185	\$ 119,285,214	\$ 95,523,349
Capital assets, net	70,358,325	38,428,003	170,998,515	176,399,440	241,356,840	214,827,443
Net pension asset	231,536	217,448	320,509	292,569	552,045	510,017
Deferred outflows of resources	294,875	315,925	416,635	429,179	711,510	745,104
<b>Total assets and deferred outflows of resources</b>	<b>127,956,125</b>	<b>86,035,540</b>	<b>233,949,484</b>	<b>225,570,373</b>	<b>361,905,609</b>	<b>311,605,913</b>
Liabilities and deferred inflows of resources:						
Current liabilities	12,075,981	5,600,799	5,069,271	4,206,955	17,145,252	9,807,754
Noncurrent liabilities	1,716,893	1,997,684	5,024,779	5,713,615	6,741,672	7,711,299
Deferred inflows of resources	151,451	217,985	214,069	296,614	365,520	514,599
<b>Total liabilities and deferred inflows of resources</b>	<b>13,944,325</b>	<b>7,816,468</b>	<b>10,308,119</b>	<b>10,217,184</b>	<b>24,252,444</b>	<b>18,033,652</b>
Net Position:						
Net investment in capital Assets	69,154,496	36,951,457	165,982,307	170,664,839	235,136,803	207,616,296
Restricted	21,944,378	15,647,935	5,824,191	5,815,291	27,768,569	21,463,226
Unrestricted	22,912,926	25,619,680	51,834,867	38,873,059	74,747,793	64,492,739
<b>Total net position</b>	<b>\$ 114,011,800</b>	<b>\$ 78,219,072</b>	<b>\$ 223,641,365</b>	<b>\$ 215,353,189</b>	<b>\$ 337,653,165</b>	<b>\$ 293,572,261</b>

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 \$337.7 million, an increase of \$44.1 million over the previous fiscal year. The largest portion of net position, \$235.1 million or 69.6%, 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, \$27.8 million or 8.2%, 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 increased approximately \$23.8 million or 24.9% from the prior year, primarily due to increased cash and investments of \$11.3 million, increased grant and other receivables of \$12.2 million, increased prepaid expenses and other assets of \$0.4 million, offset by decreased inventory of \$0.2 million.

Capital assets, net of accumulated depreciation and amortization, increased approximately \$26.5 million or 12.3 %, primarily as the result of bus additions, bus overhauls, 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, 2019 and 2018:

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

	<b>Bus Service and Member Jurisdictions</b>		<b>Commuter Rail Service</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Revenues:						
Operating revenues	\$ 39,871,572	\$ 34,578,463	\$ 22,848,842	\$ 22,328,585	\$ 62,720,414	\$ 56,907,048
Nonoperating revenues	27,723,674	27,206,783	23,088,111	11,578,196	50,811,785	38,784,979
Capital grants & assistance, net	42,377,659	11,417,094	(1,083,803)	(3,672,531)	41,293,856	7,744,563
Transfers, net	(18,312,322)	(24,849,836)	18,312,322	24,849,836	-	-
<b>Total revenues</b>	<b>91,660,583</b>	<b>48,352,504</b>	<b>63,165,472</b>	<b>55,084,086</b>	<b>154,826,055</b>	<b>103,436,590</b>
Expenses:						
Operating expenses	47,878,521	41,315,024	45,356,075	41,468,588	93,234,596	82,783,612
Depreciation and amortization	7,903,798	6,416,523	9,271,402	9,100,535	17,175,200	15,517,058
Nonoperating expenses	85,536	162,555	249,819	558,082	335,355	720,637
<b>Total expenses</b>	<b>55,867,855</b>	<b>47,894,102</b>	<b>54,877,296</b>	<b>51,127,205</b>	<b>110,745,151</b>	<b>99,021,307</b>
Change in net position	35,792,728	458,402	8,288,176	3,956,881	44,080,904	4,415,283
Net position, beginning	78,219,072	77,760,670	215,353,189	211,396,308	293,572,261	289,156,978
<b>Net position, ending</b>	<b>\$ 114,011,800</b>	<b>\$ 78,219,072</b>	<b>\$ 223,641,365</b>	<b>\$ 215,353,189</b>	<b>\$ 337,653,165</b>	<b>\$ 293,572,261</b>

For the fiscal year ended June 30, 2019, revenues totaled \$154.8 million, compared to \$103.4 million in the preceding year, an increase of \$51.4 million or 49.7%. Expenses increased by \$11.7 million or 11.8%. A discussion of the key components of these changes follows.

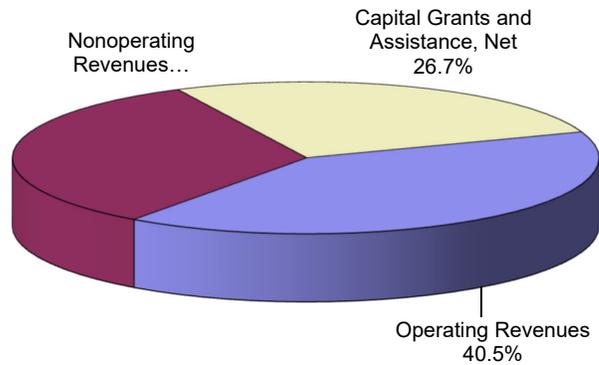
Operating revenues increased \$5.8 million or 10.2% from the prior year, primarily the result of an increase in motor fuel tax revenue of \$5.3 million and \$0.5 million increase in passenger revenue.

Nonoperating revenues increased by \$12.0 million or 31.0% from the prior year, primarily the result of \$10.0 million in commuter rail operating and capital (C-ROC) funding, increase in commuter rail jurisdictional contributions of \$1.2 million, increase of \$0.8 million in investment income.

Net capital grants and assistance increased by \$33.5 million, which is attributable to more bus service related federal, state, and regional capital grants for fiscal year 2019 compared to fiscal year 2018. In addition, the increase is due to the change in the contribution to NVTC as a result of allocating rail service between PRTC and NVTC for financial reporting purposes. Fiscal year 2019 reflects contributions to NVTC of \$2.6 million while fiscal year 2018 reflects contributions to NVTC of \$4.0 million.

The following chart shows PRTC reporting entity revenues by source for the fiscal year ended June 30, 2019.

### FY19 Revenues



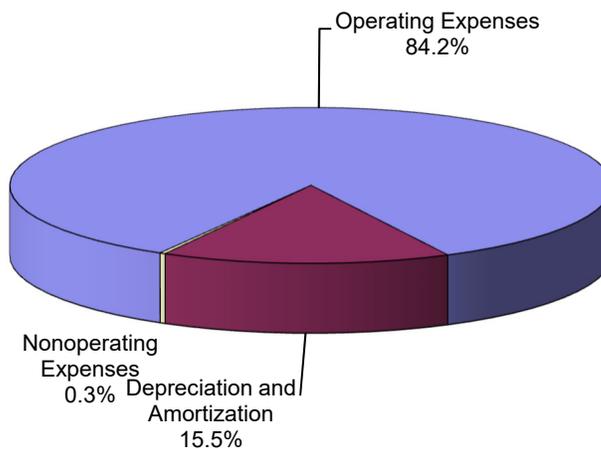
Operating expenses increased by \$10.5 million or 12.6%.

For the Bus Service and Member Jurisdictions Fund, operating expenses increased by \$6.5 million, primarily due to direct transportation expenses. 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 \$4.5 million, while combined expenses for fuel, supplies, contractual and other services increased by \$2.0 million.

For the Commuter Rail Service Fund, operating expenses increased by \$3.9 million or 9.4%. PRTC's share of the reporting entity increased from 53% to 54%, with a corresponding decrease for NVTC.

The following chart shows PRTC reporting entity expenses for the fiscal year ended June 30, 2019.

### FY19 Expenses



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The details of capital assets as of June 30, 2019 and 2018 are as follows:

	Bus Service and Member Jurisdictions		Commuter Rail Service		Total	
	2019	2018	2019	2018	2019	2018
Buses and related equipment	\$ 96,374,678	\$ 77,998,888	\$ -	\$ -	\$ 96,374,678	\$ 77,998,888
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	4,347,976	4,067,332	-	-	4,347,976	4,067,332
Construction in progress	18,422,652	3,437,331	15,370,835	13,648,998	33,793,487	17,086,329
Site improvements	1,430,513	1,430,513	-	-	1,430,513	1,430,513
Bus shelters	1,512,303	1,491,530	-	-	1,512,303	1,491,530
Vehicles	143,131	143,131	72,781	58,522	215,912	201,653
Furniture and equipment	2,412,678	2,513,229	-	-	2,412,678	2,513,229
Software and easement	3,914,290	3,920,724	-	-	3,914,290	3,920,724
Facilities	-	-	54,925,894	52,967,852	54,925,894	52,967,852
Track and signal improvements	-	-	41,717,264	41,717,264	41,717,264	41,717,264
Furniture, equipment and software	-	-	9,090,291	8,918,939	9,090,291	8,918,939
Equity in property of others	-	-	2,893,643	2,893,643	2,893,643	2,893,643
	143,249,832	109,694,289	266,710,667	262,845,177	409,960,499	372,539,466
Less accumulated depreciation and amortization	72,891,507	71,266,286	95,712,152	86,445,737	168,603,659	157,712,023
<b>Total capital assets, net</b>	<b>\$ 70,358,325</b>	<b>\$ 38,428,003</b>	<b>\$ 170,998,515</b>	<b>\$ 176,339,440</b>	<b>\$ 241,356,840</b>	<b>\$ 214,827,443</b>

PRTC's investment in capital assets as of June 30, 2019, amounted to \$241.3 million (net of accumulated depreciation and amortization), which represents an increase of \$26.5 million or 12.3%.

