

**POTOMAC AND RAPPAHANNOCK
TRANSPORTATION COMMISSION**

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2024



ASSURANCE, TAX & ADVISORY SERVICES

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

TABLE OF CONTENTS

| FINANCIAL SECTION | |
|---|---------|
| INDEPENDENT AUDITOR’S REPORT | 1 – 3 |
| Management’s Discussion and Analysis | 4 – 10 |
| <i>Basic Financial Statements</i> | |
| Statement of Net Position | 11 – 12 |
| Statement of Revenues, Expenses and Changes in Net Position | 13 |
| Statement of Cash Flows | 14 – 15 |
| Notes to Financial Statements | 16 – 60 |
| <i>Required Supplementary Information</i> | |
| Schedule of Contributions – Virginia Retirement System | 61 |
| Schedule of Changes in the Net Pension (Asset) Liability and Related Ratios– Virginia Retirement System | 62 |
| Schedule of Net OPEB Liability – Group Life Insurance Program | 63 |
| Schedule of Contributions – OPEB – Group Life Insurance Program | 64 |
| Schedule of Net OPEB Liability – Health Insurance Credit Program and Related Ratios | 65 |
| Schedule of Contributions – OPEB – Health Insurance Credit Program | 66 |
| Notes to Required Supplementary Information – Virginia Retirement System | 67 |
| Notes to Required Supplementary Information – Other Postemployment Benefits | 68 – 69 |
| <i>Supplementary Information</i> | |
| Comparative Statements of Net Position – Bus Service and Member Jurisdictions | 70 – 71 |
| Comparative Statements of Revenues, Expenses and Changes in Net Position – Bus Service and Member Jurisdictions | 72 |
| Comparative Statements of Net Position – Commuter Rail Service | 73 – 74 |
| Comparative Statements of Revenues, Expenses and Changes in Net Position – Commuter Rail Service | 75 |
| Schedule of Member Jurisdictions’ Funds | 76 |
| Schedule of Expenditures of State Awards | 77 |
| <hr/> COMPLIANCE SECTION <hr/> | |
| INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 78– 79 |
| INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE | 80 – 82 |
| Schedule of Expenditures of Federal Awards | 83 |
| Notes to Schedule of Expenditures of Federal Awards | 84 |
| Schedule of Findings and Questioned Costs | 85 |
| Summary Schedule of Prior Audit Findings | 86 |

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Commission Board Members
Potomac and Rappahannock Transportation Commission

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 61-69, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the accompanying schedules listed in the table of contents as supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2024 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
November 21, 2024

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, 2024. 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, 2024, PRTC’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$480,889,835. Of this total, \$133,446,334 is for bus service and member jurisdictions and \$347,443,501 is for commuter rail service.

The net position of PRTC increased by \$53,492,016 for fiscal year 2024. This is the net effect of a \$13,489,401 increase from bus service and member jurisdictions and a \$40,002,615 increase from commuter rail service.

As of June 30, 2024, PRTC’s unrestricted net position is \$102,562,780. Of this total, \$20,056,254 is for bus service and member jurisdictions and \$82,506,526 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 motor fuel tax activity for the PRTC member jurisdictions.

PRTC operates commuter bus service from the Prince William County, Stafford 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 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, 2024 and 2023:

Summary of Net Position As of June 30

| | Bus Service and Member Jurisdictions | | Commuter Rail Service | | Total | |
|--|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Assets and deferred outflows of resources: | | | | | | |
| Current assets | \$ 59,850,361 | \$ 61,465,268 | \$ 92,042,209 | \$ 65,873,007 | \$ 151,892,570 | \$ 127,338,275 |
| Other noncurrent assets | - | 45,305 | 532,448 | 597,317 | 532,448 | 642,622 |
| Capital assets, net | 90,214,598 | 77,131,297 | 270,110,939 | 251,347,990 | 360,325,537 | 328,479,287 |
| Total assets | 150,064,959 | 138,641,870 | 362,685,596 | 317,818,314 | 512,750,555 | 456,460,184 |
| Deferred outflows of resources | 461,773 | 523,465 | 655,705 | 783,860 | 1,117,478 | 1,307,325 |
| Total assets and deferred outflows of resources | 150,526,732 | 139,165,335 | 363,341,301 | 318,602,174 | 513,868,033 | 457,767,509 |
| Liabilities and deferred inflows of resources: | | | | | | |
| Current liabilities | 15,787,496 | 17,976,058 | 13,434,834 | 7,806,241 | 29,222,330 | 25,782,299 |
| Noncurrent liabilities | 1,038,151 | 787,724 | 1,590,181 | 2,174,101 | 2,628,332 | 2,961,825 |
| Total liabilities | 16,825,647 | 18,763,782 | 15,025,015 | 9,980,342 | 31,850,662 | 28,744,124 |
| Deferred inflows of resources | 254,751 | 444,620 | 872,785 | 1,180,946 | 1,127,536 | 1,625,566 |
| Total liabilities and deferred inflows of resources | 17,080,398 | 19,208,402 | 15,897,800 | 11,161,288 | 32,978,198 | 30,369,690 |
| Net Position: | | | | | | |
| Net investment in capital assets | 89,993,105 | 75,324,474 | 259,032,261 | 243,285,238 | 349,025,366 | 318,609,712 |
| Restricted | 23,396,975 | 22,536,143 | 5,276,502 | 5,073,701 | 28,673,477 | 27,609,844 |
| Restricted - grants and contributions | - | - | 628,212 | 1,318,693 | 628,212 | 1,318,693 |
| Restricted - pension asset | - | 45,305 | - | 67,453 | - | 112,758 |
| Unrestricted | 20,056,254 | 22,051,011 | 82,506,526 | 57,695,801 | 102,562,780 | 79,746,812 |
| Total net position | \$ 133,446,334 | \$ 119,956,933 | \$ 347,443,501 | \$ 307,440,886 | \$ 480,889,835 | \$ 427,397,819 |

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 \$480.9 million, an increase of \$53.5 million over the previous fiscal year. The largest portion of net position, \$349.0 million or 72.6%, 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, \$ 28.6 million or 6.0%, 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 \$24.6 million or 19.3% from the previous year, primarily due to increased grant and other receivables of \$13.0 million, increased cash and investments of \$10.0 million, increased restricted cash and investments of \$0.5 million, and increased inventory of \$1.1 million.

Capital assets, net of accumulated depreciation and amortization, increased approximately \$31.8 million or 9.7%, primarily due to bus, vehicle, and facilities additions.

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, 2024 and 2023:

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

| | Bus Service and Member Jurisdictions | | Commuter Rail Service | | Total | |
|-------------------------------|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Revenues: | | | | | | |
| Operating revenues | \$ 39,436,098 | \$ 34,496,857 | \$ 9,623,683 | \$ 3,920,851 | \$ 49,059,781 | \$ 38,417,708 |
| Nonoperating revenues | 82,850,937 | 63,976,878 | 37,851,139 | 58,428,191 | 120,702,076 | 122,405,069 |
| Transfers, net | (61,202,132) | (49,875,843) | 61,202,132 | 49,875,843 | - | - |
| Total revenues | 61,084,903 | 48,597,892 | 108,676,954 | 112,224,885 | 169,761,857 | 160,822,777 |
| Expenses: | | | | | | |
| Operating expenses | 69,677,243 | 62,984,315 | 63,026,140 | 25,247,732 | 132,703,383 | 88,232,047 |
| Depreciation and amortization | 7,260,138 | 6,824,242 | 11,774,121 | 11,240,094 | 19,034,259 | 18,064,336 |
| Nonoperating expenses | 232,921 | 181,077 | 118,129 | 132,988 | 351,050 | 314,065 |
| Total expenses | 77,170,302 | 69,989,634 | 74,918,390 | 36,620,814 | 152,088,692 | 106,610,448 |
| Capital grants & assistance | 29,559,245 | 23,977,437 | 6,244,051 | 851,250 | 35,803,296 | 24,828,687 |
| Gain on disposal of assets | 15,555 | 49,659 | - | - | 15,555 | 49,659 |
| Change in net position | 13,489,401 | 2,635,354 | 40,002,615 | 76,455,321 | 53,492,016 | 79,090,675 |
| Net position, beginning | 119,956,933 | 117,321,579 | 307,440,886 | 230,985,565 | 427,397,819 | 348,307,144 |
| Net position, ending | \$ 133,446,334 | \$ 119,956,933 | \$ 347,443,501 | \$ 307,440,886 | \$ 480,889,835 | \$ 427,397,819 |

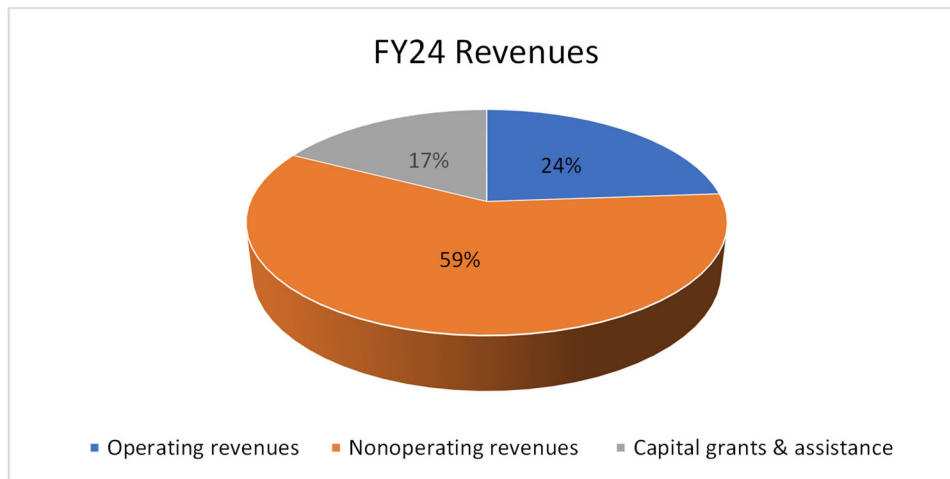
For the fiscal year ended June 30, 2024, revenues totaled \$169.8 million, compared to \$160.8 million in the preceding year, an increase of \$8.9 million or 5.6%. Expenses increased by \$45.5 million or 42.7%. A discussion of the key components of these changes follows.

Operating revenues increased \$10.6 million or 27.7% from the prior year, primarily the result of increase in farebox revenue of \$7.5 million reflecting continued return of ridership in post COVID-19 pandemic and motor fuel tax revenue of \$3.1 million. For the Bus Service and Member Jurisdictions Fund, total ridership was 2.0 million in fiscal year 2024 compared to 1.6 million in fiscal year 2023. For the Commuter Rail Service Fund, total ridership was 1.6 million in fiscal year 2024 compared to 1.5 million in fiscal year 2023.

Nonoperating revenues decreased by \$1.7 million or 1.4% from the prior year, primarily the result of increased jurisdictional contributions of \$2.1 million (from reduced levels immediately following the pandemic), increased Federal grants of \$20.8 million (pandemic relief funds), increased investment income of \$1.2 million, offset by decreased C-ROC of \$4.5 million, decreased contributions from NVTC of \$20.6 million and decreased other revenue of \$0.8 million.

Capital grants and assistance increased by \$11.0 million or 44.2% from the prior year, primarily the result of increased state capital funding of \$9.0 million, decreased federal capital funding of \$3.0 million, and increased local contributions of \$5.0 million.

The following chart shows PRTC reporting entity revenues by source for the fiscal year ended June 30, 2024.



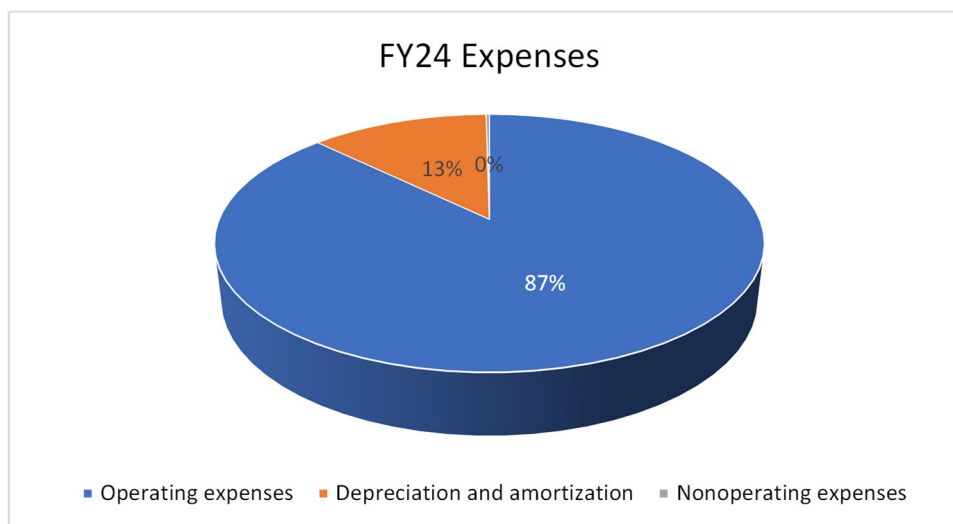
Operating expenses increased by \$44.5 million or 50.4%.

For the Bus Service and Member Jurisdictions Fund, operating expenses increased by \$6.7 million. Direct transportation expenses, which represent the use of jurisdictional motor fuel tax funds for the VRE subsidy as well as other jurisdictional transportation projects independent of PRTC, increased by \$2.8 million. Contractual services increased by \$3.7 million, while combined expenses for salaries and benefits, other services, and supplies increased by \$0.7 million, offset by decreased fuel expenses of \$0.5 million.

For the Commuter Rail Service Fund, operating expenses increased by \$37.8 million or 149.6%. PRTC's share of the reporting entity increased from 27.5% to 59.5%, with a corresponding decrease for NVTC. In addition, increased rail costs were primarily the result of salaries and benefits, professional/administrative services, access fees, and contract and grant funded operations/maintenance.

Fiscal year 2024 reflects contribution from NVTC of \$10.1 million while fiscal year 2023 reflects contribution from NVTC of \$30.6 million as a result of allocating rail service between PRTC and NVTC for financial reporting purposes.

