Potomac and Rappahannock Transportation Commission

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2022

PBMares[SM]

ASSURANCE, TAX & ADVISORY SERVICES

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Commission Board Members
Potomac and Rappahannock Transportation Commission

Report on the Audit of the Financial Statements

Opinion

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, 2022, 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, 2022, 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; 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 12 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 60-65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 auditing standards generally accepted in the United States of America. 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 16, 2022 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 16, 2022

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, 2022. 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, 2022, PRTC's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $348,307,144. Of this total, $117,321,579 is for bus service and member jurisdictions and $230,985,565 is for commuter rail service.

The net position of PRTC decreased by $23,800,167 for fiscal year 2022. This is the net effect of a $6,538,262 decrease from bus service and member jurisdictions and a $17,261,905 decrease from commuter rail service.

As of June 30, 2022, PRTC's unrestricted net position is $80,551,635. Of this total, $19,227,932 is for bus service and member jurisdictions and $61,323,703 is for commuter rail service.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

The Bus Service and Member Jurisdictions Fund accounts for operation and maintenance costs for PRTC bus service as well as the 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, 2022 and 2021:

Summary of Net Position
As of June 30

	Bus Service and Member Jurisdictions		Commuter Rail Service		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Assets and deferred outflows of resources:						
Current assets	$ 47,857,421	$ 47,370,901	$ 63,013,253	$ 92,655,911	$ 110,870,674	$ 140,026,812
Other non current assets	597,207	-	1,592,867	-	2,190,074	-
Capital assets, net	78,843,796	85,313,391	177,085,680	163,002,885	255,929,476	248,316,276
Total assets	127,298,424	132,684,292	241,691,800	255,658,796	368,990,224	388,343,088
Deferred outflows of resources	750,071	964,495	1,124,228	1,355,852	1,874,299	2,320,347
Total assets and deferred outflows of resources	128,048,495	133,648,787	242,816,028	257,014,648	370,864,523	390,663,435
Liabilities and deferred inflows of resources:						
Current liabilities	8,668,461	7,703,974	6,179,152	3,933,202	14,847,613	11,637,176
Noncurrent liabilities	788,514	2,052,592	3,047,168	4,786,347	3,835,682	6,838,939
Total liabilities	9,456,975	9,756,566	9,226,320	8,719,549	18,683,295	18,476,115
Deferred inflows of resources	1,269,941	32,380	2,604,143	47,629	3,874,084	80,009
Total liabilities and deferred inflows of resources	10,726,916	9,788,946	11,830,463	8,767,178	22,557,379	18,556,124
Net Position:						
Net investment in capital assets	78,444,276	84,699,995	164,078,347	159,510,400	242,522,623	244,210,395
Restricted	19,649,371	18,491,033	5,583,515	6,391,475	25,232,886	24,882,508
Unrestricted	19,227,932	20,668,813	61,323,703	82,345,595	80,551,635	103,014,408
Total net position	$ 117,321,579	$ 123,859,841	$ 230,985,565	$ 248,247,470	$ 348,307,144	$ 372,107,311

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 $348.3 million, a decrease of $23.8 million over the previous fiscal year. The largest portion of net position, $242.5 million or 69.6%, represents the investment in capital assets (e.g., buses, rail rolling stock, building, building improvements and accumulated depreciation and amortization), less the related indebtedness outstanding used to acquire those capital assets. These assets are used to provide bus and rail service and consequently, are not available for future spending.

A portion of the net position, $25.2 million or 7.2%, represents resources restricted for member jurisdictions, commuter rail liability insurance plan, and commuter rail grants or contributions.

Current assets consist primarily of cash, cash equivalents, and investments; grant revenue due from the Federal Government and the Commonwealth of Virginia; and motor fuel tax revenue receivable collected on PRTC's behalf by the Commonwealth. Current assets decreased approximately $29.2 million or 20.8% from the previous year, primarily due to decreased cash and investments of $37.5 million and decreased inventory and prepaid expenses of $1.1 million, offset by increased grant and other receivables of $8.6 million and increased restricted cash and investments of $0.8 million.

Capital assets, net of accumulated depreciation and amortization, increased approximately $7.6 million or 3.1%, primarily the result of rail projects completion, additions to rail construction in progress, additions of right-to-use leased assets as the result of implementation of GASB Statement No. 87 *Leases,* and the recognition of annual depreciation and amortization.

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, 2022 and 2021:

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

	Bus Service and Member Jurisdictions		Commuter Rail Service		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Operating revenues	$ 31,632,605	$ 27,373,357	$ 3,383,764	$ 4,560,140	$ 35,016,369	$ 31,933,497
Nonoperating revenues	76,413,334	68,663,768	12,623,473	21,134,861	89,036,807	89,798,629
Capital grants & assistance	17,859,827	12,979,377	500,171	782,119	18,359,998	13,761,496
Transfers, net	(72,819,211)	(58,748,264)	72,819,211	58,748,264	-	-
Total revenues	53,086,555	50,268,238	89,326,619	85,225,384	142,413,174	135,493,622
Expenses:						
Operating expenses	52,492,871	47,340,984	26,110,072	50,304,925	78,602,943	97,645,909
Depreciation and amortization	6,989,865	8,453,711	10,776,382	10,559,080	17,766,247	19,012,791
Nonoperating expenses	142,081	222,936	172,255	181,250	314,336	404,186
Contribution to NVTC	-	-	69,529,815	5,271,114	69,529,815	5,271,114
Total expenses	59,624,817	56,017,631	106,588,524	66,316,369	166,213,341	122,334,000
Change in net position	(6,538,262)	(5,749,393)	(17,261,905)	18,909,015	(23,800,167)	13,159,622
Net position, beginning	123,859,841	129,609,234	248,247,470	229,338,455	372,107,311	358,947,689
Net position, ending	$ 117,321,579	$ 123,859,841	$ 230,985,565	$ 248,247,470	$ 348,307,144	$ 372,107,311

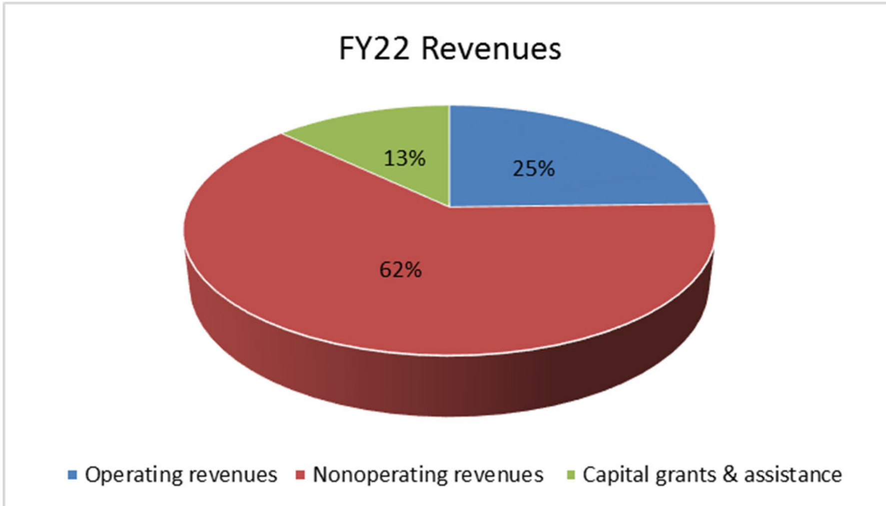
For the fiscal year ended June 30, 2022, revenues totaled $142.4 million, compared to $135.5 million in the preceding year, an increase of $6.9 million or 5.1%. Expenses increased by $43.9 million or 35.9%. A discussion of the key components of these changes follows.

Operating revenues increased $3.1 million or 9.6% from the prior year, primarily the result of increase in motor fuel tax revenue of $2.8 million and farebox revenue of $0.40 million reflecting some return of ridership in post COVID-19 pandemic in fiscal year 2022. For the Bus Service and Member Jurisdictions Fund, total ridership was 1.2 million in fiscal year 2022 compared to 0.7 million in fiscal year 2021. For the Commuter Rail Service Fund, total ridership was 0.8 million in fiscal year 2022 compared to 0.3 million in fiscal year 2021.

Nonoperating revenues decreased by $0.8 million or 0.8% from the prior year, primarily the result of decreased jurisdictional contributions of $8.6 million offset by increased Commonwealth of Virginia grants of $4.4 million and Federal grants of $3.1 million.

Capital grants and assistance increased by $4.6 million or 33.4%, which is attributable to less bus service related state capital funding but more rail federal capital funding for fiscal year 2022 compared to fiscal year 2021.

The following chart shows PRTC reporting entity revenues by source for the fiscal year ended June 30, 2022.



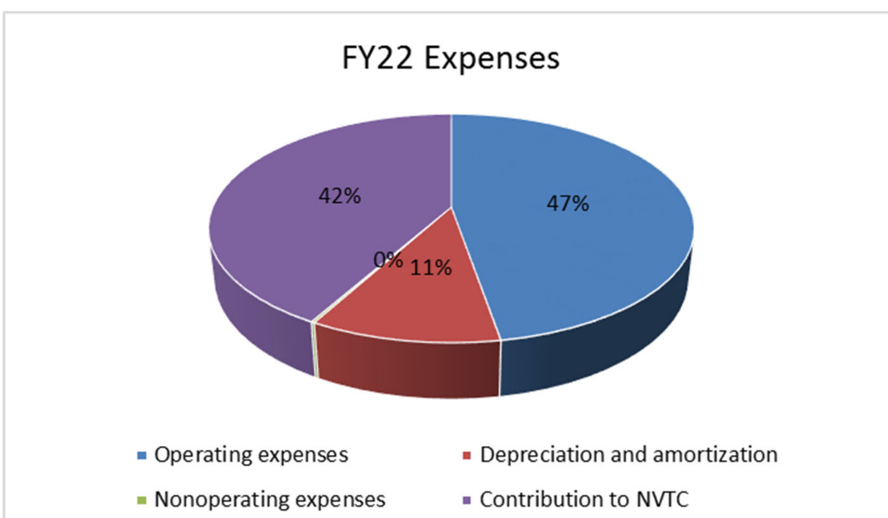
Operating expenses decreased by $19.0 million or 19.5%.