For bus service and member jurisdictions, thirty-seven OmniRide buses were delivered at a cost of \$21.4 million. Twelve OmniRide buses were overhauled at a cost of \$2.8 million. Twelve buses were disposed of during fiscal year 2019. Construction in progress increased by \$15 million due to the construction of the western bus maintenance facility, which is anticipated to be completed during fiscal year 2020.

For commuter rail service, the L'Enfant north storage track project was completed (\$1.8 million), the VRE Headquarters Suite 202 office renovation project was completed (\$0.2 million), as well as the automated parking counter system project (\$.1 million).

The major additions to construction in progress for commuter rail service during the fiscal year were related to Slater's Lane track improvements (\$0.7 million); ongoing work toward implementation of Positive Train Control (PTC) (\$0.7 million); work supporting fare collection EMV compliance (\$0.2 million); and ongoing development work for the Midday Storage Yard project (\$0.3 million).

### Debt Administration

At June 30, 2019, PRTC had an outstanding principal balance of \$1,065,000 for its Series 2012 Revenue Bond with the Virginia Resources Authority.

PRTC's portion of debt for the commuter rail service is \$5.0 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](mailto:jembrey@omniride.com).

## **BASIC FINANCIAL STATEMENTS**

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## STATEMENT OF NET POSITION

June 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
<b>Current Assets</b>			
Cash and investments in bank	\$ 12,992,209	\$ 40,204,191	\$ 53,196,400
Receivables:			
Due from other governments	35,251,024	-	35,251,024
Trade receivables, net of allowance for doubtful accounts	-	1,693,866	1,693,866
Miscellaneous	230,065	1,566,091	1,796,156
Internal balances	(11,293,818)	11,293,818	-
Inventory	-	1,537,676	1,537,676
Prepaid expenses and other assets	424,217	93,992	518,209
Restricted assets:			
Cash and investments in pooled funds - member jurisdictions	19,467,692	-	19,467,692
Cash, cash equivalents and investments	-	5,824,191	5,824,191
<b>Total current assets</b>	<b>57,071,389</b>	<b>62,213,825</b>	<b>119,285,214</b>
<b>Noncurrent Assets</b>			
Net pension asset	231,536	320,509	552,045
Capital assets:			
Transportation equipment:			
Buses and related equipment	96,374,678	-	96,374,678
Rail rolling stock	-	142,639,959	142,639,959
Less: accumulated depreciation	(58,415,025)	(46,768,104)	(105,183,129)
<b>Transportation equipment, net</b>	<b>37,959,653</b>	<b>95,871,855</b>	<b>133,831,508</b>
Land, buildings and equipment:			
Land	6,639,270	-	6,639,270
Buildings	8,052,341	-	8,052,341
Building improvements	4,347,976	-	4,347,976
Construction in progress	18,422,652	15,370,835	33,793,487
Site improvements	1,430,513	-	1,430,513
Bus shelters	1,512,303	-	1,512,303
Vehicles	143,131	72,781	215,912
Furniture and equipment	2,412,678	-	2,412,678
Software and easement	3,914,290	-	3,914,290
Facilities	-	54,925,894	54,925,894
Track and signal improvements	-	41,717,264	41,717,264
Furniture, equipment and software	-	9,090,291	9,090,291
Equity in property of others	-	2,893,643	2,893,643
Less: accumulated depreciation and amortization	(14,476,482)	(48,944,048)	(63,420,530)
<b>Land, buildings and equipment, net</b>	<b>32,398,672</b>	<b>75,126,660</b>	<b>107,525,332</b>
<b>Total capital assets, net</b>	<b>70,358,325</b>	<b>170,998,515</b>	<b>241,356,840</b>
<b>Total noncurrent assets</b>	<b>70,589,861</b>	<b>171,319,024</b>	<b>241,908,885</b>
<b>Deferred Outflows of Resources</b>			
Pension plan	246,329	340,985	587,314
Other postemployment benefits	48,546	75,650	124,196
<b>Total deferred outflows of resources</b>	<b>294,875</b>	<b>416,635</b>	<b>711,510</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 127,956,125</b>	<b>\$ 233,949,484</b>	<b>\$ 361,905,609</b>

See Notes to Financial Statements.

<b>LIABILITIES AND NET POSITION</b>	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
<b>Current Liabilities</b>			
Accounts payable and other liabilities	\$ 7,012,283	\$ 1,590,031	\$ 8,602,314
Accrued expenses	-	1,666,781	1,666,781
Accrued payroll and benefits	508,762	-	508,762
Accrued interest	12,833	38,364	51,197
Due to other governments	3,036,147	-	3,036,147
Unearned revenue	1,256,483	1,013,839	2,270,322
Capital leases	-	745,249	745,249
Compensated absences	4,473	15,007	19,480
Bond payable	245,000	-	245,000
<b>Total current liabilities</b>	<b>12,075,981</b>	<b>5,069,271</b>	<b>17,145,252</b>
<b>Noncurrent Liabilities</b>			
Compensated absences	480,916	321,969	802,885
Net other postemployment benefits liability	277,148	431,852	709,000
Capital leases	-	4,270,958	4,270,958
Bond payable, net	958,829	-	958,829
<b>Total noncurrent liabilities</b>	<b>1,716,893</b>	<b>5,024,779</b>	<b>6,741,672</b>
<b>Total liabilities</b>	<b>13,792,874</b>	<b>10,094,050</b>	<b>23,886,924</b>
<b>Deferred Inflows of Resources</b>			
Pension plan	126,043	174,477	300,520
Other postemployment benefits	25,408	39,592	65,000
<b>Total deferred inflows of resources</b>	<b>151,451</b>	<b>214,069</b>	<b>365,520</b>
<b>Net Position</b>			
Net investment in capital assets	69,154,496	165,982,307	235,136,803
Restricted	21,944,378	5,263,810	27,208,188
Restricted grants and contributions	-	560,381	560,381
Unrestricted	22,912,926	51,834,867	74,747,793
<b>Total net position</b>	<b>114,011,800</b>	<b>223,641,365</b>	<b>337,653,165</b>
<b>Total liabilities and net position</b>	<b>\$ 127,956,125</b>	<b>\$ 233,949,484</b>	<b>\$ 361,905,609</b>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2019

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
<b>Operating Revenues</b>			
Motor fuel tax	\$ 28,517,370	\$ -	\$ 28,517,370
Farebox and passenger	11,235,523	22,679,123	33,914,646
Advertising	118,679	-	118,679
Equipment rental and other	-	169,719	169,719
<b>Total operating revenues</b>	<b>39,871,572</b>	<b>22,848,842</b>	<b>62,720,414</b>
<b>Operating Expenses</b>			
Direct transportation	12,701,074	-	12,701,074
Salaries and related benefits	5,056,121	-	5,056,121
Contractual services	24,057,908	-	24,057,908
Other services	2,095,728	-	2,095,728
Materials, supplies and minor equipment	1,323,159	-	1,323,159
Fuel	2,644,531	-	2,644,531
Contract operations and maintenance	-	14,553,688	14,553,688
Other operations and maintenance	-	8,954,338	8,954,338
Property leases and access fees	-	9,019,074	9,019,074
Insurance	-	2,131,055	2,131,055
Marketing and sales	-	1,390,532	1,390,532
General and administrative	-	9,307,388	9,307,388
<b>Total operating expenses</b>	<b>47,878,521</b>	<b>45,356,075</b>	<b>93,234,596</b>
<b>Operating loss before depreciation and amortization</b>	<b>(8,006,949)</b>	<b>(22,507,233)</b>	<b>(30,514,182)</b>
Depreciation and amortization	(7,903,798)	(9,271,402)	(17,175,200)
<b>Operating loss</b>	<b>(15,910,747)</b>	<b>(31,778,635)</b>	<b>(47,689,382)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Jurisdictional contributions	-	12,025,284	12,025,284
Commonwealth of Virginia grants	6,773,121	-	6,773,121
Federal grants	19,958,817	-	19,958,817
Regional transportation funding	-	97,253	97,253
Commuter Rail Operating and Capital (C-ROC ) Fund	-	10,030,038	10,030,038
Investment income	662,032	935,536	1,597,568
Pass-through grants - member jurisdictions	(74,299)	-	(74,299)
Interest, amortization and other nonoperating expenses, net	(11,237)	(249,819)	(261,056)
Other revenue	315,629	-	315,629
<b>Total nonoperating revenues, net</b>	<b>27,624,063</b>	<b>22,838,292</b>	<b>50,462,355</b>
<b>Capital Grants and Assistance</b>			
Commonwealth of Virginia grants	20,389,243	381,451	20,770,694
Federal grants	13,769,171	-	13,769,171
Regional transportation funding - NVTA	8,219,245	1,152,103	9,371,348
Contribution to NVTC	-	(2,617,357)	(2,617,357)
<b>Total capital grants and assistance, net</b>	<b>42,377,659</b>	<b>(1,083,803)</b>	<b>41,293,856</b>
<b>Income (loss) before transfers and gain on disposal of assets</b>	<b>54,090,975</b>	<b>(10,024,146)</b>	<b>44,066,829</b>
Transfers, net	(18,312,322)	18,312,322	-
Gain on Disposal of Assets	14,075	-	14,075
<b>Change in net position</b>	<b>35,792,728</b>	<b>8,288,176</b>	<b>44,080,904</b>
Net Position, beginning	78,219,072	215,353,189	293,572,261
Net Position, ending	\$ 114,011,800	\$ 223,641,365	\$ 337,653,165