The following chart shows PRTC reporting entity expenses for the fiscal year ended June 30, 2024.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The details of capital assets as of June 30, 2024 and 2023 are as follows:

| | Bus Service and Member Jurisdictions | | Commuter Rail Service | | Total | |
|---|---|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Buses and related equipment | \$ 95,527,988 | \$ 82,585,825 | \$ - | \$ - | \$ 95,527,988 | \$ 82,585,825 |
| Rail rolling stock | - | - | 143,388,695 | 143,388,695 | 143,388,695 | 143,388,695 |
| Land | 6,639,270 | 6,639,270 | - | - | 6,639,270 | 6,639,270 |
| Buildings | 52,711,975 | 52,711,975 | - | - | 52,711,975 | 52,711,975 |
| Building improvements | 7,351,136 | 4,472,466 | - | - | 7,351,136 | 4,472,466 |
| Intangible right-to-use lease buildings | - | - | 731,784 | 731,784 | 731,784 | 731,784 |
| Intangible right-to-use lease parking lots | - | - | - | 136,751 | - | 136,751 |
| Intangible right-to-use lease tower | - | - | 105,572 | 49,791 | 105,572 | 49,791 |
| Intangible right-to-use subscription assets | - | - | 907,986 | 767,262 | 907,986 | 767,262 |
| Intangible right-to-use lease equipment | 34,207 | 34,207 | - | - | 34,207 | 34,207 |
| Intangible right-to-use lease facilities | 112,662 | 112,662 | - | - | 112,662 | 112,662 |
| Construction in progress | 404,503 | 3,073,151 | 57,971,970 | 60,601,428 | 58,376,473 | 63,674,579 |
| Site improvements | 1,430,513 | 1,430,513 | - | - | 1,430,513 | 1,430,513 |
| Bus shelters | 1,380,803 | 1,459,829 | - | - | 1,380,803 | 1,459,829 |
| Vehicles | 853,034 | 736,440 | 150,680 | 75,670 | 1,003,714 | 812,110 |
| Furniture and equipment | 2,474,584 | 2,438,928 | - | - | 2,474,584 | 2,438,928 |
| Software and easement | 4,034,978 | 4,034,978 | - | - | 4,034,978 | 4,034,978 |
| Facilities | - | - | 91,812,860 | 59,514,401 | 91,812,860 | 59,514,401 |
| Track and signal improvements | - | - | 50,054,135 | 50,054,135 | 50,054,135 | 50,054,135 |
| Furniture, equipment and software | - | - | 11,164,192 | 10,724,574 | 11,164,192 | 10,724,574 |
| Equity in property of others | - | - | 62,473,241 | 62,473,241 | 62,473,241 | 62,473,241 |
| Capital assets | 172,955,653 | 159,730,244 | 418,761,115 | 388,517,732 | 591,716,768 | 548,247,976 |
| Less accumulated depreciation and amortization | 82,741,055 | 82,598,947 | 148,650,176 | 137,169,742 | 231,391,231 | 219,768,689 |
| Total capital assets, net | \$ 90,214,598 | \$ 77,131,297 | \$ 270,110,939 | \$ 251,347,990 | \$ 360,325,537 | \$ 328,479,287 |

PRTC's investment in capital assets as of June 30, 2024, amounted to \$360.3 million (net of accumulated depreciation and amortization), which represents an increase of \$31.8 million or 9.7%.

For bus service and member jurisdictions, thirty buses were added, twelve buses were disposed, and four paratransit vehicles were added during fiscal year 2024. The replacement of the stormwater management system at the Transit Center was also completed during fiscal year 2024.

For commuter rail service, capital assets (net of accumulated depreciation and amortization) increased by \$18.8 million or 7.5%. The major completed projects during the fiscal year were the Crossroads LOU Lifecycle Facility (\$26.3 million), the Fredericksburg Station rehab project (\$6.0 million) and the Website Redesign project (\$0.3 million). The major additions to construction in progress during the fiscal year were costs related to the Manassas Park Parking Expansion project (\$7.9 million), Equity in VPRA Long Bridge (\$7.2 million), the Quantico Station Improvements project (\$3.0 million), the 21 New Railcar project (\$3.0 million), the Broad Run Expansion project (\$0.9 million), the Franconia-Springfield Station Improvements project (\$0.7 million) the L'Enfant Station Improvements project (\$0.6 million) the Alexandria Station Improvements project (\$0.6 million), the Crystal City Station Improvements project (\$0.5 million), and the Crossroads Long Term Expansion project (\$0.5 million).

Debt Administration

At June 30, 2024, PRTC's portion of debt for the commuter rail service is \$1.8 million, for the private placement note payable for rolling stock, which is secured by the related equipment.

Economic Factors and Next Year's Budget

Population growth in Northern Virginia, especially in the outer suburbs, continues to remain robust. Traffic congestion on many major highways has returned to or even surpassed pre-pandemic levels, which should continue to support long-term demand for bus and rail service as an alternative travel option. The constraining factors to bus and rail growth in the near-term are the effects on ridership resulting from remote work as well as train scheduling, yard storage capacity, and the availability of operating funds to support changes to address new markets and travel patterns.

For the Bus Service and Member Jurisdictions Fund, fares increased for Express bus services, and free fares continued for Metro Express, Local, East-West Express and Access.

For the Commuter Rail Service Fund, fares were held constant; the previous general fare increase was 3.0 percent in fiscal year 2020. In fiscal year 2019, the rail service began to receive funding from the Commonwealth of Virginia Commuter Rail Operating and Capital (C-ROC) Fund, which continued in fiscal year 2024.

Additional sources of funding will be available in fiscal year 2025 from federal, state and regional sources, although the amounts received will continue to vary from year to year.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

STATEMENT OF NET POSITION Year Ended June 30, 2024

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | Bus Service and Member Jurisdictions | Commuter Rail Service | Total |
|---|--|--------------------------|-----------------------|
| Current Assets | | | |
| Cash and investments in bank | \$ 13,700,624 | \$ 31,839,191 | \$ 45,539,815 |
| Receivables: | | | |
| Due from other governments | 75,344,411 | 2,503,434 | 77,847,845 |
| Trade receivables, net of allowance for doubtful accounts | - | 203,260 | 203,260 |
| Miscellaneous | 38,254 | 1,831,847 | 1,870,101 |
| Internal balances | (47,280,480) | 47,280,480 | - |
| Inventory | - | 2,125,486 | 2,125,486 |
| Prepaid expenses and other assets | 35,680 | 353,797 | 389,477 |
| Restricted assets: | | | |
| Cash and investments in pooled funds - member jurisdictions | 18,011,872 | - | 18,011,872 |
| Cash, cash equivalents and investments | - | 5,904,714 | 5,904,714 |
| Total current assets | 59,850,361 | 92,042,209 | 151,892,570 |
| Noncurrent Assets | | | |
| Lease receivable | - | 532,448 | 532,448 |
| Capital assets: | | | |
| Transportation equipment: | | | |
| Buses and related equipment | 95,527,988 | - | 95,527,988 |
| Rail rolling stock | - | 143,388,695 | 143,388,695 |
| Less: accumulated depreciation | (57,157,972) | (75,892,462) | (133,050,434) |
| Transportation equipment, net | 38,370,016 | 67,496,233 | 105,866,249 |
| Land, buildings and equipment: | | | |
| Land | 6,639,270 | - | 6,639,270 |
| Construction in progress | 404,503 | 57,971,970 | 58,376,473 |
| Buildings | 52,711,975 | - | 52,711,975 |
| Building improvements | 7,351,136 | - | 7,351,136 |
| Intangible right-to-use-lease buildings | - | 731,784 | 731,784 |
| Intangible right-to-use-lease tower | - | 105,572 | 105,572 |
| Intangible right-to-use subscription assets | - | 907,986 | 907,986 |
| Intangible right-to-use lease equipment | 34,207 | - | 34,207 |
| Intangible right-to-use lease facilities | 112,662 | - | 112,662 |
| Site improvements | 1,430,513 | - | 1,430,513 |
| Bus shelters | 1,380,803 | - | 1,380,803 |
| Vehicles | 853,034 | 150,680 | 1,003,714 |
| Furniture and equipment | 2,474,584 | - | 2,474,584 |
| Software and easement | 4,034,978 | - | 4,034,978 |
| Facilities | - | 91,812,860 | 91,812,860 |
| Track and signal improvements | - | 50,054,135 | 50,054,135 |
| Furniture, equipment and software | - | 11,164,192 | 11,164,192 |
| Equity in property of others | - | 62,473,241 | 62,473,241 |
| Less: accumulated depreciation and amortization | (25,583,083) | (72,757,714) | (98,340,797) |
| Land, buildings and equipment, net | 51,844,582 | 202,614,706 | 254,459,288 |
| Total capital assets, net | 90,214,598 | 270,110,939 | 360,325,537 |
| Total noncurrent assets | 90,214,598 | 270,643,387 | 360,857,985 |
| Total assets | 150,064,959 | 362,685,596 | 512,750,555 |
| Deferred Outflows of Resources | | | |
| Pension plan | 386,961 | 544,731 | 931,692 |
| Other postemployment benefits | 74,812 | 110,974 | 185,786 |
| Total deferred outflows of resources | 461,773 | 655,705 | 1,117,478 |
| Total assets and deferred outflows of resources | \$ 150,526,732 | \$ 363,341,301 | \$ 513,868,033 |

| LIABILITIES AND NET POSITION | Bus Service and Member Jurisdictions | Commuter Rail Service | Total |
|--|--|--------------------------|-----------------------|
| Current Liabilities | | | |
| Accounts payable and other liabilities | \$ 8,231,379 | \$ 8,005,014 | \$ 16,236,393 |
| Accrued expenses | - | 2,700,437 | 2,700,437 |
| Accrued payroll and benefits | 512,159 | - | 512,159 |
| Accrued interest | - | 9,909 | 9,909 |
| Due to other governments | 144,861 | - | 144,861 |
| Unearned revenue | 6,880,797 | 760,528 | 7,641,325 |
| Private placement note payable | - | 933,424 | 933,424 |
| Compensated absences | 9,362 | 34,892 | 44,254 |
| Lease liabilities | 8,938 | 69,683 | 78,621 |
| Subscription liabilities | - | 53,243 | 53,243 |
| Retainage payable | - | 867,704 | 867,704 |
| Total current liabilities | 15,787,496 | 13,434,834 | 29,222,330 |
| Noncurrent Liabilities | | | |
| Compensated absences | 740,298 | 521,651 | 1,261,949 |
| Net pension liability | 49,868 | 70,526 | 120,394 |
| Net other postemployment benefits liability | 247,985 | 367,853 | 615,838 |
| Lease liabilities | - | 630,151 | 630,151 |
| Total noncurrent liabilities | 1,038,151 | 1,590,181 | 2,628,332 |
| Total liabilities | 16,825,647 | 15,025,015 | 31,850,662 |
| Deferred Inflows of Resources | | | |
| Leases | - | 509,752 | 509,752 |
| Pension plan | 214,954 | 304,000 | 518,954 |
| Other postemployment benefits | 39,797 | 59,033 | 98,830 |
| Total deferred inflows of resources | 254,751 | 872,785 | 1,127,536 |
| Net Position | | | |
| Net investment in capital assets | 89,993,105 | 259,032,261 | 349,025,366 |
| Restricted | 23,396,975 | 5,276,502 | 28,673,477 |
| Restricted - grants and contributions | - | 628,212 | 628,212 |
| Unrestricted | 20,056,254 | 82,506,526 | 102,562,780 |
| Total net position | 133,446,334 | 347,443,501 | 480,889,835 |
| Total liabilities, deferred inflows of resources and net position | \$ 150,526,732 | \$ 363,341,301 | \$ 513,868,033 |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Year Ended June 30, 2024

| | Bus Service and Member Jurisdictions | Commuter Rail Service | Total |
|--|--|--------------------------|----------------------|
| Operating Revenues | | | |
| Motor fuel tax | \$ 33,735,063 | \$ - | \$ 33,735,063 |
| Farebox and passenger | 5,701,035 | 9,370,743 | 15,071,778 |
| Equipment rental and other | - | 252,940 | 252,940 |
| Total operating revenues | 39,436,098 | 9,623,683 | 49,059,781 |
| Operating Expenses | | | |
| Direct transportation | 18,086,772 | - | 18,086,772 |
| Salaries and related benefits | 7,002,761 | - | 7,002,761 |
| Contractual services | 38,743,115 | - | 38,743,115 |
| Other services | 1,980,410 | - | 1,980,410 |
| Materials, supplies and minor equipment | 480,553 | - | 480,553 |
| Fuel | 3,383,632 | - | 3,383,632 |
| Contract operations and maintenance | - | 19,960,060 | 19,960,060 |
| Other operations and maintenance | - | 15,720,607 | 15,720,607 |
| Property leases and access fees | - | 12,143,967 | 12,143,967 |
| Insurance | - | 4,690,414 | 4,690,414 |
| Marketing and sales | - | 832,103 | 832,103 |
| General and administrative | - | 9,678,989 | 9,678,989 |
| Total operating expenses | 69,677,243 | 63,026,140 | 132,703,383 |
| Operating loss before depreciation and amortization | (30,241,145) | (53,402,457) | (83,643,602) |
| Depreciation and amortization | (7,260,138) | (11,774,121) | (19,034,259) |
| Operating loss | (37,501,283) | (65,176,578) | (102,677,861) |
| Nonoperating Revenues (Expenses) | | | |
| Jurisdictional contributions | - | 10,673,269 | 10,673,269 |
| Commonwealth of Virginia grants | 14,308,209 | - | 14,308,209 |
| Commonwealth of Virginia GLI contribution | 1,895 | 2,812 | 4,707 |
| Federal grants | 66,813,321 | - | 66,813,321 |
| Commonwealth of Virginia - VPRA | - | 9,527,090 | 9,527,090 |
| Commuter Rail Operating and Capital (C-ROC) Fund | - | 5,017,589 | 5,017,589 |
| Contributions from NVTC | - | 10,083,900 | 10,083,900 |
| Investment income | 1,196,161 | 2,546,479 | 3,742,640 |
| Pass-through grants - member jurisdictions | (231,855) | - | (231,855) |
| Interest, amortization and other nonoperating expenses, net | (1,066) | (118,129) | (119,195) |
| Other revenue | 531,351 | - | 531,351 |
| Total nonoperating revenues, net | 82,618,016 | 37,733,010 | 120,351,026 |
| Capital Grants and Assistance | | | |
| Commonwealth of Virginia grants | 11,939,452 | 267,487 | 12,206,939 |
| Federal grants | 17,619,793 | - | 17,619,793 |
| Regional transportation funding - NVTA | - | 953,621 | 953,621 |
| Commuter Rail Operating and Capital (C-ROC) Fund | - | 5,022,943 | 5,022,943 |
| Total capital grants and assistance | 29,559,245 | 6,244,051 | 35,803,296 |
| Income (loss) before transfers and gain on disposal of assets | 74,675,978 | (21,199,517) | 53,476,461 |
| Transfers, net | (61,202,132) | 61,202,132 | - |
| Gain on Disposal of Assets | 15,555 | - | 15,555 |
| Change in net position | 13,489,401 | 40,002,615 | 53,492,016 |
| Net Position, beginning | 119,956,933 | 307,440,886 | 427,397,819 |
| Net Position, ending | \$ 133,446,334 | \$ 347,443,501 | \$ 480,889,835 |

