Potomac and Rappahannock Transportation Commission

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2023

PBMares

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, 2023, 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, 2023, 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 62-67, 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 27, 2023 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 27, 2023

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, 2023. 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, 2023, PRTC's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $427,397,819. Of this total, $119,956,933 is for bus service and member jurisdictions and $307,440,886 is for commuter rail service.

The net position of PRTC increased by $79,090,675 for fiscal year 2023. This is the net effect of a $2,635,354 increase from bus service and member jurisdictions and a $76,455,321 increase from commuter rail service.

As of June 30, 2023, PRTC's unrestricted net position is $79,746,812. Of this total, $22,051,011 is for bus service and member jurisdictions and $57,695,801 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, 2023 and 2022:

Summary of Net Position
As of June 30

	Bus Service and Member Jurisdictions		Commuter Rail Service		Total	
	2023	2022	**2023**	2022	**2023**	2022
Assets and deferred outflows of resources:						
Current assets	**$ 61,465,268**	$ 47,857,421	**$ 65,873,007**	$ 63,013,253	**$127,338,275**	$ 110,870,674
Other non current assets	**45,305**	597,207	**597,317**	1,592,867	**642,622**	2,190,074
Capital assets, net	**77,131,297**	78,843,796	**251,347,990**	177,085,680	**328,479,287**	255,929,476
Total assets	**138,641,870**	127,298,424	**317,818,314**	241,691,800	**456,460,184**	368,990,224
Deferred outflows of resources	**523,465**	750,071	**783,860**	1,124,228	**1,307,325**	1,874,299
Total assets and deferred outflows of resources	**139,165,335**	128,048,495	**318,602,174**	242,816,028	**457,767,509**	370,864,523
Liabilities and deferred inflows of resources:						
Current liabilities	**17,976,058**	8,668,461	**7,806,241**	6,179,152	**25,782,299**	14,847,613
Noncurrent liabilities	**787,724**	788,514	**2,174,101**	3,047,168	**2,961,825**	3,835,682
Total liabilities	**18,763,782**	9,456,975	**9,980,342**	9,226,320	**28,744,124**	18,683,295
Deferred inflows of resources	**444,620**	1,269,941	**1,180,946**	2,604,143	**1,625,566**	3,874,084
Total liabilities and deferred inflows of resources	**19,208,402**	10,726,916	**11,161,288**	11,830,463	**30,369,690**	22,557,379
Net Position:						
Net investment in capital assets	**75,324,474**	78,444,276	**243,285,238**	164,078,347	**318,609,712**	242,522,623
Restricted	**22,581,448**	19,649,371	**6,459,847**	5,583,515	**29,041,295**	25,232,886
Unrestricted	**22,051,011**	19,227,932	**57,695,801**	61,323,703	**79,746,812**	80,551,635
Total net position	**$119,956,933**	$ 117,321,579	**$307,440,886**	$ 230,985,565	**$427,397,819**	$ 348,307,144

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 $427.4 million, an increase of $79.1 million over the previous fiscal year. The largest portion of net position, $318.6 million or 74.5%, 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, $29.0 million or 6.8%, represents resources restricted for member jurisdictions, pension asset, commuter rail liability insurance plan, and commuter rail grants or contributions.

Current assets consist primarily of cash, cash equivalents, and investments; grant revenue due from the Federal Government and the Commonwealth of Virginia; and motor fuel tax revenue receivable collected on PRTC's behalf by the Commonwealth. Current assets increased approximately $16.5 million or 14.8% from the previous year, primarily due to increased grant and other receivables of $23.3 million and increased restricted cash and investments of $3.1 million, offset by decreased cash and investments of $9.9 million, Capital assets, net of accumulated depreciation and amortization, increased approximately $72.5 million or 28.4%, primarily the result of construction in progress and increased equity in property of others.