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2019**

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from motor fuel tax	\$ 27,891,618	\$ -	\$ 27,891,618
Receipts from customers	10,202,289	22,573,877	32,776,166
Receipts from advertising	118,679	-	118,679
Payments to suppliers	(30,250,240)	(38,142,299)	(68,392,539)
Payments to member jurisdictions	(9,824,952)	-	(9,824,952)
Payments to employees	(5,808,090)	(6,996,624)	(12,804,714)
<b>Net cash used in operating activities</b>	<b>(7,670,696)</b>	<b>(22,565,046)</b>	<b>(30,235,742)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Interest payments on revenue bond	(56,576)	-	(56,576)
Principal payments on revenue bond	(230,000)	-	(230,000)
Principal payments on capital leases	-	(718,394)	(718,394)
Interest payments on capital leases	-	(255,258)	(255,258)
Proceeds from sale of assets	15,596	-	15,596
Insurance recoveries	20,000	-	20,000
Contribution to NVTC	-	(2,617,357)	(2,617,357)
Capital grants and assistance	51,633,704	-	51,633,704
Purchase of buses and related equipment	(24,068,517)	-	(24,068,517)
Acquisition of capital assets	(12,679,163)	(2,749,050)	(15,428,213)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>14,635,044</b>	<b>(6,340,059)</b>	<b>8,294,985</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Governmental subsidies	8,125,013	23,947,984	32,072,997
Interfund transfers	(18,010,126)	18,010,126	-
Payments for jurisdiction grant - related expenditures	(74,299)	-	(74,299)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(9,959,412)</b>	<b>41,958,110</b>	<b>31,998,698</b>
<b>Cash Flows From Investing Activities</b>			
Investment income	662,032	951,708	1,613,740
Other revenues	315,629	-	315,629
<b>Net cash provided by investing activities</b>	<b>977,661</b>	<b>951,708</b>	<b>1,929,369</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(2,017,403)</b>	<b>14,004,713</b>	<b>11,987,310</b>
<b>Cash and Cash Equivalents</b>			
Beginning	34,477,304	32,023,669	66,500,973
Ending	\$ 32,459,901	\$ 46,028,382	\$ 78,488,283

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**STATEMENT OF CASH FLOWS (Continued)**  
**Year Ended June 30, 2019**

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
<b>Reconciliation of Operating Loss to Net Cash Used in</b>			
<b>Operating Activities</b>			
Operating loss	\$ (15,910,747)	\$ (31,778,635)	\$ (47,689,382)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization	7,903,798	9,271,402	17,175,200
Pension (benefit) expense	(71,971)	(104,719)	(176,690)
Other postemployment benefits expense	(25,528)	(7,470)	(32,998)
Changes in assets and liabilities:			
(Increase) decrease in:			
Due from other governments	(1,406,467)	-	(1,406,467)
Miscellaneous receivables	(187,335)	(128,585)	(315,920)
Prepaid expenses and other assets	(387,110)	(13,445)	(400,555)
Deferred outflows of resources - pension contributions	27,709	31,513	59,222
Deferred outflows of resources - other postemployment benefits contributions	401	(1,448)	(1,047)
Trade receivables	-	(242,169)	(242,169)
Inventory	-	239,122	239,122
Increase (decrease) in:			
Accounts payable and other liabilities	258,196	75,063	333,259
Accrued payroll and benefits	(682,580)	-	(682,580)
Due to other governments	2,876,122	-	2,876,122
Unearned revenue	(65,184)	94,325	29,141
<b>Net cash used in operating activities</b>	<b>\$ (7,670,696)</b>	<b>\$ (22,565,046)</b>	<b>\$ (30,235,742)</b>
<b>Schedule of Noncash Capital Activities</b>			
<b>Capital assets acquired through:</b>			
Accounts payable	\$ 3,324,235	\$ 963,136	\$ 4,287,371
Accrued expenses	-	391,236	391,236

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 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	-
	<hr/>	<hr/>
	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.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 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:

**Bus Service and Member Jurisdictions Fund:** 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.

**Commuter Rail Service Fund:** 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.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 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 \$19,467,692 at June 30, 2019 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 \$5,824,191 at June 30, 2019 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 \$113,000 at June 30, 2019.

**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 13 and 14 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 13 and 14 for details regarding these items.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 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	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, 2019.

**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.

**Pensions:** 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.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Summary of Significant Accounting Policies (Continued)

**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.

**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.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Summary of Significant Accounting Policies (Continued)

**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 are accounted for as revenues and expenditures or expenses in funds 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 21, 2019, 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.

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, 2019, PRTC had \$5,235,935 invested in the Insurance Trust.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Cash and Investments (Continued)

#### 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, 2019, 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	\$ 13,011,000	\$ -	\$ 13,011,000	\$ 13,011,000	\$ 13,011,000
LGIP	-	38,109,029	38,109,029	38,109,029	38,109,029
	<u>13,011,000</u>	<u>38,109,029</u>	<u>51,120,029</u>	<u>51,120,029</u>	<u>51,120,029</u>
Restricted:					
Insurance trust fund - pooled funds	-	5,235,935	5,235,935	5,235,935	5,235,935
LGIP	19,467,692	588,256	20,055,948	20,055,948	20,055,948
	<u>19,467,692</u>	<u>5,824,191</u>	<u>25,291,883</u>	<u>25,291,883</u>	<u>25,291,883</u>
	<u>\$ 32,478,692</u>	<u>\$ 43,933,220</u>	<u>\$ 76,411,912</u>	<u>\$ 76,411,912</u>	<u>\$ 76,411,912</u>

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, 2019:

- Sweep Account of \$13,011,000 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.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 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.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### 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	\$ 4,753,986
Prince William County	6,251,698
City of Manassas	555,743
City of Manassas Park	2,700,124
City of Fredericksburg	1,250,750
Spotsylvania County	3,955,391
	<u>\$ 19,467,692</u>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 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	\$ 5,509,093
Virginia Department of Rail and Public Transportation	3,551,035
Federal Transit Administration	20,849,530
Washington Metropolitan Area Transit Authority	1,456,721
Northern Virginia Transportation Authority	3,612,956
Virginia Department of Transportation	34,793
Northern Virginia Transportation Commission	216,269
Prince William County	3,851
Metropolitan Washington Council of Governments	14,606
City of Manassas	2,170
	<hr/>
	\$ 35,251,024
	<hr/> <hr/>

Amounts due to other governments are as follows:

	Bus Service and Member Jurisdictions
Spotsylvania County	\$ 3,032,407
Virginia Department of Rail and Public Transportation	3,740
	<hr/>
	\$ 3,036,147
	<hr/> <hr/>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets

Changes in capital assets for the year ended June 30, 2019 are as follows:

	Balance July 1, 2018	Increases	Decreases	Transfers	Balance June 30, 2019
Capital assets not being depreciated or amortized:					
Land	\$ 6,639,270	\$ -	\$ -	\$ -	\$ 6,639,270
Construction in progress	17,086,329	18,846,383	-	(2,139,225)	33,793,487
<b>Total capital assets not being depreciated or amortized</b>	<b>23,725,599</b>	<b>18,846,383</b>	<b>-</b>	<b>(2,139,225)</b>	<b>40,432,757</b>
Capital assets being depreciated and amortized:					
Buses and related equipment	77,998,888	24,304,860	(5,929,070)	-	96,374,678
Rail rolling stock	142,639,959	-	-	-	142,639,959
Buildings	8,052,341	-	-	-	8,052,341
Building improvements	4,067,332	303,306	(22,662)	-	4,347,976
Site improvements	1,430,513	-	-	-	1,430,513
Bus shelters	1,491,530	31,947	(33,316)	22,142	1,512,303
Vehicles	201,653	14,259	-	-	215,912
Furniture and equipment	2,513,229	26,969	(127,520)	-	2,412,678
Software and easement	3,920,724	161,095	(167,529)	-	3,914,290
Facilities	52,967,852	4,098	-	1,953,944	54,925,894
Track and signal improvements	41,717,264	-	-	-	41,717,264
Furniture, equipment and software	8,918,939	13,202	(4,989)	163,139	9,090,291
Equity in property of others	2,893,643	-	-	-	2,893,643
<b>Total capital assets being depreciated and amortized</b>	<b>348,813,867</b>	<b>24,859,736</b>	<b>(6,285,086)</b>	<b>2,139,225</b>	<b>369,527,742</b>
Less accumulated depreciation and amortization for:					
Buses and related equipment	58,235,731	6,108,364	(5,929,070)	-	58,415,025
Rail rolling stock	40,967,663	5,800,441	-	-	46,768,104
Buildings	5,501,482	268,512	-	-	5,769,994
Building improvements	2,255,180	258,724	(21,141)	-	2,492,763
Site improvements	638,272	69,577	-	-	707,849
Bus shelters	1,296,438	108,649	(33,316)	-	1,371,771
Vehicles	112,346	28,354	-	-	140,700
Furniture and equipment	1,214,485	437,493	(127,519)	-	1,524,459
Software and easement	2,035,898	637,255	(167,529)	-	2,505,624
Facilities	20,762,724	1,622,280	-	-	22,385,004
Track and signal improvements	14,688,779	1,408,354	-	-	16,097,133
Furniture, equipment and software	8,101,069	344,900	(4,989)	-	8,440,980
Equity in property of others	1,901,956	82,297	-	-	1,984,253
<b>Total accumulated depreciation and amortization</b>	<b>157,712,023</b>	<b>17,175,200</b>	<b>(6,283,564)</b>	<b>-</b>	<b>168,603,659</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>191,101,844</b>	<b>7,684,536</b>	<b>(1,522)</b>	<b>2,139,225</b>	<b>200,924,083</b>
<b>Total capital assets, net</b>	<b>\$ 214,827,443</b>	<b>\$ 26,530,919</b>	<b>\$ (1,522)</b>	<b>\$ -</b>	<b>\$ 241,356,840</b>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Long-Term Liabilities

#### Revenue Bond

\$2,335,000, Series 2012 Revenue Bond, due in annual installments of \$245,000 to \$285,000 through October 2022, plus interest at 4.82% to 4.83%

\$ 1,065,000

Mandatory debt service requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total Required
2020	\$ 245,000	\$ 45,428	\$ 290,428
2021	260,000	33,263	293,263
2022	275,000	20,378	295,378
2023	285,000	6,878	291,878
	<u>\$ 1,065,000</u>	<u>\$ 105,947</u>	<u>\$ 1,170,947</u>

#### 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 \$14,072,353 (PRTC reporting entity, \$7,036,177)	<u>\$ 10,029,785</u>	<u>\$ 5,014,893</u>

Future minimum lease payments as of June 30, 2019 are as follows:

Year(s) Ending June 30,	Total	PRTC Reporting Entity
2020	\$ 1,931,357	\$ 965,679
2021	1,931,357	965,679
2022	1,931,357	965,679
2023	1,931,357	965,679
2024	1,931,357	965,678
Thereafter	1,931,357	965,678
Total minimum lease payments	<u>11,588,142</u>	<u>5,794,072</u>
Less amount representing interest	<u>1,558,357</u>	<u>779,179</u>
Present value of lease payments	<u>\$ 10,029,785</u>	<u>\$ 5,014,893</u>

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**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)	\$ 2,628	\$ 1,314

Future minimum lease payments as of June 30, 2019 are as follows:

Year Ending June 30,	Total	PRTC Reporting Entity
2020	\$ 2,658	\$ 1,329
Less amount representing interest	30	15
Present value of lease payments	\$ 2,628	\$ 1,314

The following is a summary of long-term liability activity for the year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bond	\$ 1,295,000	\$ -	\$ 230,000	\$ 1,065,000	\$ 245,000
Unamortized premium	181,546	-	42,717	138,829	-
Capital leases	5,734,601	-	718,394	5,016,207	745,249
	\$ 7,211,147	\$ -	\$ 991,111	\$ 6,220,036	\$ 990,249

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### 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, 2019:

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Cash and investments	\$ 19,467,692	\$ 27,875	\$ 19,495,567
Due from other governments, net	2,476,686	-	2,476,686
Grants and contributions	-	560,381	560,381
Cash and investments - insurance trust fund	-	5,235,935	5,235,935
	<u>\$ 21,944,378</u>	<u>\$ 5,824,191</u>	<u>\$ 27,768,569</u>

Unrestricted net position consists of the following as of June 30, 2019:

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Designation of unrestricted net assets:			
Carry forward to support future years' budgets	\$ 5,975,000	\$ -	\$ 5,975,000
Local match for federal/state grants	1,265,688	-	1,265,688
<b>Total designations</b>	<u>7,240,688</u>	<u>-</u>	<u>7,240,688</u>
Undesignated unrestricted net position	<u>15,672,238</u>	<u>51,834,867</u>	<u>67,507,105</u>
<b>Total unrestricted net position</b>	<u>\$ 22,912,926</u>	<u>\$ 51,834,867</u>	<u>\$ 74,747,793</u>

### 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.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

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.

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.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

Financial information from VRE’s fiscal year 2019 audited financial statements is shown below.

#### VIRGINIA RAILWAY EXPRESS STATEMENT OF NET POSITION June 30, 2019

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Current Assets	
Cash and cash equivalents	\$ 75,278,280
Accounts receivable:	
Due from PRTC	13,690,788
Commonwealth of Virginia grants	8,033,524
Commuter Rail Operating and Capital (C-ROC) Fund	3,750,000
Trade receivables, net of allowance for doubtful accounts	3,136,008
Other receivables	2,344,239
Inventory	2,846,838
Prepaid expenses and other	174,015
Restricted cash, cash equivalents and investments	13,677,765
<b>Total current assets</b>	<b>122,931,457</b>
Noncurrent Assets	
Pension asset	320,509
Capital assets (net of \$191,424,304 accumulated depreciation and amortization)	341,997,029
<b>Total noncurrent assets</b>	<b>342,317,538</b>
<b>Total assets</b>	<b>465,248,995</b>
Deferred Outflows of Resources	
Loss on refunding	424,280
Pension plan	340,985
Other postemployment benefits	75,650
<b>Total deferred outflows of resources</b>	<b>840,915</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 466,089,910</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 8,901,137
Unearned revenue	1,877,011
Current portion of:	
Capital lease obligations	1,490,497
Bonds payable	2,240,000
<b>Total current liabilities</b>	<b>14,508,645</b>
Noncurrent Liabilities	
Other postemployment benefits	431,852
Capital lease obligations	8,541,916
Bonds payable	47,594,689
Compensated absences	596,091
<b>Total noncurrent liabilities</b>	<b>57,164,548</b>
<b>Total liabilities</b>	<b>71,673,193</b>
Deferred Inflows of Resources	
Pension plan	174,477
Other postemployment benefits	39,592
<b>Total deferred inflows of resources</b>	<b>214,069</b>
Net Position	
Net investment in capital assets	282,554,207
Restricted for liability insurance plan	10,527,621
Restricted for debt service	2,029,382
Restricted grants or contributions	1,120,762
Unrestricted assets	97,970,676
<b>Total net position</b>	<b>394,202,648</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 466,089,910</b>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

**VIRGINIA RAILWAY EXPRESS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
Year Ended June 30, 2019**

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Operating Revenues	\$ 42,304,835
Operating Expenses	<u>77,681,532</u>
<b>Operating loss before depreciation and amortization</b>	<b>(35,376,697)</b>
Depreciation and Amortization	<u>(18,542,805)</u>
<b>Operating loss</b>	<b><u>(53,919,502)</u></b>
Nonoperating Revenues (Expenses)	
Subsidies:	
Commonwealth of Virginia grants	17,447,509
Federal grants – with PRTC as grantee	15,229,460
Jurisdictional contributions	17,767,748
Commuter Rail Operating and Capital (C-ROC) Fund	15,000,000
Regional transportation funding (NVTA)	194,506
Interest income:	
Operating funds	1,360,241
Insurance trust	221,184
Commuter Rail Operating and Capital (C-ROC) Fund	117,075
Other restricted funds	63,483
Interest, amortization and other nonoperating expenses, net	<u>(2,188,383)</u>
<b>Total nonoperating revenues, net</b>	<b><u>65,212,823</u></b>
Capital Grants and Assistance	
Commonwealth of Virginia grants	1,417,527
Federal grants – with PRTC as grantee	3,541,398
Regional transportation funding (NVTA)	<u>2,304,206</u>
<b>Total capital grants and assistance</b>	<b><u>7,263,131</u></b>
<b>Change in net position</b>	<b>18,556,452</b>
Net Position, beginning of year	<u>375,646,196</u>
Net Position, ending	<u><u>\$ 394,202,648</u></u>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2019, amounts expended for joint and jurisdictional transportation projects consisted of:

	Bus Service and Member Jurisdictions
VRE support	\$ 5,391,539
Other jurisdictional projects	<u>7,309,535</u>
	<u>\$ 12,701,074</u>

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 \$133,000 at June 30, 2019, of which \$66,500 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.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2019 was as follows:

	Total	PRTC Reporting Entity
Beginning balance, July 1, 2018	\$ 10,481,904	\$ 5,240,952
Contribution to reserves	3,700,000	1,850,000
Insurance premiums paid	(3,714,256)	(1,857,128)
Claims mitigation and losses incurred	(189,035)	(94,518)
Investment income	221,184	110,592
Actuarial and administrative charges	(27,927)	(13,963)
Ending balance, June 30, 2019	<u>\$ 10,471,870</u>	<u>\$ 5,235,935</u>

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

### Note 11. Related Party Transactions

For the year ended June 30, 2019, expenses incurred for legal services provided by Prince William County were \$39,000.