See Notes to Financial Statements.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

STATEMENT OF CASH FLOWS Year Ended June 30, 2024

| | Bus Service and Member Jurisdictions | Commuter Rail Service | Total |
|--|--|--------------------------|---------------------|
| Cash Flows from Operating Activities | | | |
| Receipts from motor fuel tax | \$ 33,283,666 | \$ - | \$ 33,283,666 |
| Receipts from customers | 5,161,246 | 10,435,659 | 15,596,905 |
| Payments to suppliers | (51,081,289) | (56,668,798) | (107,750,087) |
| Payments to member jurisdictions | (17,945,651) | - | (17,945,651) |
| Payments to employees | (7,689,596) | (5,588,802) | (13,278,398) |
| Net cash used in operating activities | (38,271,624) | (51,821,941) | (90,093,565) |
| Cash Flows from Capital and Related Financing Activities | | | |
| Principal payments on private placement note payable | - | (892,011) | (892,011) |
| Interest payments on private placement note payable | - | (73,669) | (73,669) |
| Principal payments on lease liabilities | (48,720) | (96,299) | (145,019) |
| Principal payments on subscription liabilities | - | (97,779) | (97,779) |
| Interest payments on leases | (1,066) | (22,687) | (23,753) |
| Proceeds from sale of assets | 18,500 | - | 18,500 |
| Contribution from NVTC | - | 10,083,900 | 10,083,900 |
| Capital grants and assistance | 27,085,564 | - | 27,085,564 |
| Acquisition of capital assets | (21,882,995) | (26,308,008) | (48,191,003) |
| Net cash provided by (used in) capital and related financing activities | 5,171,283 | (17,406,553) | (12,235,270) |
| Cash Flows from Noncapital Financing Activities | | | |
| Governmental subsidies | 72,508,608 | 30,258,873 | 102,767,481 |
| Interfund transfers | (46,487,553) | 46,487,553 | - |
| Payments for jurisdiction grant - related expenditures | (231,855) | - | (231,855) |
| Net cash provided by noncapital financing activities | 25,789,200 | 76,746,426 | 102,535,626 |
| Cash Flows From Investing Activities | | | |
| Investment income | 1,196,161 | 2,546,479 | 3,742,640 |
| Other revenues | 6,579,819 | - | 6,579,819 |
| Cash provided by investing activities | 7,775,980 | 2,546,479 | 10,322,459 |
| Increase in cash and cash equivalents | 464,839 | 10,064,411 | 10,529,250 |
| Cash and Cash Equivalents | | | |
| Beginning | 31,247,657 | 27,679,494 | 58,927,151 |
| Ending | \$ 31,712,496 | \$ 37,743,905 | \$ 69,456,401 |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

STATEMENT OF CASH FLOWS (Continued) Year Ended June 30, 2024

| | Bus Service and Member Jurisdictions | Commuter Rail Service | Total |
|---|--|--------------------------|------------------------|
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities | | | |
| Operating loss | \$ (37,501,283) | \$ (65,176,578) | \$ (102,677,861) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | | |
| Depreciation and amortization | 7,260,138 | 11,774,121 | 19,034,259 |
| Write-off of lease to expense | - | (156,936) | (156,936) |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in: | | | |
| Due from other governments | (595,824) | - | (595,824) |
| Miscellaneous receivables | (34,108) | 507,755 | 473,647 |
| Prepaid expenses and other assets | 24,987 | (196,246) | (171,259) |
| Trade receivables | - | (100,373) | (100,373) |
| Inventory | - | (1,254,535) | (1,254,535) |
| Lease receivable | - | (2,584) | (2,584) |
| Pension related deferred outflows of resources | 79,811 | 150,219 | 230,030 |
| OPEB related deferred outflows of resources | (18,119) | (22,064) | (40,183) |
| Increase (decrease) in: | | | |
| Accounts payable and other liabilities | (6,518,566) | 2,088,016 | (4,430,550) |
| Accrued payroll and benefits | 166,504 | 285,517 | 452,021 |
| Due to other governments | (718,004) | - | (718,004) |
| OPEB liability | 38,790 | 39,780 | 78,570 |
| Pension liability | 95,173 | 137,979 | 233,152 |
| Unearned revenue | (361,254) | 412,149 | 50,895 |
| Lease related deferred inflows of resources | - | (4,971) | (4,971) |
| Pension related deferred inflows of resources | (176,105) | (278,225) | (454,330) |
| OPEB related deferred inflows of resources | (13,764) | (24,965) | (38,729) |
| Net cash used in operating activities | \$ (38,271,624) | \$ (51,821,941) | \$ (90,093,565) |
| Schedule of Noncash Capital Activities | | | |
| Capital assets acquired through: | | | |
| Capital assets acquired through accounts payable | \$ 212,554 | \$ 6,092,247 | \$ 6,304,801 |
| Capital assets acquired through accrued expenses | - | 2,432,225 | 2,432,225 |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

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 motor fuel tax, farebox and passenger revenues, and federal and state grants. The fuel tax revenue represents a tax on 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

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 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 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 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 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

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 \$18,011,872 at June 30, 2024 for the Bus Service and Member Jurisdictions Fund are comprised of funds related to the 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 \$5,904,714 at June 30, 2024 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 \$47,000 at June 30, 2024.

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 and warehouse facility. 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 assets 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) and Health Insurance Credit Program (HIC) that qualify for reporting in this category. See Notes 13, 14 and 15 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 assets 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, GLI - OPEB and HIC - OPEB that qualify for reporting in this category. See Notes 13, 14 and 15 for details regarding these items. PRTC also reports one item related to leases. See Note 6 for details regarding this item.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

| | |
|--|---------------|
| Buses and related equipment | 2 - 12 years |
| Rail rolling stock | 8 - 25 years |
| Buildings and improvements | 5 - 30 years |
| Site improvements | 5 - 20 years |
| Bus shelters | 5 years |
| Vehicles | 5 years |
| Facilities | 30 - 40 years |
| Track and signal improvements | 5 - 30 years |
| Furniture, equipment, and software | 2 - 15 years |
| Equity in property of others | 3 - 35 years |
| Intangible right-to-use lease assets and subscription assets | 2 - 15 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, 2024.

Lessee: For new or modified contracts, PRTC determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), PRTC records a lease asset and lease obligation which is calculated based on the value of the discounted future lease payments over the term of the lease. If the interest rate implicit in the lease is not readily determinable, PRTC will use the applicable incremental borrowing rate in the calculation of the present value of the lease payments.

Leases with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the lease term. At the commencement of a lease, PRTC measures the lease liability at the present value of payments expected to be made during the lease term and then reduces the liability by the principal portion of lease payments made. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, then amortized on a straight line basis over a period that is the shorter of the lease term or the useful life of similar capital assets. Lease payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Key estimates and judgements related to leases include the determination of a discount rate, lease term, lease payments, and residual value guarantees or other provisions as follows:

Discount Rate: When readily available or easily determinable, PRTC uses the interest rate charged by the lessor. If not readily available or easily determinable, PRTC uses its estimated incremental borrowing rate.

Lease Term: The lease term includes the non-cancellable period of the lease.

Lease Payments: Lease payments included in the measurement of the lease liability are comprised of fixed payments and, if applicable, the purchase option price PRTC is reasonably certain to exercise.

Intangible right-to-use lease assets are reported with other capital assets and lease liabilities are reported with current and noncurrent liabilities on the statement of net position.

Lessor: For new or modified contracts, PRTC determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), PRTC will record a lease receivable and a deferred inflow of resources which is calculated based on the value of the discounted future lease payments over the term of the lease. If the interest rate implicit in the lease is not clear, PRTC may apply the guidance for imputation of interest as a means of determining the interest rate.

PRTC will not recognize a lease receivable and a deferred inflow of resources for leases with a noncancellable term of less than 12 months, and income is recognized as earned.

At the commencement of a lease, PRTC will measure the lease receivable as the present value of payments expected to be received during the lease term and will reduce the receivable by the principal portion of lease payments received after satisfaction of accrued interest on the lease receivable, calculated using the effective interest method. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date, then recognized on a straight-line basis as revenue over the lease term.

Key estimates and judgements related to leases include the determination of a discount rate, lease term, and lease receipts.

Discount Rate: PRTC uses the implicit interest rate stated in the lease. If the implicit interest rate is not readily available or easily determinable, PRTC uses its estimated incremental borrowing rate.

Lease Term: The lease term includes the non-cancellable period of the lease.

Lease Receipts: Lease receipts included in the measurement of the lease receivable is comprised of fixed payments from the lessee.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Subscription based information technology arrangements (SBITAs): For new or modified contracts, PRTC determines whether the contract is a SBITA. If a contract is determined to be, or contain, a SBITA with a non-cancellable term in excess of 12 months (including any options to extend or terminate the subscription when exercise is reasonably certain), PRTC records a subscription asset and subscription obligation which is calculated based on the value of the discounted future subscription payments over the term of the subscription. If the interest rate implicit in the subscription is not readily determinable, PRTC will use the applicable incremental borrowing rate in the calculation of the present value of the subscription payments.

PRTC recognizes a subscription liability and subscription asset on the Statement of Net Position. Subscriptions with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the subscription term.

At the commencement of a SBITA, PRTC measures the subscription liability at the present value of payments expected to be made during the subscription term and then reduces the liability by the principal portion of the subscription payments made. The subscription asset is measured at the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs, then amortized on a straight-line basis over the subscription term.

Subscription payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

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.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

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

Group life insurance program (GLI): The VRS GLI is a multiple employer, cost-sharing 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 group life insurance 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 fiduciary net 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.

Health insurance credit program (HIC): PRTC's HIC is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance for retired political subdivision employees of participating employers. The HIC was established pursuant to Section 51.1-1400 et seq. of the *Code of Virginia*, as amended, and provides the authority under which benefit terms are established or may be amended. For purposes of measuring the HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC OPEB, and the HIC OPEB expense, information about the fiduciary net position of the VRS HIC; and the additions to/deductions from the VRS HIC fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, 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.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Operating revenues and expenses: Operating revenues are generated from activities related to providing public transportation services to users. Operating revenues include 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.

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

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

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

Subsequent events: The Commission has evaluated subsequent events through November 21, 2024, 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.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Investments (Continued)

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, a professionally managed money market fund that invests 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 has been assigned an “AAAm” rating by Standard & Poor’s. The maturity of the LGIP 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, 2024, PRTC had \$5,245,264 invested in the Insurance Trust.

Interest Rate Risk

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

As of June 30, 2024, 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 |
|--|--|-----------------------------|---------------|---------------|-------------------------------------|
| LGIP | \$ - | \$ 28,311,783 | \$ 28,311,783 | \$ 28,311,783 | \$ 28,311,783 |
| Restricted: | | | | | |
| Insurance trust fund - pooled funds | - | 5,245,264 | 5,245,264 | 5,245,264 | 5,245,264 |
| LGIP | 18,011,872 | 659,450 | 18,671,322 | 18,671,322 | 18,671,322 |
| | 18,011,872 | 5,904,714 | 23,916,586 | 23,916,586 | 23,916,586 |
| | \$ 18,011,872 | \$ 34,216,497 | \$ 52,228,369 | \$ 52,228,369 | \$ 52,228,369 |

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.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Investments (Continued)

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.

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 | \$ 4,041,198 |
| Spotsylvania County | 7,085,994 |
| City of Manassas Park | 2,997,873 |
| Prince William County | 215,013 |
| City of Fredericksburg | 1,622,061 |
| City of Manassas | 2,049,733 |
| | <u>\$ 18,011,872</u> |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 4. Due To/From Other Governments

Amounts due from other governments are as follows:

| | Bus Service and Member Jurisdictions |
|---|--|
| Federal Transit Administration | \$ 61,371,948 |
| Virginia Department of Motor Vehicles - motor fuel tax receipts | 5,248,098 |
| Northern Virginia Transportation Commission | 3,774,200 |
| Virginia Department of Rail and Public Transportation | 4,389,939 |
| Washington Metropolitan Area Transit Authority | 400,551 |
| Virginia Department of Transportation | 20,689 |
| Prince William County - I66 Fare Buydown | 1,120 |
| City of Manassas | 137,005 |
| Prince William County | 861 |
| | <u>\$ 75,344,411</u> |
| | Commuter Rail Service |
| Virginia Passenger Rail Authority | <u>\$ 2,503,434</u> |