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, 2023 and 2022:

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

	Bus Service and Member Jurisdictions		Commuter Rail Service		Total	
	2023	2022	**2023**	2022	**2023**	2022
Revenues:						
Operating revenues	**$ 34,496,857**	$ 31,632,605	**$ 3,920,851**	$ 3,383,764	**$ 38,417,708**	$ 35,016,369
Nonoperating revenues	**64,026,537**	76,413,334	**27,743,176**	12,623,473	**91,769,713**	89,036,807
Capital grants & assistance	**23,977,437**	17,859,827	**851,250**	500,171	**24,828,687**	18,359,998
Contribution from NVTC	**-**	-	**30,685,015**	-	**30,685,015**	-
Transfers, net	**(49,875,843)**	(72,819,211)	**49,875,843**	72,819,211	**-**	-
Total revenues	**72,624,988**	53,086,555	**113,076,135**	89,326,619	**185,701,123**	142,413,174
Expenses:						
Operating expenses	**62,984,315**	52,492,871	**25,247,732**	26,110,072	**88,232,047**	78,602,943
Depreciation and amortization	**6,824,242**	6,989,865	**11,240,094**	10,776,382	**18,064,336**	17,766,247
Nonoperating expenses	**181,077**	142,081	**132,988**	172,255	**314,065**	314,336
Contribution to NVTC	**-**	-	**-**	69,529,815	**-**	69,529,815
Total expenses	**69,989,634**	59,624,817	**36,620,814**	106,588,524	**106,610,448**	166,213,341
Change in net position	**2,635,354**	(6,538,262)	**76,455,321**	(17,261,905)	**79,090,675**	(23,800,167)
Net position, beginning	**117,321,579**	123,859,841	**230,985,565**	248,247,470	**348,307,144**	372,107,311
Net position, ending	**$119,956,933**	$ 117,321,579	**$307,440,886**	$ 230,985,565	**$427,397,819**	$ 348,307,144

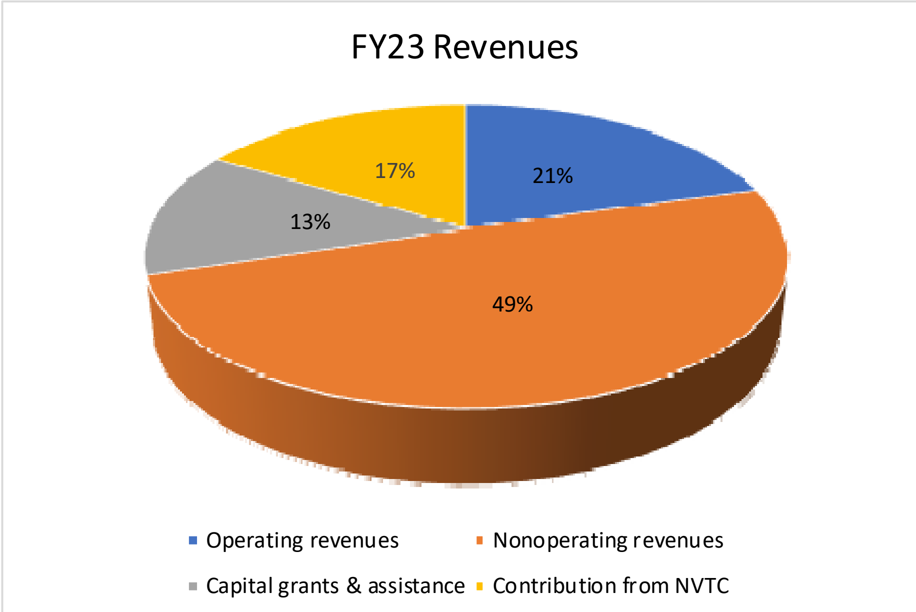
For the fiscal year ended June 30, 2023, revenues totaled $185.7 million, compared to $142.4 million in the preceding year, an increase of $43.3 million or 30.4%. Expenses decreased by $59.6 million or 35.9%. A discussion of the key components of these changes follows.