### Note 12. 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, 2019 were \$16,925.

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, 2019 were \$6,162.

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. 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 Virginia*, 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:

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b>                      Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p><b>About Plan 2</b>                      Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p><b>About the Hybrid Retirement Plan</b>                      The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> <li>•The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>•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.</li> <li>•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.</li> </ul>

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. Pension Plan (Continued)**

A. Plan Description (Continued)

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Eligible Members</b> 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.</p>	<p><b>Eligible Members</b> 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.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees.*</li> <li>• 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.</li> </ul>
<p><b>Hybrid Opt-In Election</b> 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.</p>	<p><b>Hybrid Opt-In Election</b> 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.</p>	<p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul>
<p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p>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.</p>
<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	
<p>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.</p>	<p>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.</p>	

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

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Note 13. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Retirement Contributions</b> 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.</p> <p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service 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.</p>	<p><b>Retirement Contributions</b> Same as Plan 1.</p> <p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Retirement Contributions</b> 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.</p> <p><b>Creditable Service</b> <b><u>Defined Benefit Component</u></b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service 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.</p> <p><b><u>Defined Contribution Component</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 13. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> 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 creditable service. 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.</p> <p>Members are always 100% vested in the contributions they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component</u></b> 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 creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contribution Component</u></b> 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.</p> <p>Members are always 100% vested in the contributions they make.</p> <p>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.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 13. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <b><u>Defined Benefit Component</u></b> See definition under Plan 1</p> <p><b><u>Defined Contribution Component</u></b> 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.</p>
<p><b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b> 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%.</p>	<p><b>Service Retirement Multiplier</b> 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 creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component</u></b> The retirement multiplier for the defined benefit component is 1.0%.</p> <p>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.</p>
<p><b>Normal Retirement Age</b> Age 65.</p>	<p><b>Normal Retirement Age</b> Normal Social Security retirement age.</p>	<p><b>Normal Retirement Age</b> <b><u>Defined Benefit Component</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 13. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Unreduced Retirement Eligibility</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component</u></b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b><u>Defined Contribution Component</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <b><u>Defined Benefit Component</u></b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b><u>Defined Contribution Component</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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%.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> 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%.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component</u></b> Not applicable.</p>
<p><b><u>Eligibility:</u></b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b><u>Eligibility:</u></b> Same as Plan 1.</p>	<p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p>

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 13. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>	<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>	<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>
<b><u>Exceptions to COLA Effective Dates:</u></b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1.	<b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.
<b>Disability Coverage</b> 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.	<b>Disability Coverage</b> 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.	<b>Disability Coverage</b> 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.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

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Note 13. Pension Plan (Continued)

A. Plan Description (Continued)

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<b>Purchase of Prior Service</b> 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 creditable service in their plan. Prior creditable service 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.	<b>Purchase of Prior Service</b> Same as Plan 1.	<b>Purchase of Prior Service</b> <b><u>Defined Benefit Component</u></b> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"><li>• Hybrid Retirement Plan members are ineligible for ported service.</li></ul> <b><u>Defined Contribution Component</u></b> Not applicable.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 13. Pension Plan (Continued)

#### B. Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	<u>23</u>
Inactive members:	
Vested	17
Non-vested	26
Active elsewhere in VRS	9
<b>Total inactive members</b>	<u>52</u>
Active members	<u>99</u>
<b>Total covered employees</b>	<u>174</u>

#### 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, 2019 was 4.93% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$354,543 and \$413,760 for the years ended June 30, 2019 and 2018, respectively.

#### D. Net Pension (Asset) Liability

PRTC's net pension (asset) liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension (asset) liability was determined by an actuarial valuation performed as of June 30, 2017, rolled forward to the measurement date of June 30, 2018.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 13. Pension Plan (Continued)

#### E. Actuarial Assumptions

The total pension liability for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% 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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 13. Pension Plan (Continued)

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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
<b>Total</b>	100.00%		4.80%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.30%

\* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 13. Pension Plan (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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, 2018, the alternate rate was the employer contribution rate used in fiscal year 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever was greater. From July 1, 2018 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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balance at June 30, 2017	\$ 16,411,809	\$ 16,921,826	\$ (510,017)
Changes for the year:			
Service cost	796,518	-	796,518
Interest	1,132,348	-	1,132,348
Difference between expected and actual experience	108,387	-	108,387
Contributions – employer	-	413,760	(413,760)
Contributions – employee	-	411,106	(411,106)
Net investment income	-	1,265,980	(1,265,980)
Benefit payments, including refunds of employee contributions	(470,829)	(470,829)	-
Administrative expense	-	(10,415)	10,415
Other changes	-	(1,150)	1,150
<b>Net changes</b>	<b>1,566,424</b>	<b>1,608,452</b>	<b>(42,028)</b>
Balance at June 30, 2018	\$ 17,978,233	\$ 18,530,278	\$ (552,045)

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 13. 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 7.00%, as well as what the Commission's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Plan's net pension (asset) liability	\$ 1,979,776	\$ (552,045)	\$ (2,644,302)

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

For the year ended June 30, 2019, the Commission recognized pension expense of \$237,069. 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	\$ 232,771	\$ -
Changes of assumptions	-	131,417
Net difference between projected and actual earnings on pension plan investments	-	169,103
Employer contributions subsequent to the measurement date	354,543	-
<b>Total</b>	<b>\$ 587,314</b>	<b>\$ 300,520</b>

The \$354,543 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, 2020.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 13. Pension Plan (Continued)

#### J. Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 91,120
2021	6,229
2022	(163,676)
2023	(1,422)
	<u>\$ (67,749)</u>

#### K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

### Note 14. 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.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 14. Other Postemployment Benefits Plan – Group Life Insurance Program (Continued)

#### A. Plan Description (Continued)

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

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></p> <p>The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.</p> <p>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.</p>
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the GLI have several components.</p> <ul style="list-style-type: none"><li>• Natural Death Benefit – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.</li><li>• Accidental Death Benefit – The accidental death benefit is double the natural death benefit.</li><li>• Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none"><li>○ Accidental dismemberment benefit</li><li>○ Safety belt benefit</li><li>○ Repatriation benefit</li><li>○ Felonious assault benefit</li><li>○ Accelerated death benefit option</li></ul></li></ul>
<p><b>Reduction in Benefit Amounts</b></p> <p>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.</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under GLI. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 COLA and was increased to \$8,279 effective July 1, 2018.</p>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 14. 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, 2019 was .52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$47,196 and \$46,151 for the years ended June 30, 2019 and June 30, 2018, 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, 2019, PRTC reported a liability of \$709,000 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was \$46,174 or 0.04670% as compared to \$44,865 or 0.04678% at June 30, 2017.

For the year ended June 30, 2019, PRTC recognized GLI OPEB benefit of \$34,045. 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, 2019, 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	\$ 35,000	\$ 12,000
Changes of assumptions	-	30,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	23,000
Changes in proportion	42,000	-
Employer contributions subsequent to the measurement date	47,196	-
<b>Total</b>	<b>\$ 124,196</b>	<b>\$ 65,000</b>

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**Note 14. 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 \$47,196 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, 2020. 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ (1,000)
2021	(1,000)
2022	(1,000)
2023	5,000
2024	8,000
Thereafter	2,000
	<u>\$ 12,000</u>

**D. Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation:	
Locality – general employees	3.5%-5.35%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% 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 7.0% to simplify preparation of the OPEB liabilities.

**Mortality Rates – Non-Largest Ten 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.

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**Note 14. Other Postemployment Benefits Plan – Group Life Insurance Program (Continued)**

D. Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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

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, 2018, NOL amounts for the GLI is as follows (expressed in thousands):

	<u>GLI OPEB Program</u>
Total GLI OPEB liability	\$ 3,113,508
Plan fiduciary net position	<u>1,594,773</u>
<b>Employers' net GLI OPEB liability</b>	<b><u>\$ 1,518,735</u></b>

Plan fiduciary net position as a percentage of the total GLI OPEB liability 51.22%

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.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 14. 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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
<b>Total</b>	<b>100.00%</b>		<b>4.80%</b>
		Inflation	<b>2.50%</b>
		* Expected arithmetic nominal return	<b>7.30%</b>

\* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. 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, 2018, 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, 2018 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.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 14. Other Postemployment Benefits Plan – Group Life Insurance Program (Continued)

#### 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PRTC's proportionate share of the GLI net OPEB liability	\$ 927,000	\$ 709,000	\$ 532,000

#### I. GLI Fiduciary Net Position

Detailed information about the GLI’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

### Note 15. Contingencies and Contractual Commitments

#### Fuel Contractual Commitments

PRTC entered into contracts in January and June 2019 to purchase fuel at set prices for delivery in July 2019 through June 2020. The total commitment is for 1,008,000 gallons of fuel at approximately \$1,923,800. The fuel will be used in the normal course of business and is not being purchased for resale.