Amounts due to other governments are as follows:

| | Bus Service and Member Jurisdictions |
|---|--|
| Virginia Department of Rail and Public Transportation | \$ 3,740 |
| City of Manassas Park | 4,116 |
| City of Manassas | 137,005 |
| | <u>\$ 144,861</u> |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Changes in capital assets for the year ended June 30, 2024 are as follows:

| | Balance July 1, 2023 | Increases | Decreases | Transfers | Balance June 30, 2024 |
|--|-------------------------|----------------------|--------------------|---------------------|--------------------------|
| Capital assets not being depreciated or amortized: | | | | | |
| Land | \$ 6,639,270 | \$ - | \$ - | \$ - | \$ 6,639,270 |
| Construction in progress | 63,674,579 | 30,569,096 | - | (35,867,202) | 58,376,473 |
| Total capital assets not being depreciated or amortized | 70,313,849 | 30,569,096 | - | (35,867,202) | 65,015,743 |
| Capital assets being depreciated and amortized: | | | | | |
| Buses and related equipment | 82,585,825 | 19,852,343 | (6,998,440) | 88,260 | 95,527,988 |
| Rail rolling stock | 143,388,695 | - | - | - | 143,388,695 |
| Buildings | 52,711,975 | - | - | - | 52,711,975 |
| Building improvements | 4,472,466 | 50,381 | (9,679) | 2,837,968 | 7,351,136 |
| Intangible right-to-use lease buildings | 731,784 | - | - | - | 731,784 |
| Intangible right-to-use lease parking lots | 136,751 | - | (136,751) | - | - |
| Intangible right-to-use lease tower | 49,791 | 105,572 | (49,791) | - | 105,572 |
| Intangible right-to-use lease equipment | 34,207 | - | - | - | 34,207 |
| Intangible right-to-use lease facilities | 112,662 | - | - | - | 112,662 |
| Intangible right-to-use subscription assets | 767,262 | - | (121,977) | 262,701 | 907,986 |
| Site improvements | 1,430,513 | - | - | - | 1,430,513 |
| Bus shelters | 1,459,829 | - | (79,026) | - | 1,380,803 |
| Vehicles | 812,110 | 225,434 | (33,830) | - | 1,003,714 |
| Furniture and equipment | 2,438,928 | 35,656 | - | - | 2,474,584 |
| Software and easement | 4,034,978 | - | - | - | 4,034,978 |
| Facilities | 59,514,401 | 41,453 | - | 32,257,006 | 91,812,860 |
| Track and signal improvements | 50,054,135 | - | - | - | 50,054,135 |
| Furniture, equipment, software and building improvement | 10,724,574 | 79,756 | (61,405) | 421,267 | 11,164,192 |
| Equity in property of others | 62,473,241 | - | - | - | 62,473,241 |
| Total capital assets being depreciated and amortized | 477,934,127 | 20,390,595 | (7,490,899) | 35,867,202 | 526,701,025 |
| Less accumulated depreciation and amortization for: | | | | | |
| Buses and related equipment | 59,293,670 | 4,862,743 | (6,998,440) | - | 57,157,973 |
| Rail rolling stock | 70,018,303 | 5,874,158 | - | - | 75,892,461 |
| Buildings | 10,813,785 | 1,757,065 | - | - | 12,570,850 |
| Building improvements | 3,462,654 | 293,041 | (6,732) | - | 3,748,963 |
| Site improvements | 985,122 | 68,198 | - | - | 1,053,320 |
| Bus shelters | 1,423,012 | 14,618 | (79,026) | - | 1,358,604 |
| Vehicles | 326,862 | 138,638 | (33,830) | - | 431,670 |
| Furniture and equipment | 2,449,518 | 181,042 | (61,405) | - | 2,569,155 |
| Software and easement | 3,962,016 | 48,679 | - | - | 4,010,695 |
| Facilities | 28,884,595 | 2,036,910 | - | - | 30,921,505 |
| Track and signal improvements | 26,549,228 | 2,787,838 | - | - | 29,337,066 |
| Furniture, equipment, software and building improvement | 8,681,375 | 409,749 | - | - | 9,091,124 |
| Intangible right-to-use lease buildings | 116,043 | 60,947 | - | - | 176,990 |
| Intangible right-to-use lease parking lots | 109,401 | 62,928 | (136,751) | - | 35,578 |
| Intangible right-to-use lease tower | 38,547 | 20,041 | (49,791) | - | 8,797 |
| Intangible right-to-use lease equipment | 20,821 | 10,942 | - | - | 31,763 |
| Intangible right-to-use lease facilities | 71,156 | - | - | - | 71,156 |
| Intangible right-to-use subscription assets | 249,142 | 324,425 | (45,742) | - | 527,825 |
| Equity in property of others | 2,313,439 | 82,297 | - | - | 2,395,736 |
| Total accumulated depreciation and amortization | 219,768,689 | 19,034,259 | (7,411,717) | - | 231,391,231 |
| Total capital assets being depreciated and amortized, net | 258,165,438 | 1,356,336 | (79,182) | 35,867,202 | 295,309,794 |
| Total capital assets, net | \$ 328,479,287 | \$ 31,925,432 | \$ (79,182) | \$ - | \$ 360,325,537 |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 6. Leases

Details of leases in which PRTC is the lessee are as follows:

| | |
|---|------------|
| Lease obligation for a building. PRTC is required to make monthly principal and interest payments ranging from \$10,608 to \$13,438 through April 2033. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$1,363,291 (\$681,646 PRTC reporting entity). The building has an estimated 141 month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$1,363,291 (\$681,646 PRTC reporting entity) and had accumulated amortization of \$345,623 (\$172,812 PRTC reporting entity). | \$ 555,083 |
| Lease obligation for a building roof. PRTC is required to make monthly principal and interest payments ranging from \$650 to \$787 through March 2038. The lease has an interest rate of 3.40%. An initial lease liability was recorded in the amount of \$100,214 (\$50,107 PRTC reporting entity) during the current fiscal year. The building roof has an estimated 180 month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$100,277 (\$50,138 PRTC reporting entity) and had accumulated amortization of \$8,356 (\$4,178 PRTC reporting entity). | 47,159 |
| Lease obligation for a tower. PRTC is required to make monthly principal and interest payments ranging from \$3,521 to \$3,963 through January 2029. The lease has an interest rate of 2.43%. An initial lease liability was recorded in the amount of \$211,144 (\$105,572 PRTC reporting entity). The tower has an estimated useful life of sixty months. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$211,144 (\$105,572 PRTC reporting entity) and had accumulated amortization of \$17,595 (\$8,797 PRTC reporting entity). | 97,592 |
| Lease obligation for equipment (copier). PRTC is required to make monthly principal and interest payments of \$226 through October 2024. The lease has an interest rate of 3%. An initial lease liability was recorded in the amount of \$8,599. The copier has an estimated forty month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$860. | 899 |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 6. Leases (Continued)

Lease obligation for equipment (copier). PRTC is required to make monthly principal and interest payments of \$545 through July 2024. The lease has an interest rate of 3%. An initial lease liability was recorded in the amount of \$19,225. The copier has an estimated thirty-seven month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$520.

\$ 543

Lease obligation for equipment (postage machine). PRTC is required to make monthly principal and interest payments of \$186 through December 2024. The lease has an interest rate of 3%. An initial lease liability was recorded in the amount of \$6,383. The postage machine has an estimated thirty-six month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$1,064.

1,104

Lease obligation for facilities (parking lot). PRTC is required to make monthly principal and interest payments of \$3,115 to \$3,208 through August 2024. The lease has an interest rate of 3%. An initial lease liability was recorded in the amount of \$112,662. The parking lot has an estimated thirty-eight month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$5,930.

6,392

\$ 708,772

The following table summarizes the total minimum lease payments due:

| Year(s) Ending June 30, | Principal | Interest |
|-------------------------------------|--------------------------|-------------------------|
| 2025 | \$ 78,621 | \$ 19,766 |
| 2026 | 74,140 | 17,679 |
| 2027 | 78,959 | 15,498 |
| 2028 | 84,096 | 13,175 |
| 2029 | 79,420 | 10,738 |
| 2030-2034 | 296,944 | 21,444 |
| 2035-2039 | 16,592 | 1,103 |
| Total minimum lease payments | <u><u>\$ 708,772</u></u> | <u><u>\$ 99,403</u></u> |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 6. Leases (Continued)

PRTC is a lessor for a lease related to a communication tower. The lease term is for 518 months. The exercise of lease renewal options is at the Lessees discretion. PRTC monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease receivable and related deferred inflows of resources if changes occur that are expected to significantly affect the amount of the lease receivable. PRTC will receive annual payments ranging from \$27,421 to \$86,843 (\$13,711 to \$43,422 PRTC reporting entity) through December 2064. An initial lease receivable was recorded in the amount of \$1,437,167 (PRTC reporting entity \$718,584). During fiscal year 2023, there was a remeasurement of the lease receivable due to a contract amendment that resulted in a lease receivable of \$1,064,896 (PRTC reporting entity \$532,448).

PRTC has a deferred inflow of resources associated with its lease that will be recognized as revenue over the term of the lease. As of June 30, 2024, the balance of the deferred inflow was \$1,019,503 (\$509,752 PRTC reporting entity). Lease revenue for the year ended June 30, 2024 was \$9,942 (\$4,971 PRTC reporting entity) net of remeasurement of deferred inflows of resources of \$15,250 (\$7,625 PRTC reporting entity) and lease interest income for the same year was \$32,030 (\$16,015 PRTC reporting entity).

Future minimum lease amounts as of June 30, 2024 are as follows:

| Year(s) Ending June 30, | Principal | Interest | PRTC Reporting Entity | |
|------------------------------------|---------------------|---------------------|-----------------------|-------------------|
| | | | Principal | Interest |
| 2025 | \$ (4,526) | \$ 31,947 | \$ (2,263) | \$ 15,974 |
| 2026 | (3,839) | 32,083 | (1,920) | 16,041 |
| 2027 | (3,107) | 32,198 | (1,553) | 16,099 |
| 2028 | (2,327) | 32,291 | (1,164) | 16,146 |
| 2029 | (1,498) | 32,361 | (749) | 16,180 |
| 2030-2034 | 6,845 | 161,925 | 3,422 | 80,963 |
| 2035-2039 | 36,428 | 159,223 | 18,214 | 79,611 |
| 2040-2044 | 75,261 | 151,552 | 37,631 | 75,776 |
| 2045-2049 | 125,539 | 137,398 | 62,770 | 68,699 |
| 2050-2054 | 189,925 | 114,892 | 94,962 | 57,446 |
| 2055-2059 | 271,637 | 81,730 | 135,819 | 40,865 |
| 2060-2064 | 374,558 | 35,088 | 187,279 | 17,544 |
| Total minimum lease amounts | \$ 1,064,896 | \$ 1,002,688 | \$ 532,448 | \$ 501,344 |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Subscriptions

During the current fiscal year, PRTC had multiple subscription agreements as lessee for software ranging from two to three years. As of June 30, 2024, the balance of the subscription liability was \$106,486 (\$53,243 PRTC reporting entity).

PRTC is required to make annual principal and interest payments ranging from \$2,240 to \$106,762. The subscriptions have an interest rate ranging from 2.35% to 2.80%. The value of the intangible right-to-use subscription assets as of the end of the current fiscal year was \$1,815,971 (\$907,986 PRTC reporting entity) and had accumulated amortization of \$1,055,650 (\$527,825 PRTC reporting entity).

Annual requirements to amortize subscription obligations are as follows:

Subscription liability for an enterprise resource planning (ERP) system. PRTC is required to make annual principal and interest payments in the amount of \$106,762 through August 2025. The subscription has an interest rate of 2.35%. An initial subscription liability was recorded in the amount of \$311,754. The ERP system has an estimated thirty-eight month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was \$1,810,148 (\$905,074 PRTC reporting entity) and had accumulated amortization of \$1,052,375 (\$526,188 PRTC reporting entity). \$ 52,154

Subscription liability for an ERP module. PRTC is required to make annual principal and interest payments of \$2,240 through August 2025. The subscription has an interest rate of 2.80%. An initial subscription liability was recorded in the amount of \$5,823. The ERP module has an estimated thirty-one month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was \$5,823 (\$2,912 PRTC reporting entity) and had accumulated amortization of \$3,275 (\$1,637 PRTC reporting entity). 1,089

\$ 53,243

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 7. Subscriptions (Continued)

The following table summarized the total minimum subscription payments due:

| Year Ending June 30, | Principal | Interest |
|--|------------------|-----------------|
| 2025 | \$ 53,243 | \$ 1,258 |
| Total minimum subscription payments | \$ 53,243 | \$ 1,258 |

Note 8. Long-Term Liabilities

The following is a summary of long-term liability activity for the year ended June 30, 2024:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--------------------------------|----------------------|-------------------|-----------------------|---------------------|------------------------|
| Private placement note payable | \$ 1,825,435 | \$ - | \$ (892,011) | \$ 933,424 | \$ 933,424 |
| Lease liabilities | 748,219 | 105,572 | (145,019) | 708,772 | 78,621 |
| Subscription liabilities | 151,022 | - | (97,779) | 53,243 | 53,243 |
| Compensated absences | 903,314 | 595,487 | (192,598) | 1,306,203 | 44,254 |
| | \$ 3,627,990 | \$ 701,059 | \$ (1,327,407) | \$ 3,001,642 | \$ 1,109,542 |

Private Placement Note Payable

| | Total | PRTC Reporting Entity |
|---|---------------------|--------------------------|
| \$25,100,000 private placement note payable (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 \$8,443,412 (PRTC reporting entity, \$4,221,706) | \$ 1,866,848 | \$ 933,424 |

Future minimum payments as of June 30, 2024 are as follows:

| Year Ending June 30, | Principal | Interest |
|----------------------|-------------------|------------------|
| 2025 | \$ 933,424 | \$ 32,225 |
| | \$ 933,424 | \$ 32,225 |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 9. 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, 2024:

| | Bus Service and Member Jurisdictions | Commuter Rail Service | Total |
|----------------------------------|--|--------------------------|----------------------|
| Cash and investments | \$ 18,011,872 | \$ - | \$ 18,011,872 |
| Due from other governments, net | 5,385,103 | - | 5,385,103 |
| Grants and contributions | - | 628,212 | 628,212 |
| Cash and investments - insurance | - | 5,276,502 | 5,276,502 |
| | <u>\$ 23,396,975</u> | <u>\$ 5,904,714</u> | <u>\$ 29,301,689</u> |

Unrestricted net position consists of the following as of June 30, 2024:

| | Bus Service and Member Jurisdictions | Commuter Rail Service | Total |
|--|--|--------------------------|-----------------------|
| Designation of unrestricted net assets: | | | |
| Carry forward to support future years' budgets | \$ 991,260 | \$ - | \$ 991,260 |
| Local match for federal/state grants | 1,661,963 | - | 1,661,963 |
| Total designations | <u>2,653,223</u> | <u>-</u> | <u>2,653,223</u> |
| Undesignated unrestricted net position | <u>17,403,031</u> | <u>82,506,526</u> | <u>99,909,557</u> |
| Total unrestricted net position | <u>\$ 20,056,254</u> | <u>\$ 82,506,526</u> | <u>\$ 102,562,780</u> |

Note 10. 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

Note 10. 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 10. Joint Venture – Virginia Railway Express (Continued)

Financial information from VRE’s fiscal year 2024 audited financial statements is shown below.