Operating revenues increased $3.4 million or 9.7% from the prior year, primarily the result of increase in motor fuel tax revenue of $2.7 million and farebox revenue of $0.8 million reflecting some return of ridership continuing in post COVID-19 pandemic in fiscal year 2023. For the Bus Service and Member Jurisdictions Fund, total ridership was 1.6 million in fiscal year 2023 compared to 1.2 million in fiscal year 2022. For the Commuter Rail Service Fund, total ridership was 1.5 million in fiscal year 2023 compared to 0.8 million in fiscal year 2022.

Nonoperating revenues increased by $2.7 million or 3.07% from the prior year, primarily the result of increased Jurisdictional contribution of $5.5 million, increased Commonwealth of Virginia grants of $ 9.5 million, increased Investment income of $2.4 million, increased other revenue of $0.9 million offset by decreased Federal grants of $15.6 million.

Capital grants and assistance increased by $6.5 million or 35.23%, which is attributable to increased state and federal capital funding for fiscal year 2023 compared to fiscal year 2022.

The following chart shows PRTC reporting entity revenues by source for the fiscal year ended June 30, 2023.



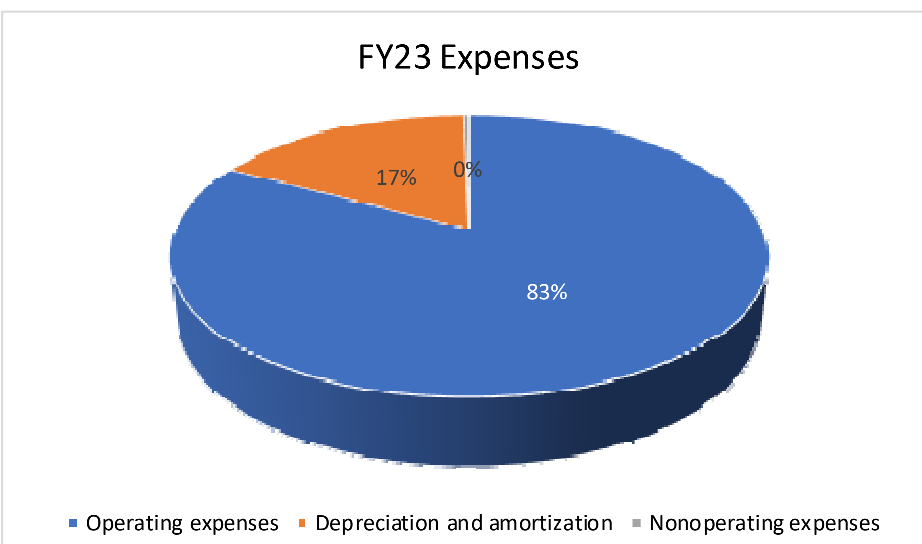
Operating expenses increased by $9.6 million or 12.3%.

For the Bus Service and Member Jurisdictions Fund, operating expenses increased by $10.5 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 $4.4 million. Contractual services increased by $3.4 million and fuel increased by $1.6 million, while combined expenses for salaries and benefits, other services, and supplies increased by $1.1 million.

For the Commuter Rail Service Fund, operating expenses decreased by $0.8 million or 3.0%. PRTC's share of the reporting entity decreased from 31.8% to 27.5%, with a corresponding increase for NVTC. In addition, there were increases in rail insurance costs, general and administrative costs, operations and maintenance costs (including fuel) and marketing costs.