For the Bus Service and Member Jurisdictions Fund, operating expenses increased by $5.2 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 $2.1 million. Contractual services increased by $3.3 million and fuel increased by $0.4 million, while combined expenses for salaries and benefits, other services, and supplies decreased by $0.6 million.

For the Commuter Rail Service Fund, operating expenses decreased by $24.2 million or 48.1%. PRTC's share of the reporting entity decreased from 61.5% to 31.8%, with a corresponding increase for NVTC. In addition, there were increases in rail insurance costs and operations and maintenance costs (including fuel) offset by decreased general and administrative and marketing costs.

Fiscal year 2022 reflects contribution to NVTC of $69.5 million while fiscal year 2021 reflects contribution to NVTC of $5.3 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, 2022.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The details of capital assets as of June 30, 2022 and 2021 are as follows:

	Bus Service and Member Jurisdictions		Commuter Rail Service		Total	
	2022	2021	2022	2021	2022	2021
Buses and related equipment	$ 93,297,239	$ 94,779,624	$ -	$ -	$ 93,297,239	$ 94,779,624
Rail rolling stock	-	-	142,651,537	142,639,959	142,651,537	142,639,959
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	4,349,204	4,304,643	-	-	4,349,204	4,304,643
Right-to-use leased buildings	-	-	692,516	-	692,516	-
Right-to-use leased parkings lots	-	-	289,664	-	289,664	-
Right-to-use leased tower	-	-	49,791	-	49,791	-
Right-to-use leased equipment	34,207	-	-	-	34,207	-
Right-to-use leased facilities	112,662	-	-	-	112,662	-
Construction in progress	162,344	162,344	40,170,392	16,592,209	40,332,736	16,754,553
Site improvements	1,430,513	1,430,513	-	-	1,430,513	1,430,513
Bus shelters	1,449,679	1,455,001	-	-	1,449,679	1,455,001
Vehicles	287,598	287,598	72,781	72,781	360,379	360,379
Furniture and equipment	2,394,745	2,413,651	-	-	2,394,745	2,413,651
Software and easement	4,034,978	3,939,978	-	-	4,034,978	3,939,978
Facilities	-	-	56,489,589	56,404,726	56,489,589	56,404,726
Track and signal improvements	-	-	50,054,134	50,054,134	50,054,134	50,054,134
Furniture, equipment and software	-	-	9,815,064	9,644,882	9,815,064	9,644,882
Equity in property of others	-	-	2,893,643	2,893,643	2,893,643	2,893,643
Capital assets	166,904,414	168,124,597	303,179,111	278,302,334	470,083,525	446,426,931
Less accumulated depreciation and amortization	88,060,618	82,811,206	126,093,431	115,299,449	214,154,049	198,110,655
Total capital assets, net	$ 78,843,796	$ 85,313,391	$ 177,085,680	$ 163,002,885	$ 255,929,476	$ 248,316,276

PRTC's investment in capital assets as of June 30, 2022, amounted to $255.9 million (net of accumulated depreciation and amortization), which represents an increase of $7.6 million or 3.1%.

For bus service and member jurisdictions, two bus shelters were added and three buses were disposed of during fiscal year 2022. The implementation of GASB Statement 87, *Leases,* in fiscal year 2022, added right-to-use leased equipment and facilities.

For commuter rail service, the major completed projects during the fiscal year were the S&B fare collection system validators ($0.15 million), and the Broad Run and Crossroads LED yard lighting replacement ($0.1 million). The major additions to construction in progress during the fiscal year were costs related to the Crossroads Lifecycle and Overhaul and Upgrade Facility ($9.7 million), the twenty-one new railcars project ($6.55 million), the Quantico station improvement project ($3.35 million), the Rolling Road station platform extension project ($1.35 million), the Broad Run station improvement project ($0.85 million), the VRE headquarters office renovation project ($0.45 million), the Manassas Park parking expansion project ($0.4 million), and the Enterprise Resource Planning (ERP) system development ($0.35 million). The implementation of GASB Statement 87, *Leases,* in fiscal year 2022, added right-to-use leased buildings, parking lots, and a tower.

Debt Administration

At June 30, 2022, PRTC had an outstanding principal balance of $285,000 for its Series 2012 Revenue Bond with the Virginia Resources Authority.

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. In combination with the congestion on major highways and on-going highway construction projects, this growth will continue to support long-term demand for bus and rail service. The constraining factors to bus and rail growth in the near-term are the effects on ridership stemming from the COVID-19 pandemic as well as rail station parking, availability of seats, rail storage capacity, and the availability of subsidy funds.

For the Bus Service and Member Jurisdictions Fund, fares were held constant for Express bus services, and free fares continue 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 will continue in fiscal year 2023.

Additional sources of funding will be available in fiscal year 2023 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
June 30, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Current Assets			
Cash and investments in bank	$ 16,011,817	$ 29,385,179	$ 45,396,996
Receivables:			
Due from other governments	42,599,307	-	42,599,307
Trade receivables, net of allowance for doubtful accounts	-	149,374	149,374
Miscellaneous	70,393	1,144,796	1,215,189
Internal balances	(25,597,481)	25,597,481	-
Inventory	-	1,001,940	1,001,940
Prepaid expenses and other assets	23,934	150,968	174,902
Restricted assets:			
Cash and investments in pooled funds - member jurisdictions	14,749,451	-	14,749,451
Cash, cash equivalents and investments	-	5,583,515	5,583,515
Total current assets	47,857,421	63,013,253	110,870,674
Noncurrent Assets			
Lease receivable	-	701,474	701,474
Net pension asset	597,207	891,393	1,488,600
Capital assets:			
Transportation equipment:			
Buses and related equipment	93,297,239	-	93,297,239
Rail rolling stock	-	142,651,537	142,651,537
Less: accumulated depreciation	(67,018,981)	(64,181,006)	(131,199,987)
Transportation equipment, net	26,278,258	78,470,531	104,748,789
Land, buildings and equipment:			
Land	6,639,270	-	6,639,270
Buildings	52,711,975	-	52,711,975
Building improvements	4,349,204	-	4,349,204
Right-to-use leased buildings	-	692,516	692,516
Right-to-use leased parkings lots	-	289,664	289,664
Right-to-use leased tower	-	49,791	49,791
Right-to-use leased equipment	34,207	-	34,207
Right-to-use leased facilities	112,662	-	112,662
Construction in progress	162,344	40,170,392	40,332,736
Site improvements	1,430,513	-	1,430,513
Bus shelters	1,449,679	-	1,449,679
Vehicles	287,598	72,781	360,379
Furniture and equipment	2,394,745	-	2,394,745
Software and easement	4,034,978	-	4,034,978
Facilities	-	56,489,589	56,489,589
Track and signal improvements	-	50,054,134	50,054,134
Furniture, equipment and software	-	9,815,064	9,815,064
Equity in property of others	-	2,893,643	2,893,643
Less: accumulated depreciation and amortization	(21,041,637)	(61,912,425)	(82,954,062)
Land, buildings and equipment, net	52,565,538	98,615,149	151,180,687
Total capital assets, net	78,843,796	177,085,680	255,929,476
Total noncurrent assets	79,441,003	178,678,547	258,119,550
Total assets	127,298,424	241,691,800	368,990,224
Deferred Outflows of Resources			
Pension plan	691,495	1,032,127	1,723,622
Other postemployment benefits	58,576	92,101	150,677
Total deferred outflows of resources	750,071	1,124,228	1,874,299
Total assets and deferred outflows of resources	$ 128,048,495	$ 242,816,028	$ 370,864,523

See Notes to Financial Statements.