VIRGINIA RAILWAY EXPRESS STATEMENT OF NET POSITION June 30, 2024

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | |
|---|-----------------------|
| Current Assets | |
| Cash and cash equivalents | \$ 53,492,961 |
| Accounts receivable: | |
| Federal due from PRTC | 44,268,636 |
| Federal Pandemic Relief Funds | 5,801,627 |
| Commonwealth of Virginia grants | 47,722,157 |
| Commuter Rail Operating and Capital (C-ROC) Fund | 2,500,000 |
| Trade receivables, net of allowance for doubtful accounts | 341,496 |
| Other receivables | 2,984,770 |
| Inventory | 3,571,025 |
| Prepaid expenses and other | 594,414 |
| Restricted cash, cash equivalents and investments | 31,567,568 |
| Total current assets | 192,844,654 |
| Noncurrent Assets | |
| Lease receivable | 1,064,896 |
| Capital assets (net of \$297,300,351 accumulated depreciation and amortization) | 540,221,879 |
| Total noncurrent assets | 541,286,775 |
| Total assets | 734,131,429 |
| Deferred Outflows of Resources | |
| Loss on refunding | 269,996 |
| Pension plan | 544,731 |
| Other postemployment benefits | 110,974 |
| Total deferred outflows of resources | 925,701 |
| Total assets and deferred outflows of resources | \$ 735,057,130 |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 10. Joint Venture – Virginia Railway Express (Continued)

VIRGINIA RAILWAY EXPRESS STATEMENT OF NET POSITION (Continued) June 30, 2024

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | |
|--|-----------------------|
| Current Liabilities | |
| Accounts payable and accrued liabilities | \$ 24,452,406 |
| Unearned revenue | 1,277,762 |
| Contract retainage | 1,735,408 |
| Current portion of: | |
| Subscription liability | 106,486 |
| Lease liability | 139,366 |
| Private placement note payable | 1,866,848 |
| Bonds payable | 4,795,000 |
| Total current liabilities | <u>34,373,276</u> |
| Noncurrent Liabilities | |
| Pension liability | 70,526 |
| Other postemployment benefits | 367,853 |
| Bonds payable | 154,294,004 |
| Lease liability | 1,260,302 |
| Compensated absences | 876,425 |
| Total noncurrent liabilities | <u>156,869,110</u> |
| Total liabilities | <u>191,242,386</u> |
| Deferred Inflows of Resources | |
| Leases | 1,019,503 |
| Pension plan | 304,000 |
| Other postemployment benefits | 59,033 |
| Total deferred inflows of resources | <u>1,382,536</u> |
| Net Position | |
| Net investment in capital assets | 359,245,516 |
| Restricted for liability insurance plan | 10,553,006 |
| Restricted for debt service | 14,073,320 |
| Restricted grants or contributions | 6,941,242 |
| Unrestricted assets | 151,619,124 |
| Total net position | <u>542,432,208</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 735,057,130</u> |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 10. Joint Venture – Virginia Railway Express (Continued)

**VIRGINIA RAILWAY EXPRESS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Year Ended June 30, 2024**

| | |
|---|------------------------------|
| Operating Revenues | \$ 16,168,731 |
| Operating Expenses | <u>106,046,460</u> |
| Operating loss before depreciation and amortization | (89,877,729) |
| Depreciation and Amortization | <u>(23,548,243)</u> |
| Operating loss | <u>(113,425,972)</u> |
| Nonoperating Revenues (Expenses) | |
| Subsidies: | |
| Commonwealth of Virginia grants | 26,759,223 |
| Federal grants – with PRTC as grantee | 12,962,716 |
| Federal Pandemic Relief Funds | 37,488,029 |
| Jurisdictional contributions | 16,000,000 |
| Commuter Rail Operating and Capital (C-ROC) Fund | 7,496,000 |
| Interest income: | |
| Operating funds | 697,180 |
| Insurance trust | 444,946 |
| Commuter Rail Operating and Capital (C-ROC) Fund | 2,528,870 |
| Other restricted funds and leases | 1,051,284 |
| Loss on disposal of assets | (59,780) |
| Interest, amortization and other nonoperating expenses, net | <u>(6,687,282)</u> |
| Total nonoperating revenues, net | <u>98,681,186</u> |
| Capital Grants and Assistance | |
| Commonwealth of Virginia grants | 24,118,298 |
| Federal grants – with PRTC as grantee | 10,844,459 |
| Commuter Rail Operating and Capital (C-ROC) Fund | 7,504,000 |
| Regional transportation funding (NVT A) | <u>1,907,243</u> |
| Total capital grants and assistance | <u>44,374,000</u> |
| Change in net position | 29,629,214 |
| Net Position, beginning of year | <u>512,802,994</u> |
| Net Position, ending | <u><u>\$ 542,432,208</u></u> |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 11. Direct Transportation Expenses

In addition to PRTC administrative costs, the member jurisdictions authorize disbursements from their respective motor fuel tax revenues for transportation projects operating or originating within their jurisdiction. During the year ended June 30, 2024, amounts expended for joint and jurisdictional transportation projects consisted of:

| | Bus Service and Member Jurisdictions |
|-------------------------------|--|
| VRE support | \$ 5,089,071 |
| Other jurisdictional projects | 6,998,226 |
| | <u>\$ 12,087,297</u> |

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

Note 12. 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 \$323 million) 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 \$78,700 at June 30, 2024, of which \$39,350 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 Keolis Transit Services, LLC, the third-party bus services provider.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 12. 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, 2024 was as follows:

| | Total | PRTC Reporting Entity |
|---------------------------------------|---------------|--------------------------|
| Beginning balance, July 1, 2023 | \$ 10,088,248 | \$ 5,044,124 |
| Insurance premiums paid | (7,310) | (3,655) |
| Claims mitigation and losses incurred | (4,808) | (2,404) |
| Investment income | 444,946 | 222,473 |
| Actuarial and administrative charges | (30,547) | (15,274) |
| Ending balance, June 30, 2024 | \$ 10,490,529 | \$ 5,245,264 |

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 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 available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 13. Pension Plan (Continued)

B. Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|--|--------------------------|
| Inactive members or their beneficiaries currently receiving benefits | 41 |
| Inactive members: | |
| Vested | 28 |
| Non-vested | 26 |
| Long-Term disability | 1 |
| Active elsewhere in VRS | 10 |
| Active members | <u>94</u> |
| Total covered employees | <u><u>200</u></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, 2024 was 6.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

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 \$564,407 and \$523,246 for the years ended June 30, 2024 and 2023, respectively.

D. Net Pension Asset/Liability

PRTC's net pension asset/liability was measured as of June 30, 2023. The total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

E. Actuarial Assumptions

The total pension liability for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2022, 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, 2023.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 13. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

| | |
|---------------------------------------|---|
| Inflation | 2.50 percent |
| Salary increases, including inflation | 3.50 percent – 5.35 percent |
| Investment rate of return | 6.75 percent, net of pension plan investment expense, including inflation |
| Mortality Rates: | 15% of deaths are assumed to be service-related. |
| Pre-retirement: | Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years. |
| Post-retirement: | Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years. |
| Post-disablement: | Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years. |
| Beneficiaries and Survivors: | Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years. |
| Mortality Improvement: | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. |

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | 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) | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return* |
|--------------------------------------|--|---|--|
| Public Equity | 34.00% | 6.14% | 2.09% |
| Fixed Income | 15.00% | 2.56% | 0.38% |
| Credit Strategies | 14.00% | 5.60% | 0.78% |
| Real Assets | 14.00% | 5.02% | 0.70% |
| Private Equity | 16.00% | 9.17% | 1.47% |
| MAPS - Multi-Asset Public Strategies | 4.00% | 4.50% | 0.18% |
| PIP - Private Investment Partnership | 2.00% | 7.18% | 0.14% |
| Cash | 1.00% | 1.20% | 0.01% |
| Total | 100.00% | | 5.75% |
| | | Inflation | 2.50% |
| | | * Expected arithmetic nominal return | 8.25% |

* The above allocation provides a one-year expected return of 8.25%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, 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 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022 actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

H. Changes in the Net Pension (Asset) Liability

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|---------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension (Asset)Liability |
| Balance at June 30, 2022 | \$ 25,758,634 | \$ 25,871,392 | \$ (112,758) |
| Changes for the year: | | | |
| Service cost | 867,475 | - | 867,475 |
| Interest | 1,763,608 | - | 1,763,608 |
| Difference between expected and actual experience | 280,263 | - | 280,263 |
| Contributions – employer | - | 523,246 | (523,246) |
| Contributions – employee | - | 482,987 | (482,987) |
| Net investment income | - | 1,687,642 | (1,687,642) |
| Benefit payments, including refunds of employee contributions | (997,173) | (997,173) | - |
| Administrative expense | - | (16,364) | 16,364 |
| Other changes | - | 683 | (683) |
| Net changes | 1,914,173 | 1,681,021 | 233,152 |
| Balance at June 30, 2023 | \$ 27,672,807 | \$ 27,552,413 | \$ 120,394 |

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

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|--------------------------------------|------------------------|-------------------------------------|------------------------|
| Plan's net pension (asset) liability | \$ 4,179,322 | \$ 120,394 | \$ (3,114,210) |

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

For the year ended June 30, 2024, the Commission recognized pension expense of \$573,225. 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 | \$ 220,538 | \$ (148,238) |
| Change in assumptions | 146,747 | - |
| Net difference between projected and actual earnings on pension plan investments | - | (370,716) |
| Employer contributions subsequent to the measurement date | 564,407 | - |
| Total | \$ 931,692 | \$ (518,954) |

The \$564,407 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, 2025. Other amounts reported as deferred outflows and (inflows) of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|----------------------|---------------------|
| 2025 | \$ (139,458) |
| 2026 | (434,278) |
| 2027 | 410,377 |
| 2028 | 11,690 |
| | <u>\$ (151,669)</u> |

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

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.

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is available at:

- <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% 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, 2024, was 0.54% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. 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 \$64,270 and \$58,998 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. PRTC's proportionate share of \$4,707 is reflected within the Statement of Revenues, Expenses and change in Net Position in the financial statements.

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

At June 30, 2024, PRTC reported a liability of \$556,362, for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. 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, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer’s proportion was \$59,013 or 0.04639% as compared to \$52,410 or 0.04462% at June 30, 2022.

For the year ended June 30, 2024, PRTC recognized GLI OPEB expense of \$28,131. 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, 2024, 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 |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 55,567 | \$ (16,888) |
| Change in assumptions | 11,892 | (38,547) |
| Net difference between projected and actual earnings on GLI OPEB program investments | - | (22,358) |
| Changes in proportionate share | 35,014 | (20,951) |
| Employer contributions subsequent to the measurement date | 64,270 | - |
| Total | <u>\$ 166,743</u> | <u>\$ (98,744)</u> |

The \$64,270 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|----------------------|-----------------|
| 2025 | \$ (5,110) |
| 2026 | (23,434) |
| 2027 | 14,147 |
| 2028 | 8,945 |
| 2029 | 9,181 |
| | <u>\$ 3,729</u> |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2022, 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, 2023.

| | |
|--|--|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| Locality – general employees | 3.50%-5.35% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation |

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

| | |
|-----------------------------|--|
| Pre-retirement: | Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years. |
| Post-retirement: | Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year. |
| Post-disablement: | Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years. |
| Beneficiaries and Survivors | Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally. |
| Mortality Improvement Scale | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. |

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

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, 2023, NOL amounts for the GLI is as follows (expressed in thousands):

| | |
|-------------------------------|----------------------------|
| | GLI OPEB Program |
| Total GLI OPEB liability | \$ 3,907,052 |
| Plan fiduciary net position | <u>2,707,739</u> |
| GLI Net OPEB liability | <u>\$ 1,199,313</u> |

Plan fiduciary net position as a percentage of the total GLI OPEB liability 69.30%

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.

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) | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return* |
|--------------------------------------|--|---|--|
| Public Equity | 34.00% | 6.14% | 2.09% |
| Fixed Income | 15.00% | 2.56% | 0.38% |
| Credit Strategies | 14.00% | 5.60% | 0.78% |
| Real Assets | 14.00% | 5.02% | 0.70% |
| Private Equity | 16.00% | 9.17% | 1.47% |
| MAPS - Multi-Asset Public Strategies | 4.00% | 4.50% | 0.18% |
| PIP - Private Investment Partnership | 2.00% | 7.18% | 0.14% |
| Cash | 1.00% | 1.20% | 0.01% |
| Total | <u>100.00%</u> | | <u>5.75%</u> |
| | | Inflation | <u>2.50%</u> |
| | | * Expected arithmetic nominal return | <u><u>8.25%</u></u> |

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 (Continued)

*The above allocation provides a one-year expected return of 8.25%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, 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 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|--|------------------------|-------------------------------------|------------------------|
| PRTC's proportionate share of the GLI net OPEB liability (asset) | \$ 824,702 | \$ 556,362 | \$ 339,407 |

I. GLI Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 15. Other Postemployment Benefits Plan – Health Insurance Credit Program

A. Plan Description

All full-time, salaried permanent employees of PRTC are automatically covered by the VRS Health Insurance Credit Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death. The specific information about the Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is available at:

- <https://www.varetire.org/retirees/insurance/healthinscredit/>

B. Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

| | <u>Number</u> |
|--|-------------------|
| Inactive members or their beneficiaries currently receiving benefits | 6 |
| Inactive members: | |
| Vested | 2 |
| Long-Term disability | 1 |
| Active elsewhere in VRS | 9 |
| Active members | <u>98</u> |
| Total covered employees | <u><u>116</u></u> |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 15. Other Postemployment Benefits Plan – Health Insurance Credit Program (Continued)

C. Contributions

The contribution requirement for active employees is governed by Title 51.1-1402(E) 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. PRTC's contractually required employer contribution rate for the year ended June 30, 2024 was .16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from PRTC to the HIC program were \$19,043 and \$5,914 for the years ended June 30, 2024 and 2023, respectively.