Fiscal year 2023 reflects contribution from NVTC of $30.6 million while fiscal year 2022 reflects contribution to NVTC of $69.5 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, 2023.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The details of capital assets as of June 30, 2023 and 2022 are as follows:

	Bus Service and Member Jurisdictions		Commuter Rail Service		Total	
	2023	2022	**2023**	2022	**2023**	2022
Buses and related equipment	**$ 82,585,825**	$ 93,297,239	**$ -**	$ -	**$ 82,585,825**	$ 93,297,239
Rail rolling stock	**-**	-	**143,388,695**	142,651,537	**143,388,695**	142,651,537
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	**4,472,466**	4,349,204	**-**	-	**4,472,466**	4,349,204
Intangible right-to-use lease buildings	**-**	-	**731,784**	692,516	**731,784**	692,516
Intangible right-to-use lease parking lots	**-**	-	**136,751**	289,664	**136,751**	289,664
Intangible right-to-use lease tower	**-**	-	**49,791**	49,791	**49,791**	49,791
Intangible right-to-use subscription assets	**-**	-	**767,262**	-	**767,262**	-
Intangible right-to-use lease equipment	**34,207**	34,207	**-**	-	**34,207**	34,207
Intangible right-to-use lease facilities	**112,662**	112,662	**-**	-	**112,662**	112,662
Construction in progress	**3,073,151**	162,344	**60,601,428**	40,170,392	**63,674,579**	40,332,736
Site improvements	**1,430,513**	1,430,513	**-**	-	**1,430,513**	1,430,513
Bus shelters	**1,459,829**	1,449,679	**-**	-	**1,459,829**	1,449,679
Vehicles	**736,440**	287,598	**75,670**	72,781	**812,110**	360,379
Furniture and equipment	**2,438,928**	2,394,745	**-**	-	**2,438,928**	2,394,745
Software and easement	**4,034,978**	4,034,978	**-**	-	**4,034,978**	4,034,978
Facilities	**-**	-	**59,514,401**	56,489,589	**59,514,401**	56,489,589
Track and signal improvements	**-**	-	**50,054,135**	50,054,134	**50,054,135**	50,054,134
Furniture, equipment and software	**-**	-	**10,724,574**	9,815,064	**10,724,574**	9,815,064
Equity in property of others	**-**	-	**62,473,241**	2,893,643	**62,473,241**	2,893,643
Capital assets	**159,730,244**	166,904,414	**388,517,732**	303,179,111	**548,247,976**	470,083,525
Less accumulated depreciation and amortization	**82,598,947**	88,060,618	**137,169,742**	126,093,431	**219,768,689**	214,154,049
Total capital assets, net	**$ 77,131,297**	$ 78,843,796	**$251,347,990**	$ 177,085,680	**$328,479,287**	$ 255,929,476

PRTC's investment in capital assets as of June 30, 2023, amounted to $328.5 million (net of accumulated depreciation and amortization), which represents an increase of $72.5 million or 28.4%.

For bus service and member jurisdictions, one bus shelter and three buses were added and also twenty-four buses were disposed of during fiscal year 2023. Six paratransit vehicles were also added during fiscal year 2023.

For commuter rail service, capital assets increased by $74.3 million or 41.9% (net of accumulated depreciation and amortization). The major completed projects during the fiscal year were the contribution to the VPRA for the CSX right of way project ($59.6 million), the Rolling Road Station improvements ($1.9 million), the L'Enfant Storage South project ($0.8 million), the Automated Passenger Counters in railcars project ($0.8 million), the HQ renovation project ($0.6 million), the second portion of the Lighting Replacements project ($0.2 million), and improvements to the VMS Proof of Concept project ($0.2 million). The major additions to construction in progress during the fiscal year were costs related to the Crossroads LOU project ($10.6 million), the Quantico Platform project ($5.1 million), the contribution to the VPRA Long Bridge project ($3.8 million), the twenty-one New Railcars project ($2.1 million), the Fredericksburg Station rehab project ($1.5 million), the Broad Run station & platform project ($1.3 million), the Manassas Park parking expansion project ($0.4 million), and the Crossroads MSF expansion project ($0.2 million). The implementation of GASB 96 Subscription-Based Information Technology Arrangements standard added $0.8 million.