LIABILITIES AND NET POSITION	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Current Liabilities			
Accounts payable and other liabilities	$ 6,910,953	$ 3,230,202	$ 10,141,155
Accrued expenses	-	687,574	687,574
Accrued payroll and benefits	404,015	-	404,015
Accrued interest	3,439	22,441	25,880
Due to other governments	3,740	-	3,740
Unearned revenue	960,124	382,662	1,342,786
Private placement note payable	-	852,435	852,435
Compensated absences	44,327	41,931	86,258
Lease liability	46,184	179,912	226,096
Retainage payable	-	781,995	781,995
Bonds payable, net	295,679	-	295,679
Total current liabilities	8,668,461	6,179,152	14,847,613
Noncurrent Liabilities			
Compensated absences	536,503	275,751	812,254
Net other postemployment benefits liability	194,353	305,585	499,938
Private placement note payable	-	1,825,435	1,825,435
Lease liability	57,658	640,397	698,055
Total noncurrent liabilities	788,514	3,047,168	3,835,682
Total liabilities	9,456,975	9,226,320	18,683,295
Deferred Inflows of Resources			
Leases	-	701,474	701,474
Pension plan	1,180,224	1,761,605	2,941,829
Other postemployment benefits	89,717	141,064	230,781
Total deferred inflows of resources	1,269,941	2,604,143	3,874,084
Net Position			
Net investment in capital assets	78,444,276	164,078,347	242,522,623
Restricted	19,649,371	5,011,451	24,660,822
Restricted grants and contributions	-	572,064	572,064
Unrestricted	19,227,932	61,323,703	80,551,635
Total net position	117,321,579	230,985,565	348,307,144
Total liabilities, deferred inflows of resources and net position	$ 128,048,495	$ 242,816,028	$ 370,864,523

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2022

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Operating Revenues			
Motor fuel tax	$ 28,028,585	$ -	$ 28,028,585
Farebox and passenger	3,494,401	3,346,580	6,840,981
Advertising	109,619	-	109,619
Equipment rental and other	-	37,184	37,184
Total operating revenues	31,632,605	3,383,764	35,016,369
Operating Expenses			
Direct transportation	10,860,216	-	10,860,216
Salaries and related benefits	5,420,554	-	5,420,554
Contractual services	31,657,699	-	31,657,699
Other services	1,809,658	-	1,809,658
Materials, supplies and minor equipment	447,222	-	447,222
Fuel	2,297,522	-	2,297,522
Contract operations and maintenance	-	9,067,344	9,067,344
Other operations and maintenance	-	5,652,383	5,652,383
Property leases and access fees	-	5,499,581	5,499,581
Insurance	-	2,364,837	2,364,837
Marketing and sales	-	253,219	253,219
General and administrative	-	3,272,708	3,272,708
Total operating expenses	52,492,871	26,110,072	78,602,943
Operating loss before depreciation and amortization	(20,860,266)	(22,726,308)	(43,586,574)
Depreciation and amortization	(6,989,865)	(10,776,382)	(17,766,247)
Operating loss	(27,850,131)	(33,502,690)	(61,352,821)
Nonoperating Revenues (Expenses)			
Jurisdictional contributions	-	3,003,166	3,003,166
Commonwealth of Virginia grants	14,286,618	-	14,286,618
Federal grants	61,590,367	-	61,590,367
Commuter Rail Operating and Capital (C-ROC) Fund	-	9,470,410	9,470,410
Investment income	46,008	149,897	195,905
Pass-through grants - member jurisdictions	(141,254)	-	(141,254)
Interest, amortization and other nonoperating expenses, net	22,203	(172,255)	(150,052)
Other revenue	468,138	-	468,138
Total nonoperating revenues, net	76,272,080	12,451,218	88,723,298
Capital Grants and Assistance			
Commonwealth of Virginia grants	217,476	-	217,476
Federal grants	17,622,051	-	17,622,051
Regional transportation funding - NVTA	-	437,902	437,902
Local contributions	20,300	62,269	82,569
Contribution to NVTC	-	(69,529,815)	(69,529,815)
Total capital grants and assistance, net	17,859,827	(69,029,644)	(51,169,817)
Income (loss) before transfers and loss on disposal of assets	66,281,776	(90,081,116)	(23,799,340)
Transfers, net	(72,819,211)	72,819,211	-
Loss on Disposal of Assets	(827)	-	(827)
Change in net position	(6,538,262)	(17,261,905)	(23,800,167)
Net Position, beginning	123,859,841	248,247,470	372,107,311
Net Position, ending	$ 117,321,579	$ 230,985,565	$ 348,307,144

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

STATEMENT OF CASH FLOWS
Year Ended June 30, 2022

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Cash Flows from Operating Activities			
Receipts from motor fuel tax	$ 27,827,648	$ -	$ 27,827,648
Receipts from customers	3,055,824	2,862,109	5,917,933
Receipts from advertising	109,619	-	109,619
Payments to suppliers	(34,815,197)	(22,409,648)	(57,224,845)
Payments to member jurisdictions	(10,860,216)	-	(10,860,216)
Payments to employees	(5,408,859)	(2,926,326)	(8,335,185)
Net cash used in operating activities	(20,091,181)	(22,473,865)	(42,565,046)
Cash Flows from Capital and Related Financing Activities			
Interest payments on revenue bond	(20,379)	-	(20,379)
Principal payments on revenue bond	(275,000)	-	(275,000)
Principal payments on private placement note payable	-	(814,615)	(814,615)
Interest payments on private placement note payable	-	(151,064)	(151,064)
Principal payments on leases	(43,027)	(211,662)	(254,689)
Intrest payments on leases	(3,446)	(25,467)	(28,913)
Proceeds from sale of assets	7,120	9,000	16,120
Local contributions	27,280	62,269	89,549
Contribution to NVTC	-	(69,529,815)	(69,529,815)
Capital grants and assistance	72,994,872	-	72,994,872
Purchase of buses and related equipment	(131,666)	-	(131,666)
Acquisition of capital assets	(249,682)	(21,817,795)	(22,067,477)
Net cash provided by (used in) capital and related financing activities	72,306,072	(92,479,149)	(20,173,077)
Cash Flows from Noncapital Financing Activities			
Governmental subsidies	13,079,710	12,483,444	25,563,154
Interfund transfers	(61,985,544)	61,985,544	-
Payments for jurisdiction grant - related expenditures	(141,254)	-	(141,254)
Net cash provided by (used in) noncapital financing activities	(49,047,088)	74,468,988	25,421,900
Cash Flows From Investing Activities			
Investment income	46,008	149,897	195,905
Other revenues	511,182	-	511,182
Net cash provided by investing activities	557,190	149,897	707,087
Increase (decrease) in cash and cash equivalents	3,724,993	(40,334,129)	(36,609,136)
Cash and Cash Equivalents			
Beginning	27,036,275	75,302,823	102,339,098
Ending	$ 30,761,268	$ 34,968,694	$ 65,729,962

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

STATEMENT OF CASH FLOWS (Continued)
Year Ended June 30, 2022

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating loss	$ (27,850,131)	$ (33,502,690)	$ (61,352,821)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization	6,989,865	10,776,382	17,766,247
Changes in assets and liabilities:			
(Increase) decrease in:			
Due from other governments	227,097	-	227,097
Miscellaneous receivables	28,111	(436,544)	(408,433)
Prepaid expenses and other assets	141,822	208,767	350,589
Trade receivables	-	27,190	27,190
Inventory	-	770,817	770,817
Pension related deferred outflows of resources	202,498	218,308	420,806
OPEB related deferred outflows of resources	11,926	13,316	25,242
Increase (decrease) in:			
Accounts payable and other liabilities	1,255,082	152,469	1,407,551
Accrued payroll and benefits	(295,214)	(193,814)	(489,028)
Due to other governments	1,172,065	-	1,172,065
Pension liability	(1,475,863)	(2,120,377)	(3,596,240)
OPEB liability	(97,247)	(130,428)	(227,675)
Unearned revenue	(466,688)	(112,301)	(578,989)
Pension related deferred inflows of resources	-	1,750,193	1,750,193
OPEB related deferred inflows of resources	65,496	104,847	170,343
Net cash used in operating activities	$ (20,091,181)	$ (22,473,865)	$ (42,565,046)
Schedule of Noncash Capital Activities			
Capital assets acquired through:			
Right-to-use assets acquired through leases	$ 146,869	$ 1,031,971	$ 1,178,840
Capital assets acquired through accounts payable	-	2,377,616	2,377,616
Capital assets acquired through accrued expenses	-	281,410	281,410

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	-
	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.

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:

<u>Bus Service and Member Jurisdictions Fund</u>: The Bus Service and Member Jurisdictions Fund accounts for operation and maintenance costs for PRTC bus service, financed by the 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.

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

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

Restricted cash and investments in pooled funds – member jurisdictions of $14,749,451 at June 30, 2022 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 $5,583,515 at June 30, 2022 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 $16,900 at June 30, 2022.

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 position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. PRTC currently has items related to the pension plan and other postemployment benefits (OPEB) – Group Life Insurance Program (GLI) that qualify for reporting in this category. See Notes 12 and 13 for details regarding these items.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. PRTC currently has items related to the pension plan and GLI - OPEB that qualify for reporting in this category. See Notes 12 and 13 for details regarding these items. PRTC also reports one item related to leases. See Note 6 for details regarding this item.

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

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

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2022.

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 Positon 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.

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.

Right-to-use leased 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.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

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

Pensions: The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (PRTC's retirement plan) is a multiple-employer, agent plan. For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) PRTC's Retirement Plan and the additions to/deductions from the VRS PRTC's Retirement Plan 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 OPEB plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the net GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's 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.

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.

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 16, 2022, 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.

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, 2022, PRTC had $4,983,005 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, 2022, 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	$ -	$ 27,985,148	$ 27,985,148	$ 27,985,148	$ 27,985,148
Restricted:					
Insurance trust fund - pooled funds	-	4,983,005	4,983,005	4,983,005	4,983,005
LGIP	14,749,451	600,510	15,349,961	15,349,961	15,349,961
	14,749,451	5,583,515	20,332,966	20,332,966	20,332,966
	$ 14,749,451	$ 33,568,663	$ 48,318,114	$ 48,318,114	$ 48,318,114

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.