#### 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, 2019, 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.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 15. Contingencies and Contractual Commitments (Continued)

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, 2019:

Stations and parking lots	\$ 3,979,508
Rail rolling stock	6,650,353
Maintenance and layover yards	3,302,179
Track and signal improvements	102,601
Other administrative	451,160
	<hr/>
<b>Total</b>	<b>\$ 14,485,801</b>
	<hr/> <hr/>

### Note 16. Operating Leases

Operating Access Agreements with the CSX and Norfolk Southern railroads provide the Commissions the right to use tracks owned by the railroads in the provision of commuter rail passenger service. These agreements require the Commissions to pay the railroads a monthly base fee and to reimburse the railroads for any incremental cost incurred by the railroads as a result of providing tracks for commuter rail service. For the year ended June 30, 2019, annual track usage fees totaled approximately \$9,875,000, of which \$5,333,000 is recognized by the PRTC reporting entity, and facility and other identified costs totaled approximately \$639,000, of which \$345,000 is recognized by the PRTC reporting entity.

The agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and mid-day services and electrical power became effective on July 1, 2015. For the year ended June 30, 2019, costs for track access and equipment storage totaled approximately \$6,597,000, of which \$3,563,000 was recognized by the PRTC reporting entity. Costs for mid-day maintenance, utility, and other services totaled approximately \$4,515,000, of which \$2,439,000 was recognized by the PRTC reporting entity. Cost adjustments will be made in fiscal year 2020 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. The cost of train operations and maintenance for the year ended June 30, 2019, based on an annual budget prepared in advance, was approximately \$22,512,000, of which \$12,159,000 is recognized by the PRTC reporting entity. Costs for fiscal year 2020 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 17. Interfund Transfers

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total Transferred Out
Transfer from fund:			
Bus Service and Member Jurisdictions	\$ -	\$ 18,389,407	\$ 18,389,407
Commuter Rail Service	(77,085)	-	(77,085)
<b>Total transferred in</b>	<b>\$ (77,085)</b>	<b>\$ 18,389,407</b>	<b>\$ 18,312,322</b>

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 18. Pending GASB Statements

At June 30, 2019, 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 December 15, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Statement No. 89 will be effective for fiscal years beginning after December 15, 2019.

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, 2018.

GASB Statement No. 91, *Conduit Debt Obligations*, will provide a single method of reporting conduit debt obligations by issuer and eliminate diversity in practice associated with (1) commitments extended by issuer, (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, 2020.

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

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### **Note 19. Subsequent Events**

In July 2019, the VRE Operations Board authorized the Chief Executive Officer to execute a contract with Simmons Machine Tool Corporation of Albany, New York, to fabricate, manufacture, install and test a Wheel Truing Machine for the Lifecycle Overhaul and Upgrade (LOU) Facility for a total amount not to exceed \$2,540,438, inclusive of contingency.

In July 2019, the VRE Operations Board authorized the Chief Executive Officer to execute a Sole Source Contract with REACH NOW for Maintenance and Hosting Support of the VRE Mobile Ticketing Application. The contract is for one base year and four option years for an estimated cost of \$3,244,972, inclusive of contingency.

In August 2019, VRE was repaid \$1.37 million in Railroad Rehabilitation and Improvement Financing (RRIF) Loan Credit Risk Premium funds. This cost was previously expensed in fiscal year 2013 in accordance with implementation of GASB 65 and was not considered likely to be repaid to VRE. This repayment will be accounted for as an unusual event revenue in fiscal year 2020.

In September 2019, VRE, in collaboration with CSX, completed and placed into service the Slater's Lane Track Crossover project. This project will provide operational flexibility to VRE and other passenger and freight operations. The project will be capitalized in fiscal year 2020.

In September 2019, the VRE Operations Board authorized the Chief Executive Officer to amend the Passenger Tariff to replace the current 5-Day Pass with a 7-Day Pass and the Monthly Pass in VRE Mobile with a 31-Day Pass. The current estimate of the potential impact on annual fare revenue is slightly less than \$500,000 per year.

In September 2019, the VRE Operations Board was asked to authorize the Chief Executive Officer to execute a contract with Vanasse Hangen Brustlin (VHB) of Watertown, MA for the Base Task of preliminary engineering and environmental services for the VRE Crystal City Station Improvements Project for a total amount not to exceed \$1,368,716, inclusive of contingency.

**REQUIRED SUPPLEMENTARY INFORMATION**

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**SCHEDULE OF CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM**

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

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

### 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
<b>Total Group Life Insurance OPEB Liability</b>		
The Commission's Portion of the Net GLI OPEB Liability	0.04678%	0.04670%
The Commission's Proportionate Share of the Net GLI OPEB Liability	\$ 703,000	\$ 709,000
The Commission's Covered Payroll	\$ 8,627,885	\$ 8,875,155
The Commission's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.15%	7.99%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%

**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,										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Contractually required contribution (CRC)	\$ 20,469	\$ 25,277	\$ 25,929	\$ 34,313	\$ 34,887	\$ 38,509	\$ 41,266	\$ 44,865	\$ 46,151	\$ 47,196	
Contributions in relation to the CRC	20,469	25,277	25,929	34,313	34,887	38,509	41,266	44,865	46,151	47,196	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 5,685,905	\$ 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	
Contributions as a percentage of covered payroll	0.27%	0.28%	0.28%	0.48%	0.48%	0.48%	0.48%	0.52%	0.52%	0.52%	

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
VIRGINIA RETIREMENT SYSTEM  
Year Ended June 30, 2019**

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**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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ended June 30, 2016:

**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

**Note 3. Contractually Required Contributions**

The actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

**Non-Hazardous Duty**

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.

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
OTHER POSTEMPLOYMENT BENEFITS  
Year Ended June 30, 2019**

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**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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the Virginia Retirement System for the four-year period ended June 30, 2016:

**Non-Largest Ten 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

## **SUPPLEMENTARY INFORMATION**

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## COMPARATIVE STATEMENTS OF NET POSITION – BUS SERVICE AND MEMBER JURISDICTIONS

June 30, 2019 and 2018

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		
Cash and investments in bank	\$ 12,992,209	\$ 23,556,425
Receivables:		
Due from other governments	35,251,024	24,137,500
Due from Commuter Rail Service Fund	2,015,520	1,383,417
Miscellaneous	230,065	45,979
Prepaid expenses and other assets	424,217	37,106
Restricted assets:		
Cash and investments in pooled funds - member jurisdictions	19,467,692	10,920,879
<b>Total current assets</b>	<b>70,380,727</b>	<b>60,081,306</b>
<b>Noncurrent Assets</b>		
Net pension asset	231,536	217,448
Capital assets:		
Transportation equipment:		
Buses and related equipment	96,374,678	77,998,888
Less: accumulated depreciation	(58,415,025)	(58,235,731)
<b>Transportation equipment, net</b>	<b>37,959,653</b>	<b>19,763,157</b>
Land, buildings and equipment:		
Land	6,639,270	6,639,270
Buildings	8,052,341	8,052,341
Building improvements	4,347,976	4,067,332
Construction in progress	18,422,652	3,437,331
Site improvements	1,430,513	1,430,513
Bus shelters	1,512,303	1,491,530
Vehicles	143,131	143,131
Furniture and equipment	2,412,678	2,513,229
Software and easement	3,914,290	3,920,724
Less: accumulated depreciation and amortization	(14,476,482)	(13,030,555)
<b>Land, buildings and equipment, net</b>	<b>32,398,672</b>	<b>18,664,846</b>
<b>Total capital assets, net</b>	<b>70,358,325</b>	<b>38,428,003</b>
<b>Total noncurrent assets</b>	<b>70,589,861</b>	<b>38,645,451</b>
<b>Total assets</b>	<b>140,970,588</b>	<b>98,726,757</b>
<b>Deferred Outflows of Resources</b>		
Pension plan	246,329	276,257
Other postemployment benefits	48,546	39,668
<b>Total deferred outflows of resources</b>	<b>294,875</b>	<b>315,925</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 141,265,463</b>	<b>\$ 99,042,682</b>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES  
AND NET POSITION**