Debt Administration

At June 30, 2023, PRTC had no an outstanding principal balance for its Series 2012 Revenue Bond with the Virginia Resources Authority. The remaining balance of $285,000 as of July 1, 2022 is paid off in FY2023.

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 train scheduling, yard storage capacity, and the availability of operating funds to support changes to address new market and travel patterns.

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 2024 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, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Current Assets			
Cash and investments in bank	$ 13,508,214	$ 22,010,995	$ 35,519,209
Receivables:			
Due from other governments	63,577,824	1,297,496	64,875,320
Trade receivables, net of allowance for doubtful accounts	-	102,887	102,887
Miscellaneous	4,146	2,339,602	2,343,748
Internal balances	(33,425,026)	33,425,026	-
Inventory	-	870,951	870,951
Prepaid expenses and other assets	60,667	157,551	218,218
Restricted assets:			
Cash and investments in pooled funds - member jurisdictions	17,739,443	-	17,739,443
Cash, cash equivalents and investments	-	5,668,499	5,668,499
Total current assets	61,465,268	65,873,007	127,338,275
Noncurrent Assets			
Lease receivable	-	529,864	529,864
Net pension asset	45,305	67,453	112,758
Capital assets:			
Transportation equipment:			
Buses and related equipment	82,585,825	-	82,585,825
Rail rolling stock	-	143,388,695	143,388,695
Less: accumulated depreciation	(59,293,669)	(70,018,305)	(129,311,974)
Transportation equipment, net	23,292,156	73,370,390	96,662,546
Land, buildings and equipment:			
Land	6,639,270	-	6,639,270
Construction in progress	3,073,151	60,601,428	63,674,579
Buildings	52,711,975	-	52,711,975
Building improvements	4,472,466	-	4,472,466
Intangible right-to-use-lease buildings	-	731,784	731,784
Intangible right-to-use-lease parkings lots	-	136,751	136,751
Intangible right-to-use-lease tower	-	49,791	49,791
Intangible right-to-use subscription assets	-	767,262	767,262
Intangible right-to-use lease equipment	34,207	-	34,207
Intangible right-to-use lease facilities	112,662	-	112,662
Site improvements	1,430,513	-	1,430,513
Bus shelters	1,459,829	-	1,459,829
Vehicles	736,440	75,670	812,110
Furniture and equipment	2,438,928	-	2,438,928
Software and easement	4,034,978	-	4,034,978
Facilities	-	59,514,401	59,514,401
Track and signal improvements	-	50,054,135	50,054,135
Furniture, equipment and software	-	10,724,574	10,724,574
Equity in property of others	-	62,473,241	62,473,241
Less: accumulated depreciation and amortization	(23,305,278)	(67,151,437)	(90,456,715)
Land, buildings and equipment, net	53,839,141	177,977,600	231,816,741
Total capital assets, net	77,131,297	251,347,990	328,479,287
Total noncurrent assets	77,176,602	251,945,307	329,121,909
Total assets	138,641,870	317,818,314	456,460,184
Deferred Outflows of Resources			
Pension plan	466,772	694,950	1,161,722
Other postemployment benefits	56,693	88,910	145,603
Total deferred outflows of resources	523,465	783,860	1,307,325
Total assets and deferred outflows of resources	$ 139,165,335	$ 318,602,174	$ 457,767,509