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

Note 3. Cash and Investments (Continued)

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

Authorized Investments

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

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

Diversification

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

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

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

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

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

Note 3. Cash and Investments (Continued)

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

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

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

	Bus Service and Member Jurisdictions
Stafford County	$ 4,213,577
Spotsylvania County	4,079,128
City of Manassas Park	2,938,847
Prince William County	745,904
City of Fredericksburg	1,716,959
City of Manassas	1,055,036
	$ 14,749,451

Note 4. Due To/From Other Governments

Amounts due from other governments are as follows:

	Bus Service and Member Jurisdictions
Federal Transit Administration	$ 34,577,091
Virginia Department of Motor Vehicles - motor fuel tax receipts	4,899,920
Northern Virginia Transportation Commission	1,880,244
Virginia Department of Rail and Public Transportation	517,098
Washington Metropolitan Area Transit Authority	699,513
Virginia Department of Transportation	25,412
City of Manassas	29
	$ 42,599,307

Amounts due to other governments are as follows:

	Bus Service and Member Jurisdictions
Virginia Department of Rail and Public Transportation	$ 3,740

Note 5. Capital Assets

Changes in capital assets for the year ended June 30, 2022 are as follows:

	Balance 7/1/2021 *	Increases	Decreases	Transfers	Balance June 30, 2022
Capital assets not being depreciated or amortized:					
Land	$ 6,639,270	$ -	$ -	$ -	$ 6,639,270
Construction in progress	16,754,553	23,896,715	(66,085)	(252,447)	40,332,736
Total capital assets not being depreciated or amortized	23,393,823	23,896,715	(66,085)	(252,447)	46,972,006
Capital assets being depreciated and amortized:					
Buses and related equipment	94,779,624	131,666	(1,614,051)	-	93,297,239
Rail rolling stock	142,639,959	-	-	11,578	142,651,537
Buildings	52,711,975	-	-	-	52,711,975
Building improvements	4,304,643	104,882	(60,321)	-	4,349,204
Right-to-use leased buildings*	692,516	-	-	-	692,516
Right-to-use leased parking lots*	289,664	-	-	-	289,664
Right-to-use leased tower*	49,791	-	-	-	49,791
Right-to-use leased equipment*	34,207	-	-	-	34,207
Right-to-use leased facilities*	112,662	-	-	-	112,662
Site improvements	1,430,513	-	-	-	1,430,513
Bus shelters	1,455,001	20,300	(25,622)	-	1,449,679
Vehicles	360,379	-	-	-	360,379
Furniture and equipment	2,413,651	29,500	(48,406)	-	2,394,745
Software and easement	3,939,978	95,000	-	-	4,034,978
Facilities	56,404,726	-	(9,000)	93,863	56,489,589
Track and signal improvements	50,054,134	-	-	-	50,054,134
Furniture, equipment and software	9,644,882	5,550	-	164,632	9,815,064
Equity in property of others	2,893,643	-	-	-	2,893,643
Total capital assets being depreciated and amortized	424,211,948	386,898	(1,757,400)	270,073	423,111,519
Less accumulated depreciation and amortization for:					
Buses and related equipment	63,925,298	4,707,734	(1,614,051)	-	67,018,981
Rail rolling stock	58,368,986	5,800,442	-	11,578	64,181,006
Buildings	7,299,454	1,757,165	-	-	9,056,619
Building improvements	3,012,002	268,906	(52,373)	-	3,228,535
Site improvements	847,003	69,577	-	-	916,580
Bus shelters	1,408,155	19,285	(25,622)	-	1,401,818
Vehicles	234,869	44,629	-	-	279,498
Furniture and equipment	2,277,287	41,963	(48,406)	-	2,270,844
Software and easement	3,867,094	42,284	-	-	3,909,378
Facilities	25,721,687	1,538,266	-	5,425	27,265,378
Track and signal improvements	20,973,413	2,787,976	-	-	23,761,389
Furniture, equipment and software	8,026,561	326,909	-	596	8,354,066
Right-to-use leased buildings	-	67,637	-	-	67,637
Right-to-use leased parking lots	-	146,448	-	-	146,448
Right-to-use leased tower	-	19,273	-	-	19,273
Right-to-use leased equipment	-	9,879	-	-	9,879
Right-to-use leased facilities	-	35,578	-	-	35,578
Equity in property of others	2,148,846	82,296	-	-	2,231,142
Total accumulated depreciation and amortization	198,110,655	17,766,247	(1,740,452)	17,599	214,154,049
Total capital assets being depreciated and amortized, net	226,101,293	(17,379,349)	(16,948)	252,474	208,957,470
Total capital assets, net	$ 249,495,116	$ 6,517,366	$ (83,033)	$ 27	$ 255,929,476

* The beginning balance was restated for the implementation of GASB 87. Right-to-use leased assets at June 30, 2022 consist of buildings, parking lots, tower, equipment and facilities.

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 of $1,697 through July 2022. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of $21,740 ($10,870 PRTC reporting entity) during the current fiscal year. The building has an estimated one year useful life. The value of the right-to-use leased asset as of the end of the current fiscal year was $1,673 ($836 PRTC reporting entity) and had accumulated amortization of $20,067 ($10,033 PRTC reporting entity).	$	847
Lease obligation for a tower. PRTC is required to make monthly principal and interest payments ranging from $3,222 to $3,418 through January 2024. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of $99,581 ($49,791 PRTC reporting entity) during the current fiscal year. The tower has an estimated useful life of thirty-one months. The value of the right-to-use leased asset as of the end of the current fiscal year was $61,034 ($30,517 PRTC reporting entity) and had accumulated amortization of $38,547 ($19,273 PRTC reporting entity).		31,332
Lease obligation for a building. PRTC is required to make monthly principal and interest payments ranging from $9,708 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) during the current fiscal year. The building has an estimated twelve year useful life. The value of the right-to-use leased asset as of the end of the current fiscal year was $1,248,083 ($624,042 PRTC reporting entity) and had accumulated amortization of $115,208 ($57,604 PRTC reporting entity).		641,279
Lease obligation for a parking lot. PRTC is required to make monthly principal and interest payments ranging from $9,070 to $9,717 through December 2023. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of $273,503 ($136,752 PRTC reporting entity) during the current fiscal year. The parking lot has an estimated thirty month useful life. The value of the right-to-use leased asset as of the end of the current fiscal year was $164,102 ($82,051 PRTC reporting entity) and had accumulated amortization of $109,401 ($54,701 PRTC reporting entity).		84,426

Note 6. Leases (Continued)

Lease obligation for a parking lot. PRTC is required to make monthly principal and interest payments ranging from $15,473 to $15,782 through February 2023. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of $305,825 ($152,912 PRTC reporting entity) during the current fiscal year. The parking lot has an estimated thirty month useful life. The value of the right-to-use leased asset as of the end of the current fiscal year was $122,330 ($61,165 PRTC reporting entity) and had accumulated amortization of $183,495 ($91,747 PRTC reporting entity).	$ 62,425
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 during the current fiscal year. The copier has an estimated useful life of five years. The value of the right-to-use leased asset as of the end of the current fiscal year was $6,019 and had accumulated amortization of $2,580.	6,109
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 during the current fiscal year. The copier has an estimated useful life of five years. The value of the right-to-use leased asset as of the end of the current fiscal year was $12,990 and had accumulated amortization of $6,235.	13,183
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 during the current fiscal year. The postage machine has an estimated useful life of five years. The value of the right-to-use leased asset as of the end of the current fiscal year was $5,319 and had accumulated amortization of $1,064.	5,359
Lease obligation for facilities (parking lot). PRTC is required to make monthly principal and interest payments of $2,936 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 during the current fiscal year. The parking lot has an estimated useful life of three years. The value of the right-to-use leased asset as of the end of the current fiscal year was $77,085 and had accumulated amortization of $35,578.	79,191
	$ 924,151

Note 6. Leases (Continued)

The following table summarizes the total minimum lease payments due:

Years Ending June 30,	Principal	Interest
2023	$ 226,096	$ 24,322
2024	134,184	20,240
2025	56,910	17,062
2026	51,377	14,511
2027	54,944	12,921
2028-2032	334,365	36,742
2033	66,275	915
Total minimum lease payments	$ 924,151	$ 126,713

PRTC is a lessor for a lease related to a communication tower. The lease term is for 55 years. The exercise of lease renewal options is at PRTC's 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 monthly payments of $34,218 ($17,109 PRTC reporting entity) through October 2062. An initial lease receivable was recorded in the amount of $1,437,167 (PRTC reporting entity $718,584).

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, 2022, the balance of the deferred inflow was $1,402,949 ($701,474 PRTC reporting entity). Lease revenue for the year ended June 30, 2022 was $34,218 ($17,109 PRTC reporting entity) and lease interest income for the same year was $29,174 ($14,587 PRTC reporting entity).

Future minimum lease amounts as of June 30, 2022 are as follows:

			PRTC Reporting Entity	
Years Ending June 30,	Principal	Interest	Principal	Interest
2023	$ (6,844)	$ 42,088	$ (3,422)	$ 21,044
2024	(5,992)	42,294	(2,996)	21,147
2025	(5,082)	42,474	(2,541)	21,237
2026	(4,133)	42,626	(2,067)	21,313
2027	(3,081)	42,749	(1,541)	21,375
2028-2032	2,479	214,443	1,240	107,222
2033-2037	39,497	211,976	19,749	105,988
2038-2042	88,243	203,283	44,122	101,642
2043-2047	151,515	186,444	75,757	93,222
2048-2052	232,703	159,083	116,351	79,542
2053-2057	335,911	118,277	167,955	59,139
2058-2062	466,092	60,437	233,046	30,219
2063	111,641	3,351	55,821	1,676
Total minimum lease payments	$ 1,402,949	$ 1,369,525	$ 701,474	$ 684,766

Note 7. Long-Term Liabilities

The following is a summary of long-term liability activity for the year ended June 30, 2022:

	Beginning Balance *	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bond	$ 560,000	$ -	$ 275,000	$ 285,000	$ 285,000
Unamortized premium	53,396	-	42,717	10,679	10,679
Private placement note payable	3,492,485	-	814,615	2,677,870	852,435
Leases payable*	1,178,866	-	254,715	924,151	226,096
Compensated absences	1,131,221	228,885	461,594	898,512	86,258
	$ 6,415,968	$ 228,885	$ 1,848,641	$ 4,796,212	$ 1,460,468

*The beginning balance was restated for the implementation of GASB 87.