	2019	2018
<b>Current Liabilities</b>		
Accounts payable and other liabilities	\$ 7,012,283	\$ 3,666,125
Accrued payroll and benefits	508,762	539,473
Accrued interest	12,833	15,455
Due to other governments	3,036,147	160,025
Due to Commuter Rail Service Fund	13,309,338	13,007,142
Unearned revenue	1,256,483	948,739
Compensated absences	4,473	40,982
Bond payable - current portion	245,000	230,000
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>25,385,319</b>	<b>18,607,941</b>
<b>Noncurrent Liabilities</b>		
Compensated absences	480,916	464,173
Net other postemployment benefits liability	277,148	286,965
Bond payable, net	958,829	1,246,546
	<hr/>	<hr/>
<b>Total noncurrent liabilities</b>	<b>1,716,893</b>	<b>1,997,684</b>
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>27,102,212</b>	<b>20,605,625</b>
<b>Deferred Inflows of Resources</b>		
Pension plan	126,043	186,145
Other postemployment benefits	25,408	31,840
	<hr/>	<hr/>
<b>Total deferred inflows of resources</b>	<b>151,451</b>	<b>217,985</b>
<b>Net Position</b>		
Net investment in capital assets	69,154,496	36,951,457
Restricted	21,944,378	15,647,935
Unrestricted	22,912,926	25,619,680
	<hr/>	<hr/>
<b>Total net position</b>	<b>114,011,800</b>	<b>78,219,072</b>
	<hr/>	<hr/>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 141,265,463</b>	<b>\$ 99,042,682</b>
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## POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

### COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – BUS SERVICE AND MEMBER JURISDICTIONS

Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Motor fuel tax	\$ 28,517,370	\$ 23,256,152
Farebox	11,235,523	11,224,123
Advertising	118,679	98,188
	<b>39,871,572</b>	<b>34,578,463</b>
Operating Expenses		
Direct transportation	12,701,074	8,172,398
Salaries and related benefits	5,056,121	5,068,323
Contractual services	24,057,908	22,978,494
Other services	2,095,728	1,900,078
Materials, supplies and minor equipment	1,323,159	1,055,230
Fuel	2,644,531	2,140,501
	<b>47,878,521</b>	<b>41,315,024</b>
	<b>(8,006,949)</b>	<b>(6,736,561)</b>
Depreciation and amortization	<b>(7,903,798)</b>	<b>(6,416,523)</b>
	<b>(15,910,747)</b>	<b>(13,153,084)</b>
Nonoperating Revenues (Expenses)		
Commonwealth of Virginia grants	6,773,121	6,983,628
Federal grants	19,958,817	19,405,200
Investment income	662,032	314,313
Pass-through grants - member jurisdictions	(74,299)	(140,920)
Interest expense	(11,237)	(21,635)
Other revenue	315,629	486,228
	<b>27,624,063</b>	<b>27,026,814</b>
Capital Grants and Assistance		
Commonwealth of Virginia grants	20,389,243	1,713,905
Federal grants	13,769,171	9,703,189
Regional transportation funding - NVT A	8,219,245	-
	<b>42,377,659</b>	<b>11,417,094</b>
	<b>54,090,975</b>	<b>25,290,824</b>
Transfers In	77,085	72,022
Transfers Out	(18,389,407)	(24,921,858)
	<b>(18,312,322)</b>	<b>(24,849,836)</b>
Gain on Disposal of Assets	<b>14,075</b>	<b>17,414</b>
	<b>35,792,728</b>	<b>458,402</b>
Net Position, beginning	<b>78,219,072</b>	<b>77,760,670</b>
Net Position, ending	<b>\$ 114,011,800</b>	<b>\$ 78,219,072</b>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## COMPARATIVE STATEMENTS OF NET POSITION – COMMUTER RAIL SERVICE

June 30, 2019 and 2018

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		
Cash and investments in bank	\$ 40,204,191	\$ 26,898,426
Receivables:		
Due from Bus Service and Member Jurisdictions Fund	13,309,338	13,007,142
Trade receivables, net of allowance for doubtful accounts	1,693,866	1,412,364
Miscellaneous	1,566,091	894,641
Inventory	1,537,676	1,728,657
Prepaid expenses and other assets	93,992	76,081
Restricted cash, cash equivalents and investments	5,824,191	5,815,291
<b>Total current assets</b>	<b>64,229,345</b>	<b>49,832,602</b>
<b>Noncurrent Assets</b>		
Net pension asset	320,509	292,569
Capital assets:		
Transportation equipment:		
Rail rolling stock	142,639,959	142,639,959
Less: accumulated depreciation	(46,768,104)	(40,967,663)
<b>Transportation equipment, net</b>	<b>95,871,855</b>	<b>101,672,296</b>
Buildings and equipment:		
Construction in progress	15,370,835	13,648,998
Vehicles	72,781	58,522
Facilities	54,925,894	52,967,852
Track and signal improvements	41,717,264	41,717,264
Furniture, equipment and software	9,090,291	8,918,939
Equity in property of others	2,893,643	2,893,643
Less: accumulated depreciation and amortization	(48,944,048)	(45,478,074)
<b>Buildings and equipment, net</b>	<b>75,126,660</b>	<b>74,727,144</b>
<b>Total capital assets, net</b>	<b>170,998,515</b>	<b>176,399,440</b>
<b>Total noncurrent assets</b>	<b>171,319,024</b>	<b>176,692,009</b>
<b>Total assets</b>	<b>235,548,369</b>	<b>226,524,611</b>
<b>Deferred Outflows of Resources</b>		
Pension plan	340,985	371,696
Other postemployment benefits	75,650	57,483
<b>Total deferred outflows of resources</b>	<b>416,635</b>	<b>429,179</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 235,965,004</b>	<b>\$ 226,953,790</b>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES  
AND NET POSITION**

	2019	2018
<b>Current Liabilities</b>		
Accounts payable and other liabilities	\$ 1,590,031	\$ 1,335,879
Accrued expenses	1,666,781	1,173,058
Due to Bus Service and Member Jurisdictions Fund	2,015,520	1,383,417
Unearned revenue	1,013,839	894,600
Capital lease	745,249	718,395
Interest payable - capital lease	38,364	43,802
Compensated absences	15,007	41,221
<b>Total current liabilities</b>	<b>7,084,791</b>	<b>5,590,372</b>
<b>Noncurrent Liabilities</b>		
Net other postemployment benefits liability	431,852	416,035
Compensated absences	321,969	281,374
Capital lease	4,270,958	5,016,206
<b>Total noncurrent liabilities</b>	<b>5,024,779</b>	<b>5,713,615</b>
<b>Total liabilities</b>	<b>12,109,570</b>	<b>11,303,987</b>
<b>Deferred Inflows of Resources</b>		
Pension plan	174,477	250,454
Other postemployment benefits	39,592	46,160
<b>Total deferred inflows of resources</b>	<b>214,069</b>	<b>296,614</b>
<b>Net Position</b>		
Net investment in capital assets	165,982,307	170,664,839
Restricted for liability insurance plan	5,263,810	5,268,168
Restricted grants and contributions	560,381	547,123
Unrestricted	51,834,867	38,873,059
<b>Total net position</b>	<b>223,641,365</b>	<b>215,353,189</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 235,965,004</b>	<b>\$ 226,953,790</b>

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF MEMBER JURISDICTIONS' FUNDS

Year Ended June 30, 2019

	2019	2018
Operating Revenues		
Passenger revenues	\$ 22,679,123	\$ 22,187,137
Equipment rental and other	169,719	141,448
<b>Total operating revenues</b>	<b>22,848,842</b>	<b>22,328,585</b>
Operating Expenses		
Contract operations and maintenance	14,553,688	14,144,926
Other operations and maintenance	8,954,338	9,192,071
Property leases and access fees	9,019,074	8,772,404
Insurance	2,131,055	1,979,202
Marketing and sales	1,390,532	1,329,193
General and administrative	9,307,388	6,050,792
<b>Total operating expenses</b>	<b>45,356,075</b>	<b>41,468,588</b>
<b>Operating loss before depreciation and amortization</b>	<b>(22,507,233)</b>	<b>(19,140,003)</b>
Depreciation and amortization	(9,271,402)	(9,100,535)
<b>Operating loss</b>	<b>(31,778,635)</b>	<b>(28,240,538)</b>
Nonoperating Revenues (Expenses)		
Jurisdictional contributions	12,025,284	10,804,659
Regional transportation funding	97,253	383,293
Commuter Rail Operating and Capital (C-ROC ) Fund	10,030,038	-
Investment income	935,536	390,244
Interest, amortization and other nonoperating expenses, net	(249,819)	(282,354)
<b>Total nonoperating revenues, net</b>	<b>22,838,292</b>	<b>11,295,842</b>
Capital Grants and Assistance		
Commonwealth of Virginia grants	381,451	-
Regional transportation funding	1,152,103	307,595
Contributions to NVTC	(2,617,357)	(3,980,126)
<b>Total capital grants and assistance, net</b>	<b>(1,083,803)</b>	<b>(3,672,531)</b>
<b>Loss before transfers and loss on disposal of assets</b>	<b>(10,024,146)</b>	<b>(20,617,227)</b>
Transfers Out	(77,085)	(72,022)
Transfers In	18,389,407	24,921,858
<b>Transfers, net</b>	<b>18,312,322</b>	<b>24,849,836</b>
Loss on Disposal of Assets	-	(275,728)
<b>Change in net position</b>	<b>8,288,176</b>	<b>3,956,881</b>
Net Position, beginning	215,353,189	211,396,308
Net Position, ending	<b>\$ 223,641,365</b>	<b>\$ 215,353,189</b>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## SCHEDULE OF MEMBER JURISDICTIONS' FUNDS