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	$ 16,286,558	$ 3,874,521	$ 20,161,079
Accrued expenses	-	1,736,712	1,736,712
Accrued payroll and benefits	463,027	-	463,027
Accrued interest	-	18,026	18,026
Due to other governments	3,740	-	3,740
Unearned revenue	1,111,316	348,379	1,459,695
Private placement note payable	-	892,011	892,011
Compensated absences	62,697	14,507	77,204
Lease liabilities	48,720	87,719	136,439
Subscription liabilities	-	97,779	97,779
Retainage payable	-	736,587	736,587
Total current liabilities	17,976,058	7,806,241	25,782,299
Noncurrent Liabilities			
Compensated absences	569,591	256,519	826,110
Net other postemployment benefits liability	209,195	328,073	537,268
Private placement note payable	-	933,424	933,424
Lease liabilities	8,938	602,842	611,780
Subscription liabilities	-	53,243	53,243
Total noncurrent liabilities	787,724	2,174,101	2,961,825
Total liabilities	18,763,782	9,980,342	28,744,124
Deferred Inflows of Resources			
Leases	-	514,723	514,723
Pension plan	391,059	582,225	973,284
Other postemployment benefits	53,561	83,998	137,559
Total deferred inflows of resources	444,620	1,180,946	1,625,566
Net Position			
Net investment in capital assets	75,324,474	243,285,238	318,609,712
Restricted	22,536,143	5,073,701	27,609,844
Restricted - grants and contributions	-	1,318,693	1,318,693
Restricted - pension asset	45,305	67,453	112,758
Unrestricted	22,051,011	57,695,801	79,746,812
Total net position	119,956,933	307,440,886	427,397,819
Total liabilities, deferred inflows of resources and net position	$ 139,165,335	$ 318,602,174	$ 457,767,509

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2023

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Operating Revenues			
Motor fuel tax	$ 30,723,138	$ -	$ 30,723,138
Farebox and passenger	3,773,719	3,835,352	7,609,071
Equipment rental and other	-	85,499	85,499
Total operating revenues	34,496,857	3,920,851	38,417,708
Operating Expenses			
Direct transportation	15,269,237	-	15,269,237
Salaries and related benefits	6,243,742	-	6,243,742
Contractual services	35,061,458	-	35,061,458
Other services	2,056,553	-	2,056,553
Materials, supplies and minor equipment	463,736	-	463,736
Fuel	3,889,589	-	3,889,589
Contract operations and maintenance	-	8,492,321	8,492,321
Other operations and maintenance	-	5,684,753	5,684,753
Property leases and access fees	-	5,072,347	5,072,347
Insurance	-	2,127,411	2,127,411
Marketing and sales	-	323,289	323,289
General and administrative	-	3,547,611	3,547,611
Total operating expenses	62,984,315	25,247,732	88,232,047
Operating loss before depreciation and amortization	(28,487,458)	(21,326,881)	(49,814,339)
Depreciation and amortization	(6,824,242)	(11,240,094)	(18,064,336)
Operating loss	(35,311,700)	(32,566,975)	(67,878,675)
Nonoperating Revenues (Expenses)			
Jurisdictional contributions	-	8,551,227	8,551,227
Commonwealth of Virginia grants	15,716,043	-	15,716,043
Federal grants	45,981,921	-	45,981,921
Commonwealth of Virginia - VPRA	-	8,055,997	8,055,997
Commuter Rail Operating and Capital (C-ROC) Fund	-	9,470,412	9,470,412
Investment income	886,543	1,665,540	2,552,083
Pass-through grants - member jurisdictions	(181,077)	-	(181,077)
Interest, amortization and other nonoperating expenses, net	4,754	(132,988)	(128,234)
Other revenue	1,387,617	-	1,387,617
Total nonoperating revenues, net	63,795,801	27,610,188	91,405,989
Capital Grants and Assistance			
Commonwealth of Virginia grants	3,232,249	-	3,232,249
Federal grants	20,735,038	-	20,735,038
Regional transportation funding - NVTA	-	851,250	851,250
Local contributions	10,150	-	10,150
Contribution from NVTC	-	30,685,015	30,685,015
Total capital grants and assistance, net	23,977,437	31,536,265	55,513,702
Income before transfers and loss on disposal of assets	52,461,538	26,579,478	79,041,016
Transfers, net	(49,875,843)	49,875,843	-
Gain on Disposal of Assets	49,659	-	49,659
Change in net position	2,635,354	76,455,321	79,090,675
Net Position, beginning	117,321,579	230,985,565	348,307,144
Net Position, ending	$ 119,956,933	$ 307,440,886	$ 427,397,819