Revenue Bond

$2,335,000, Series 2012 Revenue Bond, final installment of $285,000 due October 2022, plus interest at 4.82%	$ 285,000

Mandatory debt service requirements consist of the following:

Year Ending June 30,	Principal	Interest	Total Required
2023	$ 285,000	$ 6,878	$ 291,878

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 $10,694,992 (PRTC reporting entity, $5,347,496)	$ 5,355,739	$ 2,677,870

Future minimum lease payments as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest
2023	$ 852,435	$ 113,244
2024	892,011	73,678
2025	933,424	32,253
	$ 2,677,870	$ 219,175

Note 8. 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, 2022:

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Cash and investments	$ 14,749,451	$ -	$ 14,749,451
Due from other governments, net	4,899,920	-	4,899,920
Grants and contributions	-	572,064	572,064
Cash and investments - insurance trust fund	-	5,011,451	5,011,451
	$ 19,649,371	$ 5,583,515	$ 25,232,886

Unrestricted net position consists of the following as of June 30, 2022:

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Designation of unrestricted net assets:			
Carry forward to support future years' budgets	$ 1,338,700	$ -	$ 1,338,700
Local match for federal/state grants	911,519	-	911,519
Total designations	2,250,219	-	2,250,219
Undesignated unrestricted net position	16,977,713	61,323,703	78,301,416
Total unrestricted net position	$ 19,227,932	$ 61,323,703	$ 80,551,635

Note 9. 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.

Note 9. 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.

Note 9. Joint Venture – Virginia Railway Express (Continued)

Financial information from VRE's fiscal year 2022 audited financial statements is shown below.

VIRGINIA RAILWAY EXPRESS
STATEMENT OF NET POSITION
June 30, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets	
Cash and cash equivalents	$ 92,348,142
Accounts receivable:	
Federal due from PRTC	22,615,359
Federal CARES Act	4,637,278
Commonwealth of Virginia grants	30,021,278
Commuter Rail Operating and Capital (C-ROC) Fund	2,500,000
Trade receivables, net of allowance for doubtful accounts	469,433
Other receivables	1,603,242
Inventory	3,148,774
Prepaid expenses and other	474,445
Restricted cash, cash equivalents and investments	145,841,405
Total current assets	303,659,356
Noncurrent Assets	
Lease receivable	1,402,949
Pension asset	891,393
Capital assets (net of $252,186,861) accumulated depreciation and amortization)	354,171,361
Total noncurrent assets	356,465,703
Total assets	660,125,059
Deferred Outflows of Resources	
Loss on refunding	331,710
Pension plan	1,032,127
Other postemployment benefits	92,101
Total deferred outflows of resources	1,455,938
Total assets and deferred outflows of resources	$ 661,580,997

Note 9. Joint Venture – Virginia Railway Express (Continued)

VIRGINIA RAILWAY EXPRESS
STATEMENT OF NET POSITION (Continued)
June 30, 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current Liabilities	
Accounts payable and accrued liabilities	$ 11,475,322
Unearned revenue	1,202,584
Contract retainage	1,563,989
Current portion of:	
Leases payable	359,824
Private placement note payable	1,704,870
Bonds payable	4,755,000
Total current liabilities	21,061,589
Noncurrent Liabilities	
Other postemployment benefits	305,585
Private placement note payable	3,650,869
Bonds payable	164,626,477
Leases payable	1,280,794
Compensated absences	866,596
Total noncurrent liabilities	170,730,321
Total liabilities	191,791,910
Deferred Inflows of Resources	
Leases	1,402,949
Pension plan	1,761,605
Other postemployment benefits	141,064
Total deferred inflows of resources	3,305,618
Net Position	
Net investment in capital assets	290,402,387
Restricted for liability insurance plan	10,022,903
Restricted for debt service	133,281,926
Restricted grants or contributions	2,536,576
Unrestricted assets	30,239,677
Total net position	466,483,469
Total liabilities, deferred inflows of resources and net position	$ 661,580,997

Note 9. Joint Venture – Virginia Railway Express (Continued)

VIRGINIA RAILWAY EXPRESS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2022

Operating Revenues	$ 10,634,078
Operating Expenses	82,329,324
Operating loss before depreciation and amortization	(71,695,246)
Depreciation and Amortization	(21,552,764)
Operating loss	(93,248,010)
Nonoperating Revenues (Expenses)	
Subsidies:	
Commonwealth of Virginia grants	21,975,609
Federal grants – with PRTC as grantee	8,070,012
Federal CARES Act	47,232,405
Jurisdictional contributions	4,756,658
Commuter Rail Operating and Capital (C-ROC) Fund	15,000,000
Interest income:	
Operating funds	101,474
Insurance trust	19,451
Commuter Rail Operating and Capital (C-ROC) Fund	139,208
Other restricted funds and leases	16,362
Interest, amortization and other nonoperating expenses, net	(2,908,408)
Total nonoperating revenues, net	94,402,771
Capital Grants and Assistance	
Commonwealth of Virginia grants	25,604,500
Federal grants – with PRTC as grantee	17,603,912
Regional transportation funding (NVTA)	875,805
Local contributions	62,269
Total capital grants and assistance	44,146,486
Change in net position	45,301,247
Net Position, beginning of year	421,182,222
Net Position, ending	$ 466,483,469

Note 10. 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, 2022, amounts expended for joint and jurisdictional transportation projects consisted of:

	Bus Service and Member Jurisdictions
VRE support	$ 1,251,852
Other jurisdictional projects	9,608,364
	$ 10,860,216

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

Note 11. 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 $323,000,000) for any claims against persons or property associated with commuter rail operations. Settled claims have not exceeded commercial coverage during any of the past three fiscal years. The liability for incurred but not reported claims was approximately $65,300 at June 30, 2022, of which $32,650 was included in the PRTC reporting entity.

PRTC is indemnified from risk related to its bus/bus facility issues by virtue of its contract with First Transit, the third-party bus services provider, through October 31, 2020. As of November 1, 2020, Keolis Transit Services LLC became the third-party bus service provider, and PRTC is indemnified from risk related to its bus or bus facilities issues by virtue of its contract with Keolis.

Note 11. 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, 2022 was as follows:

	Total	PRTC Reporting Entity
Beginning balance, July 1, 2021	$ 10,196,192	$ 5,098,096
Insurance premiums paid	(6,950)	(3,475)
Claims mitigation and losses incurred	(216,187)	(108,094)
Investment income	19,451	9,726
Actuarial and administrative charges	(26,496)	(13,248)
Ending balance, June 30, 2022	$ 9,966,010	$ 4,983,005

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 12. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

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

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

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

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Continued) *Exceptions to COLA Effective Dates:* The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. • The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)** *Exceptions to COLA Effective Dates:* Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)** *Exceptions to COLA Effective Dates:* Same as Plan 1 and Plan 2.
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Eligible political subdivision (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Note 12. Pension Plan (Continued)

A. Plan Description (Continued)

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

B. Employees Covered by Benefit Terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	38
Inactive members:	
Vested	25
Non-vested	26
Active elsewhere in VRS	8
Total inactive members	59
Active members	91
Total covered employees	188

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, 2022 was 6.23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

Note 12. Pension Plan (Continued)

C. Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from PRTC were $454,868 and $421,362 for the years ended June 30, 2022 and 2021, respectively.

D. Net Pension Asset/Liability

PRTC's net pension asset/liability was measured as of June 30, 2021. The total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

E. Actuarial Assumptions

The total pension liability for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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.

Note 12. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2020 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, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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

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%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.39%

Note 12. Pension Plan (Continued)

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

*The above allocation provides a one-year expected return of 7.39%. 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 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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, 2021, 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, 2017, actuarial valuations, whichever was greater. From July 1, 2021 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, 2020	$ 22,360,057	$ 20,252,417	$ 2,107,640
Changes for the year:			
Service cost	718,141	-	718,141
Interest	1,481,325	-	1,481,325
Changes of assumptions	803,822	-	803,822
Difference between expected and actual experience	(221,363)	-	(221,363)
Contributions – employer	-	421,362	(421,362)
Contributions – employee	-	399,479	(399,479)
Net investment income	-	5,570,288	(5,570,288)
Benefit payments, including refunds of employee contributions	(829,005)	(829,005)	-
Administrative expense	-	(13,494)	13,494
Other changes	-	530	(530)
Net changes	1,952,920	5,549,160	(3,596,240)
Balance at June 30, 2021	$ 24,312,977	$ 25,801,577	$ (1,488,600)

Note 12. Pension Plan (Continued)

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Plan's net pension (asset) liability	$ 1,841,916	$ (1,488,600)	$ (4,221,015)

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

For the year ended June 30, 2022, the Commission recognized pension expense of $201,692. 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	$ 490,067	$ (161,046)
Changes of assumptions	778,687	-
Net difference between projected and actual earnings on pension plan investments	-	(2,780,783)
Employer contributions subsequent to the measurement date	454,868	-
Total	$ 1,723,622	$ (2,941,829)

The $454,868 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, 2023.

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
2023	$ (82,680)
2024	(227,301)
2025	(522,303)
2026	(840,791)
	$ (1,673,075)

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

A. Plan Description

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

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

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

<table>
<tr><th>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</th></tr>
<tr><td>Eligible Employees
The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.

Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</td></tr>
<tr><td>Benefit Amounts
The benefits payable under the GLI have several components.

Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
Accidental Death Benefit – The accidental death benefit is double the natural death benefit.
Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:

Accidental dismemberment benefit
Seat belt benefit
Repatriation benefit
Felonious assault benefit
Accelerated death benefit option

</td></tr>
<tr><td>Reduction in Benefit Amounts
The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</td></tr>
<tr><td>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)
For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,722 as of June 30, 2022.</td></tr>
</table>

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

B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.34% 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, 2022, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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 $52,410 and $47,879 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, PRTC reported a liability of $499,938 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2021 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was $47,880 or 0.04294% as compared to $46,660 or 0.04360% at June 30, 2020.

For the year ended June 30, 2022, PRTC recognized GLI OPEB expense of $29,916. 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, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ 57,020	$ (3,809)
Changes of assumptions	27,561	(68,402)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(119,325)
Changes in proportionate share	13,686	(39,245)
Employer contributions subsequent to the measurement date	52,410	-
Total	$ 150,677	$ (230,781)

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

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

The $52,410 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, 2023. 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
2023	$	(24,663)
2024		(24,305)
2025		(28,306)
2026		(45,213)
2027		(10,027)
	$	(132,514)

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, 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, 2021.

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 General 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.

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

D. Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2020 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, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to 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

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, 2021, NOL amounts for the GLI is as follows (expressed in thousands):

	GLI OPEB Program
Total GLI OPEB liability	$ 3,577,346
Plan fiduciary net position	2,413,074
GLI Net OPEB liability	$ 1,164,272
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.45%

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

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

F. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi-Asset Public Strategies	6.00%	3.29%	0.20%
PIP - Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.39%

*The above allocation provides a one-year return of 7.39%. 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 6.94%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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

G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2021, the rate contributed by PRTC for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2021 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	$ 730,428	$ 499,938	$ 313,807

I. GLI Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

Note 14. Contingencies and Contractual Commitments

Federal and State-Assisted Programs

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

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

At June 30, 2022, there were disputes between VRE and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal (with PRTC as grantee) and Commonwealth of Virginia grants (with NVTC – VRE as grantee) and local funds will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenses incurred as of June 30, 2022:

Stations and parking lots	$ 24,789,712
Rail rolling stock	72,667,523
Maintenance and layover yards	18,428,988
Other administrative	688,236
Total	$ 116,574,459

Note 15. Operating Leases and Agreements

Operating Access Agreements with the CSX Transportation and Norfolk Southern railroads provide the Commissions the right to use tracks owned by the railroads in the provision of commuter rail passenger service. These agreements require the Commissions to pay the railroads a monthly base fee and to reimburse the railroads for any incremental cost incurred by the railroads as a result of providing track access for commuter rail service. For the year ended June 30, 2022, annual track usage fees totaled approximately $11,207,000, of which $3,566,000 is recognized by the PRTC reporting entity, and facility and other identified costs totaled approximately $443,000, of which $141,000 is recognized by the PRTC reporting entity. The increase in track usage fees primarily reflects normal annual increases to the base fees. The decrease in facility and other costs is primarily due to changes in station lease agreements with CSX and VPRA.

Note 15. Operating Leases and Agreements (Continued)

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, 2022, costs for track access and equipment storage totaled approximately $6,060,000, of which $1,928,000 was recognized by the PRTC reporting entity. Costs for mid-day maintenance, utility, and other services totaled approximately $4,095,000, of which $1,303,000 was recognized by the PRTC reporting entity. Cost adjustments will be made in fiscal year 2023 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, 2022, based on an annual budget prepared in advance, was approximately $24,450,000, of which $7,780,000 is recognized by the PRTC reporting entity. Costs for fiscal year 2023 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

Note 16. Interfund Transfers

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total Transferred Out
Transfer from fund:			
Bus Service and Member Jurisdictions	$ -	$ 72,893,245	$ 72,893,245
Commuter Rail Service	(74,034)	-	(74,034)
Total transferred in	$ (74,034)	$ 72,893,245	$ 72,819,211

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

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

Note 17. Pending GASB Statements

At June 30, 2022, GASB had issued statements not yet implemented by PRTC. The statements which might impact PRTC are as follows:

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

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

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

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

GASB Statement No. 99, *Omnibus 2022*, provides guidance to enhance comparability in accounting and financial reporting for derivative instruments, leases, financial guarantees, and a wide range of other accounting and financial reporting issues that have been identified during the implementation and application of certain GASB statements. The requirements related to GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and terminology updates related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* are effective upon issuance. The requirements related to GASB Statement No. 87, *Leases*, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* will be effective for the PRTC beginning with its year ending June 30, 2023. The requirements related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* will be effective for the PRTC beginning with its year ending June 30, 2024.

GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*, prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. Statement 100 will be effective for the PRTC beginning with its year ending June 30, 2024.

Note 17. Pending GASB Statements (Continued)

GASB Statement No. 101, *Compensated Absences*, provides guidance 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 the PRTC beginning with its year ending June 30, 2025.

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

Note 18. Subsequent Events

In July 2022, VRE undertook a number of actions related to the sale of the Series 2022 Bonds which closed on June 28, 2022. In accordance with the Funding Agreement between the two parties, and following a formal requisition by VPRA, the net proceeds of approximately $119.2 million from the transaction were transferred to VPRA to assist in the purchase of railroad right-of-way from CSX Transportation. VRE also undertook the first transfer of C-ROC funds to the bond Trustee (U.S. Bank), as required by the Indenture and other bond documents. Transfers to the Trustee in the amount of $1,250,000 are now occurring monthly. VRE also initiated payment of bond issuance costs from the Cost of Issuance (COI) fund. Following payment of all eligible costs, any excess funds in the COI fund will be applied by the Trustee to pay debt service on the Series 2022 Bonds, and the COI fund will be closed.

In July 2022, the VRE Operations Board authorized the Chief Executive Officer to offer fare-free travel for all VRE riders in September 2022 and fare-free travel between zones 1, 2 and 3 in October 2022. The fare-free travel initiatives are intended to show appreciation for the core group of VRE riders who stayed with the service throughout the pandemic; promote VRE service and attract new riders; and support the region’s transportation network during scheduled Metrorail service disruptions.

In July 2022, the VRE Operations Board authorized the Chief Executive Officer to execute a contract with Clark Construction Group, LLC of Bethesda, Maryland for construction of Fredericksburg Station Rehabilitation in the amount of $7,918,581, plus a 10 percent contingency of $791,858, for a total amount not to exceed $8,710,439.

In July 2022, the VRE Operations Board authorized the Chief Executive Officer to execute a contract with Gannett Fleming, Inc. of Fairfax, Virginia for Construction Management (CM) Services for the Manassas Park Parking Expansion Project in the amount of $3,231,139, plus a 10 percent contingency of $323,114, for a total amount not to exceed $3,554,253.

In August 2022, the VRE Operations Board authorized the Chief Executive Officer to issue a Mechanical Engineering Consulting Services Task Order to STV Inc. for Engineering Oversight for New Passenger Railcars II in the amount of $1,359,164, plus a 10 percent contingency of $135,916, for a total not to exceed $1,495,080.

In October 2022, the Commission authorized the Executive Director to award a contract to Bright Construction Group for the replacement of the Transit Center stormwater management system in the amount of $2,457,457.

REQUIRED SUPPLEMENTARY INFORMATION

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,								
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution (CRC)	$ 528,296	$ 460,763	$ 478,465	$ 419,283	$ 413,760	$ 354,543	$ 323,989	$ 421,362	$ 454,868
Contributions in relation to the CRC	528,296	460,763	478,465	419,283	413,760	354,543	323,989	421,362	454,868
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 6,582,460	$ 7,265,941	$ 7,785,947	$ 8,627,885	$ 8,875,155	$ 9,076,294	$ 8,973,619	$ 8,866,711	$ 9,705,606
Contributions as a percentage of covered payroll	8.03%	6.34%	6.15%	4.86%	4.66%	3.91%	3.61%	4.75%	4.69%

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.

See Notes to Required Supplementary Information – Virginia Retirement System

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
Total Pension Liability								
Service cost	$ 722,134	$ 743,258	$ 778,686	$ 756,831	$ 796,518	$ 747,243	$ 766,964	$ 718,141
Interest	763,704	850,266	942,652	1,051,830	1,132,348	1,233,409	1,339,757	1,481,325
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)
Benefit payments, including refunds of employee contributions	(222,525)	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)	(676,419)	(829,005)
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
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
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
Plan Fiduciary Net Position								
Contributions - employer	$ 528,296	$ 460,763	$ 478,465	$ 419,283	$ 413,760	$ 354,543	$ 323,989	$ 421,362
Contributions - employee	414,844	494,240	375,574	407,825	411,106	414,063	419,869	399,479
Net investment income	1,697,173	603,590	259,738	1,829,732	1,265,980	1,249,744	378,372	5,570,288
Benefit payments, including refunds of employee contributions	(222,525)	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)	(676,419)	(829,005)
Administrative expense	(8,482)	(7,442)	(8,396)	(9,970)	(10,415)	(11,937)	(12,621)	(13,494)
Other	89	(131)	(107)	(1,654)	(1,150)	(791)	(457)	530
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
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
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
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)
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%
Covered payroll	$ 6,582,460	$ 7,265,941	$ 7,785,947	$ 8,627,885	$ 8,875,155	$ 9,076,294	$ 8,973,619	$ 8,866,711
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%

Note to Schedule:

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

See Notes to Required Supplementary Information – Virginia Retirement System

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,				
	2017	2018	2019	2020	2021
Total Group Life Insurance OPEB Liability					
The Commission's Portion of the Net GLI OPEB Liability	0.04678%	0.04670%	0.04626%	0.04360%	0.42940%
The Commission's Proportionate Share of the Net GLI OPEB Liability	$ 703,000	$ 709,000	$ 752,773	$ 727,613	$ 499,938
The Commission's Covered Payroll	$ 8,627,885	$ 8,875,155	$ 9,076,294	$ 8,973,619	$ 8,866,711
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%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%	52.00%	52.64%	67.45%

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.