Year Ended June 30, 2019

	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, 2018	\$ 1,224,460	\$ 401,853	\$ 2,642,285	\$ 3,626,816	\$ 3,344,342	\$ 4,408,179	\$ 15,647,935
Funds Received:							
Motor fuel tax	1,743,228	1,085,043	818,263	14,810,716	4,750,315	5,309,805	28,517,370
Transfer from PRTC (carryforward)	31,800	43,300	30,400	5,414,300	71,400	88,800	5,680,000
Other	-	94,539	-	-	-	-	94,539
Interest	35,062	9,722	59,339	99,328	70,375	101,682	375,508
Total funds received	1,810,090	1,232,604	908,002	20,324,344	4,892,090	5,500,287	34,667,417
Funds Disbursed:							
Direct transportation expenses:							
VRE operating and capital	436,568	335,898	511,311	-	2,475,127	1,632,635	5,391,539
Other jurisdictional projects	1,027,206	66,000	-	-	-	6,216,329	7,309,535
Transfers to PRTC:							
Administrative	34,700	21,000	18,900	295,400	92,600	102,300	564,900
OmniRide, OmniLink, Capital Improvement, Marketing, VanPool	5,600	364,000	165,100	14,539,000	14,900	16,400	15,105,000
Total funds disbursed	1,504,074	786,898	695,311	14,834,400	2,582,627	7,967,664	28,370,974
Funds Available - June 30, 2019	\$ 1,530,476	\$ 847,559	\$ 2,854,976	\$ 9,116,760	\$ 5,653,805	\$ 1,940,802	\$ 21,944,378

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, 2019. Total funds available reconcile to amounts reported on the statement of net position as follows:

Cash and investments in pooled funds - member jurisdictions	\$ 19,467,692
Due from other governments - Motor fuel tax revenue receipts (see Note 4)	5,509,093
Due to other governments - member jurisdictions (see Note 4)	<u>(3,032,407)</u>
	<u>\$ 21,944,378</u>

Note 2 - Expenses for other jurisdictional projects consist of:

Road improvements/maintenance	\$ 276,206	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 276,206
Airport maintenance	21,000	-	-	-	-	-	21,000
Parking garage debt service, parking leases	250,000	66,000	-	-	-	-	316,000
FRED transit costs	480,000	-	-	-	-	601,757	1,081,757
Transportation salaries/benefits; debt service	-	-	-	-	-	5,614,572	5,614,572
	\$ 1,027,206	\$ 66,000	\$ -	\$ -	\$ -	\$ 6,216,329	\$ 7,309,535

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2019

State Granting Agency	State Grant Number	Expenditures
<u>Direct Payments:</u>		
Virginia Department of Rail and Public Transportation:		
Operating Assistance	72019-27	\$ 5,123,820
Commuter Assistance	71019-11; 72519-15	203,582
Transportation Intern	71219-04	11,533
I-95 Transit and TDM Bus Services	72019-47; 72019-48; 72019-49	748,941
I-395 Transit and TDM Bus Services	72518-15	113,024
I-66 TMP Bus Services	72518-12	4,463
Vanpool Program	71118-05;72518-10	134,313
Technical Assistance	71318-06; 71318-07	45,984
WMATA Platform Improvement Project	71319-10	51,195
Capital - FY 12	73012-95	50,907 *
Capital - FY 14	72514-09	129,220
Capital - FY 15	73115-02; 73115-03	2,523
Capital - FY 16	72516-09;73116-05	382,396
Capital - FY 17	73017-85; 73017-97; 73017-98; 73117-01	1,400,183
Capital - FY 18	73018-77	767,451
Capital - FY 18	73018-79	16,875
Capital - FY 18	73018-81	58,280
Capital - FY 18	73018-84	14,068
Capital - FY 18	73018-85	17,136
Capital - FY 18	73018-86 (pending)	91
Capital - FY 19	72519-14	13,225,560
Capital - FY 19	73019-51	74,299
Capital - FY 19	73019-52	22,440
Capital - FY 19	73019-53	14,892
Capital - FY 19	73019-54	969
Capital - FY 19	73019-56	24,982
Capital - FY 19	73019-57	268
Capital - FY 19	73019-82	100,192
Capital - FY 19	50014-01	4,234,157
		<u>26,973,744</u>
Northern Virginia Transportation Commission:		
Gainesville to Pentagon Bus Service		<u>216,269</u>
Virginia Department of Transportation:		
Congestion Mitigation & Air Quality (Employer Outreach)		<u>15,994</u>
<b>Total State Awards Expended</b>		<u><u>\$ 27,206,007</u></u>

Notes:

(1) State funds of \$1,289,686 from 72518-11 classified as farebox revenue on Comparative Statements of Revenues, Expenses, and Changes in Net Assets for Bus Service and Member Jurisdictions.

(2) \* State funds of \$43,643 from 73012-95 shown as deferred revenue at June 30, 2019.

## **COMPLIANCE SECTION**

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

Federal Grantor / Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF TRANSPORTATION:				
<u>Direct Payments:</u>				
Federal Transit Cluster:				
VA-05-0038	20.500		\$ -	\$ 271,118
VA-05-0048	20.500		-	706,152
<b>Federal Transit - Capital Investment Grants</b>				<u>977,270</u>
VA-90-X368	20.507		-	45,172
VA-90-X401	20.507		-	34,066
VA-90-X435	20.507		-	416,017
VA-95-X046	20.507		-	733,421
VA-95-X149	20.507		-	2,152,003
VA-2017-023	20.507		-	1,080,730
VA-2018-016	20.507		-	8,185,526
VA-2018-019	20.507		-	4,477,234
VA-2019-020 (Pending)	20.507		-	2,376,950
VA-2020-XXX (Pending)	20.507		-	1,015,436
TBD	20.507		-	1,576,494
<b>Federal Transit - Formula Grants</b>				<u>22,093,049</u>
VA-2016-014	20.525		-	1,347,107
VA-2019-020 (Pending)	20.525		-	613,450
TBD	20.525		-	5,375,626
<b>Federal Transit - State of Good Repair Grants Program</b>				<u>7,336,183</u>
VA-2019-008	20.526		-	3,511,511
VA-2019-020 (Pending)	20.526		-	160
<b>Federal Transit - Bus and Bus Facilities Formula Program</b>				<u>3,511,671</u>
<b>Total Federal Transit Cluster</b>				<u>33,918,173</u>
<u>Pass-through Payments:</u>				
Metropolitan Washington Council of Governments:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	DC-2016-012-01	-	58,251
<b>Total Transit Services Programs Cluster</b>				<u>58,251</u>
Virginia Department of Transportation:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction (Federal Highway)	20.205	5A01(947)	-	63,964
Highway Planning and Construction (Federal Highway)	20.205	5A01(236)	-	(246)
<b>Total Highway Planning and Construction Cluster</b>				<u>63,718</u>
Virginia Department of Rail and Public Transportation:				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	46019-16	-	11,132
<b>Total Expenditures of Federal Awards</b>				<u>\$ 34,051,274</u>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

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### Note 1. Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of PRTC under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of PRTC, it is not intended to and does not present the financial position or changes in net position of PRTC.

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

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

*Pass-through Payments* – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule.

*Major Programs* – The Single Audit Act Amendments of 1996 and Uniform Guidance establish the criteria to be used in defining major programs. Major programs for PRTC were determined using a risk-based approach in accordance with Uniform Guidance.

*Catalog of Federal Domestic Assistance* – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the Schedule.

*Cluster of Programs* – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by PRTC: Federal Transit Cluster, Transit Services Programs Cluster, and Highway Planning and Construction Cluster.

### Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through identifying numbers are presented where available and applicable.

### Note 3. Indirect Cost Rate

PRTC has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**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, 2019, 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 21, 2019.

**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 21, 2019



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Commission Board Members  
Potomac and Rappahannock Transportation Commission

**Report on Compliance for Each Major Federal Program**

We have audited the Potomac and Rappahannock Transportation Commission’s (Commission) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Commission’s major federal programs for the year ended June 30, 2019. The Commission’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

**Management’s Responsibility**

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

**Auditor’s Responsibility**

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

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission’s compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## **Report on Internal Control over Compliance**

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

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

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

## **Purpose of this Report**

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

*PBMares, LLP*

Harrisonburg, Virginia  
November 21, 2019

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2019**

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**Section I. SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements*

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

*Federal Awards*

Internal control over major programs:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

Yes  No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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Federal Transit Cluster:

20.500	Federal Transit – Capital Investment Grants
20.507	Federal Transit – Formula Grants
20.525	Federal Transit – State of Good Repair Grants Program
20.526	Federal Transit – Bus and Bus Facilities Formula Program

Dollar threshold used to distinguish between type A and type B programs \$ 1,021,538

Auditee qualified as low-risk auditee?  Yes  No

**Section II. FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

No matters were reported.

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended June 30, 2019**

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The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from prior audit's Summary Schedule of Prior Audit Findings.