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Cash Flows from Operating Activities			
Receipts from motor fuel tax	$ 30,826,358	$ -	$ 30,826,358
Receipts from customers	4,294,262	2,723,108	7,017,370
Payments to suppliers	(33,881,631)	(23,313,318)	(57,194,949)
Payments to member jurisdictions	(15,269,237)	-	(15,269,237)
Payments to employees	(6,422,109)	(2,630,708)	(9,052,817)
Net cash used in operating activities	(20,452,357)	(23,220,918)	(43,673,275)
Cash Flows from Capital and Related Financing Activities			
Interest payments on revenue bond	(6,879)	-	(6,879)
Principal payments on revenue bond	(285,000)	-	(285,000)
Principal payments on private placement note payable	-	(852,435)	(852,435)
Interest payments on private placement note payable	-	(113,290)	(113,290)
Principal payments on lease liabilities	(46,184)	(179,886)	(226,070)
Prinicpal payments on subscription liabilities	-	(98,905)	(98,905)
Interest payments on leases	(2,486)	(24,113)	(26,599)
Proceeds from sale of assets	155,281	-	155,281
Local contributions	10,150	-	10,150
Contribution from NVTC	-	30,685,015	30,685,015
Capital grants and assistance	10,445,461	-	10,445,461
Acquisition of capital assets	(3,468,226)	(82,829,896)	(86,298,122)
Net cash provided by (used in) capital and related financing activities	6,802,117	(53,413,510)	(46,611,393)
Cash Flows from Noncapital Financing Activities			
Governmental subsidies	54,057,152	25,631,390	79,688,542
Interfund transfers	(42,048,298)	42,048,298	-
Payments for jurisdiction grant - related expenditures	(181,077)	-	(181,077)
Net cash provided by noncapital financing activities	11,827,777	67,679,688	79,507,465
Cash Flows From Investing Activities			
Investment income	886,543	1,665,540	2,552,083
Other revenues	1,422,280	-	1,422,280
Cash provided by investing activities	2,308,823	1,665,540	3,974,363
Increase (decrease) in cash and cash equivalents	486,360	(7,289,200)	(6,802,840)
Cash and Cash Equivalents			
Beginning	30,761,297	34,968,694	65,729,991
Ending	$ 31,247,657	$ 27,679,494	$ 58,927,151

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

STATEMENT OF CASH FLOWS (Continued)
Year Ended June 30, 2023

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating loss	$ (35,311,700)	$ (32,566,975)	$ (67,878,675)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization	6,824,242	11,240,094	18,064,336
Write-off of construction in progress to expense	-	(417,732)	(417,732)
Changes in assets and liabilities:			
(Increase) decrease in:			
Due from other governments	546,609	-	546,609
Miscellaneous receivables	66,247	(1,194,806)	(1,128,559)
Prepaid expenses and other assets	(36,733)	(6,583)	(43,316)
Trade receivables	-	46,487	46,487
Inventory	-	130,989	130,989
Lease receivable	-	171,610	171,610
Pension asset	551,902	823,940	1,375,842
Pension related deferred outflows of resources	224,723	337,177	561,900
OPEB related deferred outflows of resources	1,883	3,191	5,074
Increase (decrease) in:			
Accounts payable and other liabilities	7,626,438	(306,662)	7,319,776
Accrued payroll and benefits	110,470	(46,656)	63,814
Due to other governments	(256,866)	-	(256,866)
OPEB liability	14,842	22,488	37,330
Unearned revenue	10,907	(34,283)	(23,376)
Lease related deferred inflows of resources	-	(186,751)	(186,751)
Pension related deferred inflows of resources	(789,165)	(1,179,380)	(1,968,545)
OPEB related deferred inflows of resources	(36,156)	(57,066)	(93,222)
Net cash used in operating activities	$ (20,452,357)	$ (23,220,918)	$ (43,673,275)
Schedule of Noncash Capital Activities			
Capital assets acquired through:			
Capital assets acquired through accounts payable	$ 1,749,167	$ 3,078,898	$ 4,828,065
Capital assets acquired through accrued expenses	-	1,580,248	1,580,248