D. Net HIC OPEB Liability

At June 30, 2024, PRTC reported a net HIC OPEB liability of \$59,476, which was measured as of June 30, 2023. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

E. Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2022 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, 2023:

| | |
|--|--|
| Inflation | 2.50% |
| Salary increases, including inflation: | |
| General employees | 3.50%-5.35% |
| Investment rate of return | 6.75%, net of OPEB plan investment expenses, including inflation |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 15. Other Postemployment Benefits Plan – Health Insurance Credit Program (Continued)

E. Actuarial Assumptions (Continued)

Mortality Rates Non-Largest 10 Locality Employers – General Employees

| | |
|-----------------------------|--|
| Pre-retirement: | Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years. |
| Post-retirement: | Pub-2010 Amount Weighted Safety Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years. |
| Post-disablement: | Pub-2010 Amount Weighted General Disabled Rate projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years. |
| Beneficiaries and Survivors | Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years. |
| Mortality Improvement Scale | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. |

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all. |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service through 9 years of service. |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 15. Other Postemployment Benefits Plan – Health Insurance Credit 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) | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return* |
|--------------------------------------|-----------------------------------|--|---|
| Public Equity | 34.00% | 6.14% | 2.09% |
| Fixed Income | 15.00% | 2.56% | 0.38% |
| Credit Strategies | 14.00% | 5.60% | 0.78% |
| Real Assets | 14.00% | 5.02% | 0.70% |
| Private Equity | 16.00% | 9.17% | 1.47% |
| MAPS - Multi-Asset Public Strategies | 4.00% | 4.50% | 0.18% |
| PIP - Private Investment Partnership | 2.00% | 7.18% | 0.14% |
| Cash | 1.00% | 1.20% | 0.01% |
| Total | <u>100.00%</u> | | <u>5.75%</u> |
| | Inflation | | <u>2.50%</u> |
| | | | <u>8.25%</u> |

* Expected arithmetic nominal return

* The above allocation provides a one-year expected return of 8.25%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at the time, providing a median return of 7.14%, including expected inflation of 2.50%.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 15. Other Postemployment Benefits Plan – Health Insurance Credit Program (Continued)

G. Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that 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, 2023, the rate contributed by PRTC for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

H. Changes in Net HIC OPEB Liability

| | Increase (Decrease) | | |
|--|------------------------------------|---------------------------------------|------------------------------------|
| | Total HIC OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net HIC OPEB Liability (a-b) |
| Balances at June 30, 2022 | \$ - | \$ - | \$ - |
| Changes for the Year: | | | |
| Interest | (48) | - | (48) |
| Changes of benefit terms | 96,968 | - | 96,968 |
| Contributions – employer | - | 36,215 | (36,215) |
| Net investment income | - | 1,279 | (1,279) |
| Benefit payments, including refunds of employee contributions | (1,425) | (1,425) | - |
| Administrative expense | - | (50) | 50 |
| Net changes | 95,495 | 36,019 | 59,476 |
| Balances at June 30, 2023 | \$ 95,495 | \$ 36,019 | \$ 59,476 |

I. Sensitivity of the Net HIC OPEB Liability to Changes in the Discount Rate

The following presents PRTC’s HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the net HIC OPEB liability would be if it were calculated using a discount rate that is 1% point lower (5.75%) or 1% point higher (7.75%) than the current rate:

| | Current Discount | | |
|---|------------------------|-----------------|------------------------|
| | 1% Decrease (5.75%) | Rate (6.75%) | 1% Increase (7.75%) |
| PRTC's proportionate share of the HIC net OPEB liability | \$ 72,199 | \$ 59,476 | \$ 48,850 |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 15. Other Postemployment Benefits Plan – Health Insurance Credit Program (Continued)

J. HIC OPEB Liabilities, HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the HIC Insurance Program OPEB

For the year ended June 30, 2024, PRTC recognized HIC Program OPEB expense of \$42,362. At June 30, 2024, PRTC reported deferred outflows of resources and deferred inflows of resources related to the HIC OPEB Program from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ (86) |
| Employer contributions subsequent to the measurement date | 19,043 | - |
| Total | \$ 19,043 | \$ (86) |

The \$19,043 reported as deferred outflows of resources related to the HIC OPEB resulting from PRTC’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

| Year Ending June 30, | Amount |
|----------------------|----------------|
| 2025 | \$ (21) |
| 2026 | (21) |
| 2027 | (21) |
| 2028 | (23) |
| Total | \$ (86) |

K. Health Insurance Credit Program Plan Data

Detailed information about the VRS Political Subdivision HIC Program is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 16. Contingencies and Contractual Commitments

Federal and State-Assisted Programs

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

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 to be remitted.

At June 30, 2024, there were disputes between VRE (Commuter Rail Service Fund) and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal (with PRTC as grantee) and Commonwealth of Virginia grants (with NVTC – VRE as grantee) and local funds will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenses incurred as of June 30, 2024:

| | |
|-------------------------------|------------------------------------|
| Stations and parking lots | \$ 23,341,105 |
| Rail rolling stock | 63,553,737 |
| Maintenance and layover yards | 1,436,028 |
| Track and Signal Improvements | 176,000 |
| Other administrative | <u>186,283</u> |
| Total | <u><u>\$ 88,693,153</u></u> |

PRTC entered into contracts in December 2023 and June 2024 to purchase fuel at set prices for delivery in July 2024 through June 2025. The total commitment is for 1,008,000 gallons of fuel at approximately \$2,723,969. The fuel will be used in the normal course of business and is not being purchased for resale.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 17. Operating Leases and Agreements

Operating Access Agreements with the CSX Transportation and Norfolk Southern railroads provide the Commissions the right to use tracks owned by the railroads in the provision of commuter rail passenger service. These agreements require the Commissions to pay the railroads a monthly base fee and to reimburse the railroads for any incremental cost incurred by the railroads as a result of providing track access for commuter rail service. For the year ended June 30, 2024, annual track usage fees totaled approximately \$12,411,000 of which \$7,390,000 is recognized by the PRTC reporting entity, and facility and other identified costs totaled approximately \$492,000, of which \$293,000 is recognized by the PRTC reporting entity. The increase in track usage fees and other direct services primarily reflects annual contract escalations.

The agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and midday services and electrical power became effective on July 1, 2015. For the year ended June 30, 2024, costs for track access and equipment storage totaled approximately \$7,992,000, of which \$4,760,000 was recognized by the PRTC reporting entity. Costs for mid-day maintenance, utility, and other services totaled approximately \$5,226,000 of which \$3,110,000 was recognized by the PRTC reporting entity. The increase in these costs is primarily due to annual contract escalations driven by the Association of American Railroads (ARR) cost indexes. Cost adjustments will be made in fiscal year 2025 to reflect changes to various published cost indices and the number of trains that have access to and are stored and serviced at the terminal. After October 1, 2015, charges for terminal access are determined in accordance with the cost-sharing arrangement for the Northeast Corridor passenger rail infrastructure mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA).

The Commissions signed a contract with Keolis Rail Services Virginia, LLC for train operations and maintenance for a five-year period beginning July 1, 2015. Separate contracts for maintenance of equipment and facilities became effective for the period beginning July 1, 2016. In May 2020, the Commissions authorized the Chief Executive Officer to amend the contract for Operating Services for Commuter Rail with Keolis Rail Services Virginia, LLC thereby exercising the second five-year option period, effective July 1, 2020 through June 30, 2025.

Subsequently, in May 2021, the Commissions authorized the Chief Executive Officer to amend the contract for Maintenance Services for Commuter Rail with Keolis Rail Services Virginia, LLC thereby exercising the first five-year option period, effective July 1, 2021 through June 30, 2026. The cost of train operations and maintenance for the year ended June 30, 2024, totaled approximately \$28,391,000, of which \$16,900,000 is recognized by the PRTC reporting entity. The increase in train operation and maintenance costs is primarily a result of annual contract escalations and additional staff for the maintenance of rail facilities. Costs are based on an annual budget prepared in advance. Costs for fiscal year 2025 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 18. Interfund Transfers

| | Bus Service and Member Jurisdictions | Commuter Rail Service | Total Transferred Out |
|--------------------------------------|--|--------------------------|--------------------------|
| Transfer from fund: | | | |
| Bus Service and Member Jurisdictions | \$ - | \$ 61,295,204 | \$ 61,295,204 |
| Commuter Rail Service | (93,072) | - | (93,072) |
| Total transferred in | \$ (93,072) | \$ 61,295,204 | \$ 61,202,132 |

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 19. Pending GASB Statements

At June 30, 2024, GASB had issued statements not yet implemented by PRTC. The statements which might impact PRTC are as follows:

GASB Statement No. 101, *Compensated Absences*, is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 will be effective for PRTC beginning with its year ending June 30, 2025.

GASB Statement No. 102, *Certain Risk Disclosures*, requires PRTC to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires PRTC to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If PRTC determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Statement 102 will be effective for PRTC beginning with its year ending June 30, 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements*, provides guidance to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. Statement 103 will be effective for PRTC beginning with its year ending June 30, 2026.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 19. Pending GASB Statements (Continued)

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, provides users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnership and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. The requirements related to Statement No. 104 will be effective for PRTC beginning with its year ending June 30, 2026.

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

Note 20. Subsequent Events

In September 2024, the VRE Operations Board authorized the Chief Executive Officer to execute a contract with Gannett Fleming, Inc. of Fairfax, Virginia, for Construction Management Services for the Alexandria Station Improvements Project in the amount of \$9,353,863, plus a 10 percent contingency of \$935,386, for a total amount not to exceed \$10,289,249.

In September 2024, the VRE Operations Board authorized the Chief Executive Officer to execute a General Engineering Consulting Services VIII Task Order with HDR Engineering, Inc. for Engineering Support for the Crossroads Maintenance and Storage Facility Administrative and Employee Welfare Building Project in the amount of \$1,351,300, plus a 10 percent contingency of \$135,130, for a total not to exceed \$1,486,430.

On September 5, 2024, the Virginia Passenger Rail Authority (VPRA) purchased approximately 24 miles of the Manassas Line from Norfolk Southern Corporation (NS). Through this new agreement, VPRA also gained access to the railroad's main line (N-Line) in Christiansburg, Virginia, a key component to the Commonwealth's planned intercity rail service expansion to the New River Valley. VRE and VPRA staff have developed a draft Funding Agreement laying out the parameters for VRE's financial participation in the Manassas Line transaction, which is expected to include acquisition by VRE of four separate property interests (Seminary Yard in Alexandria; the Broad Run Corridor in Manassas; permanent easements for five existing Manassas Line station platforms; and a permanent commuter rail operating easement over the line). In October 2024, the Commissions approved a new operating access agreement between VRE and NS covering the small sections of the Manassas Line retained by NS for an initial annual fee of \$750,000, subject to escalations. Commission approvals of the Manassas Line Funding Agreement and a long-term Manassas Line operating access agreement between VRE and VPRA are expected in the November 2024 to January 2025 timeframe.

In November 2024, the Potomac and Rappahannock Transportation Commission authorized the Executive Director to award a contract to Subsurface Technologies, Inc. in the amount of \$2,147,576 for the replacement of the underground fuel storage tanks and fueling equipment at the Transit Center.

REQUIRED SUPPLEMENTARY INFORMATION

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

| | Fiscal Year June 30, | | | | | | | | | |
|--|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Contractually required contribution (CRC) | \$ 460,763 | \$ 478,465 | \$ 419,283 | \$ 413,760 | \$ 354,543 | \$ 323,989 | \$ 421,362 | \$ 454,868 | \$ 523,246 | \$ 564,407 |
| Contributions in relation to the CRC | 460,763 | 478,465 | 419,283 | 413,760 | 354,543 | 323,989 | 421,362 | 454,868 | 523,246 | 564,407 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 7,265,941 | \$ 7,785,947 | \$ 8,627,885 | \$ 8,875,155 | \$ 9,076,294 | \$ 8,973,294 | \$ 8,866,711 | \$ 9,705,606 | \$ 10,928,358 | \$ 11,901,932 |
| Contributions as a percentage of covered payroll | 6.34% | 6.15% | 4.86% | 4.66% | 3.91% | 3.61% | 4.75% | 4.69% | 4.79% | 4.74% |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

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

| | Fiscal Year June 30, | | | | | | | | | |
|--|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Total Pension Liability | | | | | | | | | | |
| Service cost | \$ 722,134 | \$ 743,258 | \$ 778,686 | \$ 756,831 | \$ 796,518 | \$ 747,243 | \$ 766,964 | \$ 718,141 | \$ 781,338 | \$ 867,475 |
| Interest | 763,704 | 850,266 | 942,652 | 1,051,830 | 1,132,348 | 1,233,409 | 1,339,757 | 1,481,325 | 1,668,067 | 1,763,608 |
| Changes of assumptions | - | - | - | (243,263) | 108,387 | 631,239 | - | 803,822 | - | - |
| Differences between expected and actual experience | - | 92,275 | 284,843 | 38,724 | - | 312,560 | 743,287 | (221,363) | (239,320) | 280,263 |
| Benefit payments, including refunds of employee contributions | (222,525) | (275,932) | (456,078) | (436,912) | (470,829) | (716,216) | (676,419) | (829,005) | (764,428) | (997,173) |
| Net change in total pension liability | 1,263,313 | 1,409,867 | 1,550,103 | 1,167,210 | 1,566,424 | 2,208,235 | 2,173,589 | 1,952,920 | 1,445,657 | 1,914,173 |
| Total pension liability - beginning | 11,021,316 | 12,284,629 | 13,694,496 | 15,244,599 | 16,411,809 | 17,978,233 | 20,186,468 | 22,360,057 | 24,312,977 | 25,758,634 |
| Total pension liability - ending (a) | \$ 12,284,629 | \$ 13,694,496 | \$ 15,244,599 | \$ 16,411,809 | \$ 17,978,233 | \$ 20,186,468 | \$ 22,360,057 | \$ 24,312,977 | \$ 25,758,634 | \$ 27,672,807 |
| Plan Fiduciary Net Position | | | | | | | | | | |
| Contributions - employer | \$ 528,296 | \$ 460,763 | \$ 478,465 | \$ 419,283 | \$ 413,760 | \$ 354,543 | \$ 323,989 | \$ 421,362 | \$ 454,868 | \$ 523,246 |
| Contributions - employee | 414,844 | 494,240 | 375,574 | 407,825 | 411,106 | 414,063 | 419,869 | 399,479 | 435,662 | 482,987 |
| Net investment income | 1,697,173 | 603,590 | 259,738 | 1,829,732 | 1,265,980 | 1,249,744 | 378,372 | 5,570,288 | (41,059) | 1,687,642 |
| Benefit payments, including refunds of employee contributions | (222,525) | (275,932) | (456,078) | (436,912) | (470,829) | (716,216) | (676,419) | (829,005) | (764,428) | (997,173) |
| Administrative expense | (8,482) | (7,442) | (8,396) | (9,970) | (10,415) | (11,937) | (12,621) | (13,494) | (15,836) | (16,364) |
| Other | 89 | (131) | (107) | (1,654) | (1,150) | (791) | (457) | 530 | 608 | 683 |
| Net change in plan fiduciary net position | 2,409,395 | 1,275,088 | 649,196 | 2,208,304 | 1,608,452 | 1,289,406 | 432,733 | 5,549,160 | 69,815 | 1,681,021 |
| Plan fiduciary net position - beginning | 10,379,843 | 12,789,238 | 14,064,326 | 14,713,522 | 16,921,826 | 18,530,278 | 19,819,684 | 20,252,417 | 25,801,577 | 25,871,392 |
| Plan fiduciary net position - ending (b) | 12,789,238 | 14,064,326 | 14,713,522 | 16,921,826 | 18,530,278 | 19,819,684 | 20,252,417 | 25,801,577 | 25,871,392 | 27,552,413 |
| PRTC's net pension (asset) liability - ending (a) - (b) | \$ (504,609) | \$ (369,830) | \$ 531,077 | \$ (510,017) | \$ (552,045) | \$ 366,784 | \$ 2,107,640 | \$ (1,488,600) | \$ (112,758) | \$ 120,394 |
| Plan fiduciary net position as a percentage of the total pension liability | 104.11% | 102.70% | 96.52% | 103.11% | 103.07% | 98.18% | 90.57% | 106.12% | 100.44% | 99.56% |
| Covered payroll | \$ 6,582,460 | \$ 7,265,941 | \$ 7,785,947 | \$ 8,627,885 | \$ 8,875,155 | \$ 9,076,294 | \$ 8,973,294 | \$ 8,866,711 | \$ 9,705,606 | \$ 10,928,358 |
| PRTC's net pension (asset) liability as a percentage of covered payroll | -7.67% | -5.09% | 6.82% | -5.91% | -6.22% | 4.04% | 23.49% | -16.79% | -1.16% | 1.10% |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