See Notes to Required Supplementary Information – OPEB

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF PRTC CONTRIBUTIONS – OPEB – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution (CRC)	$ 34,313	$ 34,887	$ 38,509	$ 41,266	$ 44,865	$ 46,151	$ 47,196	$ 46,660	$ 47,879	$ 52,410
Contributions in relation to the CRC	34,313	34,887	38,509	41,266	44,865	46,151	47,196	46,660	47,879	52,410
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 6,474,129	$ 6,582,460	$ 7,265,941	$ 7,785,947	$ 8,627,885	$ 8,875,155	$ 9,076,294	$ 8,973,619	$ 8,866,711	$ 9,705,606
Contributions as a percentage of covered payroll	0.53%	0.53%	0.53%	0.53%	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%

See Notes to Required Supplementary Information – OPEB

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – VIRGINIA RETIREMENT SYSTEM
Year Ended June 30, 2022

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, 2020 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, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled	Update to 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

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, 2020 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, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest 10 Locality Employers – General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	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, 2022 and 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2022	2021
Current Assets		
Cash and investments in banks	**$ 16,011,817**	$ 13,244,225
Receivables:		
Due from other governments	**42,599,307**	34,414,536
Due from Commuter Rail Service Fund	**1,673,796**	2,101,830
Miscellaneous	**70,393**	90,114
Prepaid expenses and other assets	**23,934**	165,756
Restricted assets:		
Cash and investments in pooled funds - member jurisdictions	**14,749,451**	13,792,050
Total current assets	**75,128,698**	63,808,511
Noncurrent Assets		
Net pension asset	**597,207**	-
Capital assets:		
Transportation equipment:		
Buses and related equipment	**93,297,239**	94,779,624
Less: accumulated depreciation	**(67,018,981)**	(63,925,298)
Transportation equipment, net	**26,278,258**	30,854,326
Land, buildings and equipment:		
Land	**6,639,270**	6,639,270
Buildings	**52,711,975**	52,711,975
Building improvements	**4,349,204**	4,304,643
Right-to-use leased equipment	**34,207**	-
Right-to-use leased facilities	**112,662**	-
Construction in progress	**162,344**	162,344
Site improvements	**1,430,513**	1,430,513
Bus shelters	**1,449,679**	1,455,001
Vehicles	**287,598**	287,598
Furniture and equipment	**2,394,745**	2,413,651
Software and easement	**4,034,978**	3,939,978
Less: accumulated depreciation and amortization	**(21,041,637)**	(18,885,908)
Land, buildings and equipment, net	**52,565,538**	54,459,065
Total capital assets, net	**78,843,796**	85,313,391
Total noncurrent assets	**79,441,003**	85,313,391
Total assets	**154,569,701**	149,121,902
Deferred Outflows of Resources		
Pension plan	**691,495**	893,993
Other postemployment benefits	**58,576**	70,502
Total deferred outflows of resources	**750,071**	964,495
Total assets and deferred outflows of resources	**$ 155,319,772**	$ 150,086,397

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2022	2021
Current Liabilities		
Accounts payable and other liabilities	**$ 6,910,953**	$ 5,655,871
Accrued payroll and benefits	**404,015**	660,334
Accrued interest	**3,439**	6,750
Due to other governments	**3,740**	3,740
Due to Commuter Rail Service Fund	**27,271,277**	16,437,610
Unearned revenue	**960,124**	1,026,494
Compensated absences	**44,327**	75,785
Lease liability	**46,184**	-
Bonds payable, net	**295,679**	275,000
Total current liabilities	**35,939,738**	24,141,584
Noncurrent Liabilities		
Compensated absences	**536,503**	543,940
Net pension liability	**-**	878,656
Net other postemployment benefits liability	**194,353**	291,600
Lease liability	**57,658**	-
Bond payable, net	**-**	338,396
Total noncurrent liabilities	**788,514**	2,052,592
Total liabilities	**36,728,252**	26,194,176
Deferred Inflows of Resources		
Pension plan	**1,180,224**	8,159
Other postemployment benefits	**89,717**	24,221
Total deferred inflows of resources	**1,269,941**	32,380
Net Position		
Net investment in capital assets	**78,444,276**	84,699,995
Restricted	**19,649,371**	18,491,033
Unrestricted	**19,227,932**	20,668,813
Total net position	**117,321,579**	123,859,841
Total liabilities, deferred inflows of resources and net position	**$ 155,319,772**	$ 150,086,397

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – BUS SERVICE AND MEMBER JURISDICTIONS
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Revenues		
Motor fuel tax	**$ 28,028,585**	$ 25,248,399
Farebox	**3,494,401**	1,977,693
Advertising	**109,619**	147,265
Total operating revenues	**31,632,605**	27,373,357
Operating Expenses		
Direct transportation	**10,860,216**	8,732,281
Salaries and related benefits	**5,420,554**	5,480,658
Contractual services	**31,657,699**	28,404,284
Other services	**1,809,658**	2,039,989
Materials, supplies and minor equipment	**447,222**	795,075
Fuel	**2,297,522**	1,888,697
Total operating expenses	**52,492,871**	47,340,984
Operating loss before depreciation and amortization	**(20,860,266)**	(19,967,627)
Depreciation and amortization	**(6,989,865)**	(8,453,711)
Operating loss	**(27,850,131)**	(28,421,338)
Nonoperating Revenues (Expenses)		
Commonwealth of Virginia grants	**14,286,618**	9,852,674
Federal grants	**61,590,367**	58,488,059
Investment income	**46,008**	25,595
Pass-through grants - member jurisdictions	**(141,254)**	(222,936)
Interest	**22,203**	12,585
Other revenue	**468,138**	280,257
Total nonoperating revenues, net	**76,272,080**	68,436,234
Capital Grants and Assistance		
Commonwealth of Virginia grants	**217,476**	2,810,070
Federal grants	**17,622,051**	10,169,307
Capital contributions	**20,300**	-
Total capital grants and assistance	**17,859,827**	12,979,377
Income before transfers and gain on disposal of assets	**66,281,776**	52,994,273
Transfers In	**74,034**	66,721
Transfers Out	**(72,893,245)**	(58,814,985)
Transfers, net	**(72,819,211)**	(58,748,264)
Gain (loss) on Disposal of Assets	**(827)**	4,598
Change in net position	**(6,538,262)**	(5,749,393)
Net Position, beginning	**123,859,841**	129,609,234
Net Position, ending	**$ 117,321,579**	$ 123,859,841

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

COMPARATIVE STATEMENTS OF NET POSITION – COMMUTER RAIL SERVICE
June 30, 2022 and 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2022	2021
Current Assets		
Cash and investments in bank	**$ 29,385,179**	$ 69,605,771
Receivables:		
Due from Bus Service and Member Jurisdictions Fund	**27,252,637**	16,437,610
Trade receivables, net of allowance for doubtful accounts	**149,374**	176,564
Miscellaneous	**1,144,796**	708,252
Inventory	**1,001,940**	1,772,757
Prepaid expenses and other assets	**150,968**	359,735
Restricted cash, cash equivalents and investments	**5,583,515**	5,697,052
Total current assets	**64,668,409**	94,757,741
Noncurrent Assets		
Lease receivable	**701,474**	-
Net pension asset	**891,393**	-
Capital assets:		
Transportation equipment:		
Rail rolling stock	**142,651,537**	142,639,959
Less: accumulated depreciation	**(64,181,006)**	(58,368,986)
Transportation equipment, net	**78,470,531**	84,270,973
Buildings and equipment:		
Construction in progress	**40,170,392**	16,592,209
Vehicles	**72,781**	72,781
Right-to-use-leased buildings	**692,516**	-
Right-to-use-leased parkings lots	**289,664**	-
Right-to-use-leased tower	**49,791**	-
Facilities	**56,489,589**	56,404,726
Track and signal improvements	**50,054,134**	50,054,134
Furniture, equipment and software	**9,815,064**	9,644,882
Equity in property of others	**2,893,643**	2,893,643
Less: accumulated depreciation and amortization	**(61,912,425)**	(56,930,463)
Buildings and equipment, net	**98,615,149**	78,731,912
Total capital assets, net	**177,085,680**	163,002,885
Total noncurrent assets	**178,678,547**	163,002,885
Total assets	**243,346,956**	257,760,626
Deferred Outflows of Resources		
Pension plan	**1,032,127**	1,250,435
Other postemployment benefits	**92,101**	105,417
Total deferred outflows of resources	**1,124,228**	1,355,852
Total assets and deferred outflows of resources	**$ 244,471,184**	$ 259,116,478