**SCHEDULE OF NET OPEB LIABILITY –
GROUP LIFE INSURANCE PROGRAM**

| | Fiscal Year June 30, | | | | | | |
|---|----------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Total Group Life Insurance OPEB Liability | | | | | | | |
| The Commission's Portion of the Net GLI OPEB Liability | 0.04678% | 0.04670% | 0.04626% | 0.04360% | 0.04294% | 0.04462% | 0.04639% |
| The Commission's Proportionate Share of the Net GLI OPEB Liability | \$ 703,000 | \$ 709,000 | \$ 752,773 | \$ 727,613 | \$ 499,938 | \$ 537,268 | \$ 556,362 |
| The Commission's Covered Payroll | \$ 8,627,885 | \$ 8,875,155 | \$ 9,076,294 | \$ 8,973,294 | \$ 8,866,711 | \$ 9,705,606 | \$ 10,928,358 |
| The Commission's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 8.15% | 7.99% | 8.29% | 8.11% | 5.64% | 5.54% | 5.09% |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 48.86% | 51.22% | 52.00% | 52.64% | 67.45% | 67.21% | 69.30% |

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 CONTRIBUTIONS – OPEB –
GROUP LIFE INSURANCE PROGRAM**

| | Fiscal Year June 30, | | | | | | | | | |
|--|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Contractually required contribution (CRC) | \$ 38,509 | \$ 41,266 | \$ 44,865 | \$ 46,151 | \$ 47,196 | \$ 46,660 | \$ 47,879 | \$ 52,410 | \$ 58,998 | \$ 64,270 |
| Contributions in relation to the CRC | 38,509 | 41,266 | 44,865 | 46,151 | 47,196 | 46,660 | 47,879 | 52,410 | 58,998 | 64,270 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Employer's covered payroll | \$ 7,265,941 | \$ 7,785,947 | \$ 8,627,885 | \$ 8,875,155 | \$ 9,076,294 | \$ 8,973,294 | \$ 8,866,711 | \$ 9,705,606 | \$ 10,928,358 | \$ 11,901,932 |
| Contributions as a percentage of covered payroll | 0.53% | 0.53% | 0.52% | 0.52% | 0.52% | 0.52% | 0.54% | 0.54% | 0.54% | 0.54% |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

**SCHEDULE OF NET OPEB LIABILITY –
HEALTH INSURANCE CREDIT PROGRAM AND RELATED RATIOS**

| | Fiscal Year June 30, <u>2023</u> |
|--|--|
| Total HIC OPEB Liability | |
| Interest | \$ (48) |
| Changes of benefit terms | 96,968 |
| Benefit payments | <u>(1,425)</u> |
| Net change in total HIC OPEB liability | 95,495 |
| Total HIC OPEB liability - beginning | - |
| Total HIC OPEB liability - ending (a) | <u><u>\$ 95,495</u></u> |
| Plan Fiduciary Net Position | |
| Contributions - employer | \$ 36,215 |
| Net investment income | 1,279 |
| Benefit payments, including refunds | (1,425) |
| Administrative expense | <u>(50)</u> |
| Net change in plan fiduciary net position | 36,019 |
| Plan fiduciary net position - beginning | - |
| Plan fiduciary net position - ending (b) | <u><u>36,019</u></u> |
| PRTC's net HIC OPEB liability - ending (a) - (b) | <u><u>\$ 59,476</u></u> |
| Plan fiduciary net position as a percentage of the total HIC OPEB liability | 37.72% |
| Covered payroll | \$ 3,696,519 |
| PRTC's net HIC OPEB liability as a percentage of covered payroll | 1.61% |

Note to Schedule:

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

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

**SCHEDULES OF CONTRIBUTIONS – OPEB –
HEALTH INSURANCE CREDIT PROGRAM**

| | Fiscal Year June 30, | |
|--|----------------------|----------------------|
| | 2023 | 2024 |
| Contractually required contribution (CRC) | \$ 5,914 | \$ 19,043 |
| Contributions in relation to the CRC | 5,914 | 19,043 |
| Contribution deficiency (excess) | \$ - | \$ - |
| Employer's covered payroll | 3,696,519 | \$ 11,901,932 |
| Contributions as a percentage of covered payroll | 0.16% | 0.16% |

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – VIRGINIA RETIREMENT SYSTEM Year Ended June 30, 2024

Note 1. Changes of Benefit Terms

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

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through nine years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2024

Note 1. Group Life Insurance Program

A. Changes of Benefit Terms

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

B. Changes of Assumptions

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest 10 Locality Employers – General Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through nine years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

Note 2. Health Insurance Credit 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.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFITS
Year Ended June 30, 2024**

Note 2. Health Insurance Credit Program (Continued)

B. Changes of Assumptions

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest 10 Locality Employers – General Employees

| | |
|---|--|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Update to Pub-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through nine years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Discount Rate | No change |

SUPPLEMENTARY INFORMATION

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

COMPARATIVE STATEMENTS OF NET POSITION –
BUS SERVICE AND MEMBER JURISDICTIONS

June 30, 2024 and 2023

| <u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u> | <u>2024</u> | <u>2023</u> |
|---|-----------------------|-----------------------|
| Current Assets | | |
| Cash and investments in banks | \$ 13,700,624 | \$ 13,508,214 |
| Receivables: | | |
| Due from other governments | 75,344,411 | 63,577,824 |
| Due from Commuter Rail Service Fund | 2,789,787 | 1,930,662 |
| Miscellaneous | 38,254 | 4,146 |
| Prepaid expenses and other assets | 35,680 | 60,667 |
| Restricted assets: | | |
| Cash and investments in pooled funds - member jurisdictions | 18,011,872 | 17,739,443 |
| Total current assets | 109,920,628 | 96,820,956 |
| Noncurrent Assets | | |
| Net pension asset | - | 45,305 |
| Capital assets: | | |
| Transportation equipment: | | |
| Buses and related equipment | 95,527,988 | 82,585,825 |
| Less: accumulated depreciation | (57,157,972) | (59,293,669) |
| Transportation equipment, net | 38,370,016 | 23,292,156 |
| Land, buildings and equipment: | | |
| Land | 6,639,270 | 6,639,270 |
| Buildings | 52,711,975 | 52,711,975 |
| Building improvements | 7,351,136 | 4,472,466 |
| Intangible right-to-use lease equipment | 34,207 | 34,207 |
| Intangible right-to-use lease facilities | 112,662 | 112,662 |
| Construction in progress | 404,503 | 3,073,151 |
| Site improvements | 1,430,513 | 1,430,513 |
| Bus shelters | 1,380,803 | 1,459,829 |
| Vehicles | 853,034 | 736,440 |
| Furniture and equipment | 2,474,584 | 2,438,928 |
| Software and easement | 4,034,978 | 4,034,978 |
| Less: accumulated depreciation and amortization | (25,583,083) | (23,305,278) |
| Land, buildings and equipment, net | 51,844,582 | 53,839,141 |
| Total capital assets, net | 90,214,598 | 77,131,297 |
| Total noncurrent assets | 90,214,598 | 77,176,602 |
| Total assets | 200,135,226 | 173,997,558 |
| Deferred Outflows of Resources | | |
| Pension plan | 386,961 | 466,772 |
| Other postemployment benefits | 74,812 | 56,693 |
| Total deferred outflows of resources | 461,773 | 523,465 |
| Total assets and deferred outflows of resources | \$ 200,596,999 | \$ 174,521,023 |

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | 2024 | 2023 |
|--|-----------------------|-----------------------|
| Current Liabilities | | |
| Accounts payable and other liabilities | \$ 8,231,379 | \$ 16,286,558 |
| Accrued payroll and benefits | 512,159 | 463,027 |
| Due to other governments | 144,861 | 3,740 |
| Due to Commuter Rail Service Fund | 50,070,267 | 35,355,688 |
| Unearned revenue | 6,880,797 | 1,111,316 |
| Compensated absences | 9,362 | 62,697 |
| Lease liability | 8,938 | 48,720 |
| Total current liabilities | 65,857,763 | 53,331,746 |
| Noncurrent Liabilities | | |
| Compensated absences | 740,298 | 569,591 |
| Net pension liability | 49,868 | - |
| Net other postemployment benefits liability | 247,985 | 209,195 |
| Lease liability | - | 8,938 |
| Total noncurrent liabilities | 1,038,151 | 787,724 |
| Total liabilities | 66,895,914 | 54,119,470 |
| Deferred Inflows of Resources | | |
| Pension plan | 214,954 | 391,059 |
| Other postemployment benefits | 39,797 | 53,561 |
| Total deferred inflows of resources | 254,751 | 444,620 |
| Net Position | | |
| Net investment in capital assets | 89,993,105 | 75,324,474 |
| Restricted - member jurisdictions | 23,396,975 | 22,536,143 |
| Restricted - pension asset | - | 45,305 |
| Unrestricted | 20,056,254 | 22,051,011 |
| Total net position | 133,446,334 | 119,956,933 |
| Total liabilities, deferred inflows of resources and net position | \$ 200,596,999 | \$ 174,521,023 |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

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

Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|---|-----------------------|-----------------------|
| Operating Revenues | | |
| Motor fuel tax | \$ 33,735,063 | \$ 30,723,138 |
| Farebox | 5,701,035 | 3,773,719 |
| Total operating revenues | 39,436,098 | 34,496,857 |
| Operating Expenses | | |
| Direct transportation | 18,086,772 | 15,269,237 |
| Salaries and related benefits | 7,002,761 | 6,243,742 |
| Contractual services | 38,743,115 | 35,061,458 |
| Other services | 1,980,410 | 2,056,553 |
| Materials, supplies and minor equipment | 480,553 | 463,736 |
| Fuel | 3,383,632 | 3,889,589 |
| Total operating expenses | 69,677,243 | 62,984,315 |
| Operating loss before depreciation and amortization | (30,241,145) | (28,487,458) |
| Depreciation and amortization | (7,260,138) | (6,824,242) |
| Operating loss | (37,501,283) | (35,311,700) |
| Nonoperating Revenues (Expenses) | | |
| Commonwealth of Virginia grants | 14,308,209 | 15,716,043 |
| Commonwealth of Virginia GLI contribution | 1,895 | - |
| Federal grants | 66,813,321 | 45,981,921 |
| Investment income | 1,196,161 | 886,543 |
| Pass-through grants - member jurisdictions | (231,855) | (181,077) |
| Interest | (1,066) | 4,754 |
| Other revenue | 531,351 | 1,387,617 |
| Total nonoperating revenues, net | 82,618,016 | 63,795,801 |
| Capital Grants and Assistance | | |
| Commonwealth of Virginia grants | 11,939,452 | 3,232,249 |
| Federal grants | 17,619,793 | 20,735,038 |
| Capital contributions | - | 10,150 |
| Total capital grants and assistance | 29,559,245 | 23,977,437 |
| Income before transfers and gain on disposal of assets | 74,675,978 | 52,461,538 |
| Transfers In | 93,072 | 88,013 |
| Transfers Out | (61,295,204) | (49,963,856) |
| Transfers, net | (61,202,132) | (49,875,843) |
| Gain on Disposal of Assets | 15,555 | 49,659 |
| Change in net position | 13,489,401 | 2,635,354 |
| Net Position, beginning | 119,956,933 | 117,321,579 |
| Net Position, ending | \$ 133,446,334 | \$ 119,956,933 |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

COMPARATIVE STATEMENTS OF NET POSITION – COMMUTER RAIL SERVICE

June 30, 2024 and 2023

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | 2024 | 2023 |
|---|-----------------------|-----------------------|
| Current Assets | | |
| Cash and investments in bank | \$ 31,839,191 | \$ 22,010,995 |
| Receivables: | | |
| Due from Bus Service and Member Jurisdictions Fund | 50,070,267 | 35,355,688 |
| Due from other governments | 2,503,434 | 1,297,496 |
| Trade receivables, net of allowance for doubtful accounts | 203,260 | 102,887 |
| Miscellaneous | 1,831,847 | 2,339,602 |
| Inventory | 2,125,486 | 870,951 |
| Prepaid expenses and other assets | 353,797 | 157,551 |
| Restricted cash, cash equivalents and investments | 5,904,714 | 5,668,499 |
| Total current assets | 94,831,996 | 67,803,669 |
| Noncurrent Assets | | |
| Lease receivable | 532,448 | 529,864 |
| Net pension asset | - | 67,453 |
| Capital assets: | | |
| Transportation equipment: | | |
| Rail rolling stock | 143,388,695 | 143,388,695 |
| Less: accumulated depreciation | (75,892,462) | (70,018,305) |
| Transportation equipment, net | 67,496,233 | 73,370,390 |
| Buildings and equipment: | | |
| Construction in progress | 57,971,970 | 60,601,428 |
| Vehicles | 150,680 | 75,670 |
| Intangible right-to-use-lease buildings | 731,784 | 731,784 |
| Intangible right-to-use-lease parking lots | - | 136,751 |
| Intangible right-to-use-lease tower | 105,572 | 49,791 |
| Intangible right-to-use subscription assets | 907,986 | 767,262 |
| Facilities | 91,812,860 | 59,514,401 |
| Track and signal improvements | 50,054,135 | 50,054,135 |
| Furniture, equipment and software | 11,164,192 | 10,724,574 |
| Equity in property of others | 62,473,241 | 62,473,241 |
| Less: accumulated depreciation and amortization | (72,757,714) | (67,151,437) |
| Buildings and equipment, net | 202,614,706 | 177,977,600 |
| Total capital assets, net | 270,110,939 | 251,347,990 |
| Total noncurrent assets | 270,643,387 | 251,945,307 |
| Total assets | 365,475,383 | 319,748,976 |
| Deferred Outflows of Resources | | |
| Pension plan | 544,731 | 694,950 |
| Other postemployment benefits | 110,974 | 88,910 |
| Total deferred outflows of resources | 655,705 | 783,860 |
| Total assets and deferred outflows of resources | \$ 366,131,088 | \$ 320,532,836 |