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2022	2021
Current Liabilities		
Accounts payable and other liabilities	**$ 3,230,202**	$ 1,906,237
Accrued expenses	**687,574**	440,354
Due to Bus Service and Member Jurisdictions Fund	**1,655,156**	2,101,830
Unearned revenue	**382,662**	494,963
Private placement note payable	**852,435**	814,615
Interest payable	**22,441**	26,717
Leases payable	**179,912**	-
Retainage payable	**781,995**	182,300
Compensated absences	**41,931**	68,016
Total current liabilities	**7,834,308**	6,035,032
Noncurrent Liabilities		
Net pension liability	**-**	1,228,984
Leases payable	**640,397**	-
Net other postemployment benefits liability	**305,585**	436,013
Compensated absences	**275,751**	443,480
Private placement note payable	**1,825,435**	2,677,870
Total noncurrent liabilities	**3,047,168**	4,786,347
Total liabilities	**10,881,476**	10,821,379
Deferred Inflows of Resources		
Leases	**701,474**	-
Pension plan	**1,761,605**	11,412
Other postemployment benefits	**141,064**	36,217
Total deferred inflows of resources	**2,604,143**	47,629
Net Position		
Net investment in capital assets	**164,078,347**	159,510,400
Restricted for liability insurance plan	**5,011,451**	5,126,469
Restricted grants and contributions	**572,064**	1,265,006
Unrestricted	**61,323,703**	82,345,595
Total net position	**230,985,565**	248,247,470
Total liabilities, deferred inflows of resources and net position	**$ 244,471,184**	$ 259,116,478

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – COMMUTER RAIL SERVICE
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Revenues		
Passenger revenues	$ 3,346,580	$ 4,458,404
Equipment rental and other	37,184	101,736
Total operating revenues	3,383,764	4,560,140
Operating Expenses		
Contract operations and maintenance	9,067,344	17,291,502
Other operations and maintenance	5,652,383	9,593,251
Property leases and access fees	5,499,581	10,669,841
Insurance	2,364,837	4,365,213
Marketing and sales	253,219	602,096
General and administrative	3,272,708	7,783,022
Total operating expenses	26,110,072	50,304,925
Operating loss before depreciation and amortization	(22,726,308)	(45,744,785)
Depreciation and amortization	(10,776,382)	(10,559,080)
Operating loss	(33,502,690)	(56,303,865)
Nonoperating Revenues (Expenses)		
Jurisdictional contributions	3,003,166	11,554,393
Commuter Rail Operating and Capital (C-ROC) Fund	9,470,410	9,470,410
Investment income	149,897	110,058
Interest, amortization and other nonoperating expenses, net	(172,255)	(181,250)
Total nonoperating revenues, net	12,451,218	20,953,611
Capital Grants and Assistance		
Commonwealth of Virginia grants	-	-
Regional transportation funding	437,902	264,033
Local contributions	62,269	518,086
Contributions to NVTC	(69,529,815)	(5,271,114)
Total capital grants and assistance, net	(69,029,644)	(4,488,995)
Loss before transfers	(90,081,116)	(39,839,249)
Transfers Out	(74,034)	(66,721)
Transfers In	72,893,245	58,814,985
Transfers, net	72,819,211	58,748,264
Change in net position	(17,261,905)	18,909,015
Net Position, beginning	248,247,470	229,338,455
Net Position, ending	$ 230,985,565	$ 248,247,470

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF MEMBER JURISDICTIONS' FUNDS
Year Ended June 30, 2022

	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, 2021	$ 2,148,934	$ 556,813	$ 2,552,520	$ 4,393,634	$ 4,788,423	$ 4,050,709	$ 18,491,033
Funds Received:							
Motor fuel tax	1,076,247	803,950	787,161	14,591,496	4,619,789	6,149,942	28,028,585
Transfer from PRTC (carryforward)	34,300	55,400	36,500	1,092,100	92,700	101,500	1,412,500
Other	-	136,866	-	-	-	-	136,866
Interest	5,377	2,212	7,182	7,217	8,837	15,078	45,903
Total funds received	1,115,924	998,428	830,843	15,690,813	4,721,326	6,266,520	29,623,854
Funds Disbursed:							
Direct transportation expenses:							
VRE operating and capital	95,412	-	121,735	-	643,856	390,849	1,251,852
Other jurisdictional projects	1,236,534	-	-	-	3,758,901	4,612,929	9,608,364
Transfers to PRTC:							
Administrative	32,300	20,800	16,800	334,100	104,700	132,800	641,500
OmniRide, OmniLink, Capital Improvement, Marketing, VanPool	2,000	343,400	176,500	16,427,400	6,400	8,100	16,963,800
Total funds disbursed	1,366,246	364,200	315,035	16,761,500	4,513,857	5,144,678	28,465,516
Funds Available - June 30, 2022	$ 1,898,612	$ 1,191,041	$ 3,068,328	$ 3,322,947	$ 4,995,892	$ 5,172,551	$ 19,649,371

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, 2022. Total funds available reconcile to amounts reported on the Statement of Net Position as follows:

Cash and investments in pooled funds - member jurisdictions	$ 14,749,451
Due from other governments - Motor fuels tax revenue receipts (see Note 4)	4,899,920
	$ 19,649,371

Note 2 - Expenses for other jurisdictional projects consist of:

	City of Fredericksburg	City of Manassas	City of Manassas Park	County of Prince William	County of Stafford	County of Spotsylvania	Total
Road improvements/maintenance	$ 230,562	$ -	$ -	$ -	$ 3,248,192	$ -	$ 3,478,754
Rail and garage maintenance	99,615	-	-	-	-	-	99,615
Human services transportation, airport	42,860	-	-	-	87,881	-	130,741
Parking garage debt service	600,389	-	-	-	-	-	600,389
FRED transit costs	263,108	-	-	-	422,828	217,029	902,965
Transportation salaries/benefits; debt service	-	-	-	-	-	4,395,900	4,395,900
	$ 1,236,534	$ -	$ -	$ -	$ 3,758,901	$ 4,612,929	$ 9,608,364

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended June 30, 2022

State Granting Agency	State Grant Number	Expenditures
Direct Payments:		
Virginia Department of Rail and Public Transportation:		
Operating Assistance	72022-26	$ 9,036,939
Commuter Assistance	72519-13 (pending); 71420-14; 71022-10; 71422-10	167,860
I-95 Transit and TDM Bus Services	72022-61; 72022-62; 72022-63	1,005,354
I-66 TMP Bus Services	72518-12	153,849
Vanpool Program	71118-05	166,019
Technical Assistance	71321-11; 71322-10	69,663
Capital - FY 19	73019-55	44,933
Capital - FY 20	73020-51	492
Capital - FY 21	73021-70	45,294
Capital - FY 21	73021-71	25,409
Capital - FY 21	73021-72	9,035
Capital - FY 21	73021-73	7,653
Capital - FY 22	73022-44	141,254
Capital - FY 22	73022-45	64,600
Capital - FY 22	73022-46	20,060
		10,958,414
Northern Virginia Transportation Commission:		
Dale City to Ballston Bus Service	664-31-20; 664-31-22	251,157
Gainesville to Pentagon/DC Bus Service	664-01-20; 664-02-20; 664-61-21	1,293,417
Haymarket to Rosslyn Bus Service	664-03-20; 664-62-21	395,673
Prince William Metro Express Bus Service	664-32-20; 664-32-22	236,364
Route 1 OmniRide Local Bus Service	664-33-20; 664-33-22	335,160
Stafford to Pentagon/DC Bus Service	664-34-20; 664-35-20; 664-34-22; 664-35-22	953,917
I-395/95 Corridor VanPool Incentive	664-36-22	48,505
		3,514,193
Virginia Department of Transportation:		
Congestion Mitigation & Air Quality (Employer Outreach)		16,932
Total State Awards Expended		$ 14,489,539

Note: State funds of $361,820 from 72520-24 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, 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, 2022, 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 16, 2022.

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 16, 2022

PBMares

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, 2022. 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, 2022.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 generally accepted auditing standards, *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 generally accepted auditing standards, *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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and each major fund of the Commission as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We issued our report thereon dated November 16, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

PBMares, LLP

Harrisonburg, Virginia
November 16, 2022

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor / Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
DEPARTMENT OF TRANSPORTATION:			
Direct Payments:			
Federal Transit Cluster:			
VA-2018-019	20.507		$ 2,726
VA-2019-020	20.507		159
VA-2021-029	20.507		(4,110)
COVID-19: VA-2020-052	20.507		2,457,384
VA-2022-045 (Pending)	20.507		80,000
VA-2022-XXX (Pending)	20.507		3,607,654
VA-95-X149	20.507		1,625,705
VA-95-X046	20.507		1,691,739
VA-2017-023	20.507		61,412
COVID-19: VA-2020-052	20.507		47,232,405
VA-2021-002	20.507		201,798
VA-2021-033	20.507		1,397,258
TBD	20.507		560,682
Federal Transit - Formula Grants			58,914,812
VA-2016-014	20.525		282,444
VA-2018-020	20.525		13,451,162
VA-2019-021	20.525		62,182
VA-2020-030	20.525		728,665
VA-2021-033	20.525		3,558,939
TBD	20.525		2,038,854
Federal Transit - State of Good Repair Grants Program			20,122,246
VA-2019-020	20.526		(160)
Federal Transit - Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)			(160)
Total Federal Transit Cluster			79,036,898
Pass-through Payments:			
Virginia Department of Transportation			
Highway Planning and Construction Cluster:			
Highway Planning and Construction (Federal Highway)	20.205	5A01(947)	67,695
Total Highway Planning and Construction Cluster			67,695
Total Expenditures of Federal Awards			$ 79,104,593

See Notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

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, 2022. 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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

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 weaknesses identified?	______ Yes	√ No
Significant deficiencies identified?	______ Yes	√ None Reported
Noncompliance material to financial statements noted?	______ Yes	√ No

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	______ Yes	√ No
Significant deficiencies identified?	______ Yes	√ None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	______ Yes	√ No

Identification of major programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
Federal Transit Cluster:	
20.507	Federal Transit – Formula Grants
20.525	Federal Transit – State of Good Repair Grants Program
20.526	Federal Transit – Buses and Bus Facilities Formula & Discretionary Programs (Bus Program)

Dollar threshold used to distinguish between type A and type B programs $ 2,373,138

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, 2022

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.