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | 2024 | 2023 |
|--|-----------------------|-----------------------|
| Current Liabilities | | |
| Accounts payable and other liabilities | \$ 8,005,014 | \$ 3,874,521 |
| Accrued expenses | 2,700,437 | 1,736,712 |
| Due to Bus Service and Member Jurisdictions Fund | 2,789,787 | 1,930,662 |
| Unearned revenue | 760,528 | 348,379 |
| Private placement note payable | 933,424 | 892,011 |
| Interest payable | 9,909 | 18,026 |
| Lease liabilities | 69,683 | 87,719 |
| Subscription liabilities | 53,243 | 97,779 |
| Retainage payable | 867,704 | 736,587 |
| Compensated absences | 34,892 | 14,507 |
| Total current liabilities | 16,224,621 | 9,736,903 |
| Noncurrent Liabilities | | |
| Net pension liability | 70,526 | - |
| Lease liabilities | 630,151 | 602,842 |
| Subscription liabilities | - | 53,243 |
| Net other postemployment benefits liability | 367,853 | 328,073 |
| Compensated absences | 521,651 | 256,519 |
| Private placement note payable | - | 933,424 |
| Total noncurrent liabilities | 1,590,181 | 2,174,101 |
| Total liabilities | 17,814,802 | 11,911,004 |
| Deferred Inflows of Resources | | |
| Leases | 509,752 | 514,723 |
| Pension plan | 304,000 | 582,225 |
| Other postemployment benefits | 59,033 | 83,998 |
| Total deferred inflows of resources | 872,785 | 1,180,946 |
| Net Position | | |
| Net investment in capital assets | 259,032,261 | 243,285,238 |
| Restricted for liability insurance plan | 5,276,502 | 5,073,701 |
| Restricted grants and contributions | 628,212 | 1,318,693 |
| Restricted - pension asset | - | 67,453 |
| Unrestricted | 82,506,526 | 57,695,801 |
| Total net position | 347,443,501 | 307,440,886 |
| Total liabilities, deferred inflows of resources and net position | \$ 366,131,088 | \$ 320,532,836 |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – COMMUTER RAIL SERVICE

Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|---|-----------------------|-----------------------|
| Operating Revenues | | |
| Passenger revenues | \$ 9,370,743 | \$ 3,835,352 |
| Equipment rental and other | 252,940 | 85,499 |
| Total operating revenues | 9,623,683 | 3,920,851 |
| Operating Expenses | | |
| Contract operations and maintenance | 19,960,060 | 8,492,321 |
| Other operations and maintenance | 15,720,607 | 5,684,753 |
| Property leases and access fees | 12,143,967 | 5,072,347 |
| Insurance | 4,690,414 | 2,127,411 |
| Marketing and sales | 832,103 | 323,289 |
| General and administrative | 9,678,989 | 3,547,611 |
| Total operating expenses | 63,026,140 | 25,247,732 |
| Operating loss before depreciation and amortization | (53,402,457) | (21,326,881) |
| Depreciation and amortization | (11,774,121) | (11,240,094) |
| Operating loss | (65,176,578) | (32,566,975) |
| Nonoperating Revenues (Expenses) | | |
| Jurisdictional contributions | 10,673,269 | 8,551,227 |
| Commonwealth of Virginia - VPRA | 9,527,090 | 8,055,997 |
| Commonwealth of Virginia GLI contribution | 2,812 | - |
| Commuter Rail Operating and Capital (C-ROC) Fund | 5,017,589 | 9,470,412 |
| Contributions from NVTC | 10,083,900 | 30,685,015 |
| Investment income | 2,546,479 | 1,665,540 |
| Interest, amortization and other nonoperating expenses, net | (118,129) | (132,988) |
| Total nonoperating revenues, net | 37,733,010 | 58,295,203 |
| Capital Grants and Assistance | | |
| Commonwealth of Virginia grants | 267,487 | - |
| Regional transportation funding | 953,621 | 851,250 |
| Commuter Rail Operating and Capital (C-ROC) Fund | 5,022,943 | - |
| Total capital grants and assistance, net | 6,244,051 | 851,250 |
| Loss before transfers | (21,199,517) | 26,579,478 |
| Transfers Out | (93,072) | (88,013) |
| Transfers In | 61,295,204 | 49,963,856 |
| Transfers, net | 61,202,132 | 49,875,843 |
| Change in net position | 40,002,615 | 76,455,321 |
| Net Position, beginning | 307,440,886 | 230,985,565 |
| Net Position, ending | \$ 347,443,501 | \$ 307,440,886 |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF MEMBER JURISDICTIONS' FUNDS

Year Ended June 30, 2024

| | 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, 2023 | \$ 1,672,822 | \$ 1,553,320 | \$ 3,411,591 | \$ 6,503,878 | \$ 4,649,052 | \$ 4,745,480 | \$ 22,536,143 |
| Funds Received: | | | | | | | |
| Motor fuel tax | 1,198,620 | 1,091,463 | 673,558 | 16,880,490 | 6,510,105 | 7,380,827 | 33,735,063 |
| Other | - | 137,005 | - | - | - | - | 137,005 |
| Interest | 88,662 | 94,473 | 174,862 | 359,709 | 228,756 | 249,699 | 1,196,161 |
| Total funds received | 1,287,282 | 1,322,941 | 848,420 | 17,240,199 | 6,738,861 | 7,630,526 | 35,068,229 |
| Funds Disbursed: | | | | | | | |
| Direct transportation expenses: | | | | | | | |
| VRE operating and capital | 518,584 | - | 450,426 | - | 2,306,625 | 1,813,436 | 5,089,071 |
| Other jurisdictional projects | 626,614 | - | 450,136 | - | 3,641,318 | 2,280,158 | 6,998,226 |
| Transfers to PRTC: | | | | | | | |
| Administrative | 28,600 | 21,500 | 21,100 | 388,600 | 123,000 | 163,900 | 746,700 |
| OmniRide, OmniLink, Para Transit, Capital, Marketing, VanPool | 3,800 | 498,100 | 257,500 | 20,575,600 | 16,500 | 21,900 | 21,373,400 |
| Total funds disbursed | 1,177,598 | 519,600 | 1,179,162 | 20,964,200 | 6,087,443 | 4,279,394 | 34,207,397 |
| Funds Available - June 30, 2024 | \$ 1,782,506 | \$ 2,356,661 | \$ 3,080,849 | \$ 2,779,877 | \$ 5,300,470 | \$ 8,096,612 | \$ 23,396,975 |

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, 2024. Total funds available reconcile to amounts reported on the Statement of Net Position as follows:

| | |
|--|----------------------|
| Cash and investments in pooled funds - member jurisdictions | \$ 18,011,872 |
| Due from other governments - Motor fuels tax revenue receipts (see Note 4) | 5,248,098 |
| Due from other governments - Debt service | 137,005 |
| | <u>\$ 23,396,975</u> |

Note 2 - Expenses for other jurisdictional projects consist of:

| | | | | | | | |
|---|-------------------|-------------|-------------------|-------------|---------------------|---------------------|---------------------|
| Road improvements/maintenance | \$ 29,009 | \$ - | \$ 450,136 | \$ - | \$ 1,971,442 | \$ - | \$ 2,450,587 |
| Rail and garage maintenance | 78,349 | - | - | - | - | - | 78,349 |
| Stafford regional airport | 21,400 | - | - | - | 64,286 | - | 85,686 |
| Parking garage debt service | 299,799 | - | - | - | - | - | 299,799 |
| FRED transit costs | 198,057 | - | - | - | 118,628 | 116,417 | 433,102 |
| Transportation salaries/benefits; debt se | - | - | - | - | 1,486,962 | 2,163,741 | 3,650,703 |
| | <u>\$ 626,614</u> | <u>\$ -</u> | <u>\$ 450,136</u> | <u>\$ -</u> | <u>\$ 3,641,318</u> | <u>\$ 2,280,158</u> | <u>\$ 6,998,226</u> |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF EXPENDITURES OF STATE AWARDS Year Ended June 30, 2024

| State Granting Agency | State Grant Number | Expenditures |
|---|--|-----------------------------|
| <u>Direct Payments:</u> | | |
| Virginia Department of Rail and Public Transportation: | | |
| Operating Assistance | 72024-26 | \$ 7,934,286 |
| Commuter Assistance | 72519-13; 72520-13; 71024-10; 71424-10 | 196,744 |
| Transportation Intern | 71223-05;71224-06 | 29,965 |
| I-95 Transit and TDM Bus Services | 72024-61 | 574,532 |
| I395 Corridor Improvement Plan Bus Services | 50061-01; 50062-01; 50063-01 | 1,813,974 |
| I-66 Transit and TDM Bus Services | 79323-02 | 618,204 |
| Manassas Metro Express Bus Service (TRIP) | 50070-01; 50070-02 | 319,497 |
| Statewide Bus Rodeo | 71324-14 | 38,314 |
| Technical Assistance | 71323-08 | 13,526 |
| VanPool Incentive; VanStart/VanSave | 72523-28; 71424-09 | 17,440 |
| Capital - FY 21 | 73021-68; 73021-77 | 895,710 |
| Capital - FY 22 | 72522-29; 73022-42; 73022-43; 73022-46; 79322-02 | 3,235,341 |
| Capital - FY 23 | 73023-60; 73023-66; 73023-68 | 2,134,618 |
| Capital - FY 24 | 72524-13 | 8,222 |
| Capital - FY 24 | 73024-55 | 23,272 |
| Capital - FY 24 | 73024-56 | 141,121 |
| Capital - FY 24 | 73024-57 | 24,086 |
| Capital - FY 24 | 73024-58 | 82,695 |
| Capital - FY 24 | 73024-59 | 6,282 |
| | | <u>18,107,829</u> |
| Northern Virginia Transportation Commission: | | |
| Dale City to Ballston Bus Service | 664-31-24 | 61,301 |
| Gainesville to Pentagon/DC Bus Service | 664-61-23 | 658,995 |
| Haymarket to Rosslyn Bus Service | 664-62-23 | 345,547 |
| Prince William Metro Express Bus Service | 664-32-22; 664-32-24 | 328,903 |
| Route 1 OmniRide Local Bus Service | 664-33-24 | 80,348 |
| Stafford to Pentagon/DC Bus Service | 664-34-20; 664-35-20; 664-34-24; 664-35-24 | 6,648,187 |
| | | <u>8,123,281</u> |
| Virginia Department of Transportation: | | |
| Congestion Mitigation & Air Quality (Employer Outreach) | | <u>16,551</u> |
| Total State Awards Expended | | <u><u>\$ 26,247,661</u></u> |

Note: State funds of \$458,990 from 153-61-23 classified as farebox revenue on Comparative Statements of Revenues, Expenses, and Changes in Net Position for Bus Service and Member Jurisdictions.

COMPLIANCE SECTION



**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 (*Government Auditing Standards*), 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, 2024, 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, 2024.

Report on 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) as a basis for designing 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.

Report on 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 financial statements. 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, 2024



**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

Opinion on Each Major Federal Program

We have audited the Potomac and Rappahannock Transportation Commission's (Commission) compliance with the types of compliance requirements identified as subject to audit 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, 2024. 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.

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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Commission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of each of the federal programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2024

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

| Federal Grantor / Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-through Entity Identifying Number | Provided to Subrecipients | Total Federal Expenditures |
|---|-----------------------------------|--|---------------------------|----------------------------|
| DEPARTMENT OF TRANSPORTATION: | | | | |
| <u>Direct Payments:</u> | | | | |
| Federal Transit Cluster: | | | | |
| Federal Transit - Formula Grants: | | | | |
| VA-2021-029 | 20.507 | | \$ - | \$ 3,346,017 |
| COVID-19: VA-2020-052 | 20.507 | | - | 15,267 |
| VA-2022-045 | 20.507 | | - | 3,450,272 |
| VA-2022-030 | 20.507 | | - | 5,621,779 |
| VA-2022-043 | 20.507 | | - | 10,487,226 |
| VA-2022-046 | 20.507 | | 90,734 | 90,734 |
| VA-2024-027 | 20.507 | | - | 60,408 |
| VA-95-X149 | 20.507 | | - | 2 |
| VA-95-X046 | 20.507 | | - | (118,379) |
| VA-2021-002 | 20.507 | | - | 870,397 |
| VA-2021-033 | 20.507 | | - | 2,116,974 |
| VA-2022-030 | 20.507 | | - | 37,488,350 |
| TBD | 20.507 | | - | 854,510 |
| Total Formula Grants | | | 90,734 | 64,283,557 |
| Federal Transit - State of Good Repair Grants Program: | | | | |
| VA-2016-014 | 20.525 | | - | 97,232 |
| VA-2018-020 | 20.525 | | - | 8,918 |
| VA-2021-033 | 20.525 | | - | 2,783,712 |
| TBD | 20.525 | | - | 17,184,406 |
| Total State of Good Repair Grants Program | | | - | 20,074,268 |
| Total Federal Transit Cluster | | | 90,734 | 84,357,825 |
| <u>Pass-through Payments:</u> | | | | |
| Virginia Department of Transportation: | | | | |
| Highway Planning and Construction Cluster: | | | | |
| Highway Planning and Construction (Federal Highway) | 20.205 | 5A01(947) | - | 66,203 |
| Total Highway Planning and Construction Cluster | | | - | 66,203 |
| Total Expenditures of Federal Awards | | | \$ 90,734 | \$ 84,424,028 |

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

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, 2024. 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.

Federal Assistance Listing – The Federal Assistance Listing is a government-wide compendium of individual federal programs. Each program included in the Federal Assistance Listing is assigned a five-digit program identification 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 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.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2024

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

| | | |
|---|------------------------------|---|
| Material weakness(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Significant deficiency(ies) 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 weakness(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Significant deficiency(ies) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None Reported |

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

| Federal Assistance Listing Number | Name of Federal Program or Cluster |
|-----------------------------------|--|
| 20.507 | Federal Transit Cluster: Federal Transit – Formula Grants |
| 20.525 | Federal Transit – State of Good Repair Grants Program |

Dollar threshold used to distinguish between type A and type B programs \$ 2,532,721

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, 2024

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.