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:

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

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

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

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 $17,739,443 at June 30, 2023 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 $5,668,499 at June 30, 2023 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 $19,300 at June 30, 2023.

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

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

Deferred outflows/inflows of resources: In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. PRTC currently has items related to the pension plan and other postemployment benefits (OPEB) – Group Life Insurance Program (GLI) that qualify for reporting in this category. See Notes 13 and 14 for details regarding these items.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. PRTC currently has items related to the pension plan and GLI - OPEB that qualify for reporting in this category. See Notes 13 and 14 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
Intangible right-to-use lease assets and subscription assets	2 -15 years

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2023.

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.

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

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

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

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

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

Discount Rate:	PRTC uses the implicit interest rate stated in the lease. If the implicit interest rate is not readily available or easily determinable, PRTC uses its estimated incremental borrowing rate.
Lease Term:	The lease term includes the non-cancellable period of the lease.
Lease Receipts:	Lease receipts included in the measurement of the lease receivable is comprised of fixed payments from the lessee.

Note 2. Summary of Significant Accounting Policies (Continued)

Subscription based information technology arrangements (SBITAs): PRTC adopted GASB Statement No. 96 on July 1, 2022.

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

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

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

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

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

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

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

Pensions: The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (PRTC's retirement plan) is a multiple-employer, agent plan. For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) PRTC's Retirement Plan and the additions to/deductions from the VRS PRTC's Retirement Plan 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.

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

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 27, 2023, 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, 2023, PRTC had $5,044,124 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, 2023, 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	$ -	$ 17,345,752	$ 17,345,752	$ 17,345,752	$ 17,345,752
Restricted:					
Insurance trust fund - pooled funds	-	5,044,124	5,044,124	5,044,124	5,044,124
LGIP	17,739,443	624,375	18,363,818	18,363,818	18,363,818
	17,739,443	5,668,499	23,407,942	23,407,942	23,407,942
	$ 17,739,443	$ 23,014,251	$ 40,753,694	$ 40,753,694	$ 40,753,694

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	$ 3,843,358
Spotsylvania County	3,736,832
City of Manassas Park	3,303,776
Prince William County	3,944,474
City of Fredericksburg	1,512,587
City of Manassas	1,398,416
	$ 17,739,443

Note 4. Due To/From Other Governments

Amounts due from other governments are as follows:

	Bus Service and Member Jurisdictions
Federal Transit Administration	$ 52,589,696
Virginia Department of Motor Vehicles - motor fuel tax receipts	4,796,700
Northern Virginia Transportation Commission	3,338,540
Virginia Department of Rail and Public Transportation	2,386,650
Washington Metropolitan Area Transit Authority	256,124
Virginia Department of Transportation	16,767
Prince William County - I66 Fare Buydown	191,010
Prince William County	2,337
	$ 63,577,824

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, 2023 are as follows:

	Balance July 1, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
Capital assets not being depreciated or amortized:					
Land	$ 6,639,270	$ -	$ -	$ -	$ 6,639,270
Construction in progress	40,332,736	28,839,189	(417,732)	(5,079,614)	63,674,579
Total capital assets not being depreciated or amortized	46,972,006	28,839,189	(417,732)	(5,079,614)	70,313,849
Capital assets being depreciated and amortized:					
Buses and related equipment	93,297,239	1,526,869	(12,238,283)	-	82,585,825
Rail rolling stock	142,651,537	-	-	737,158	143,388,695
Buildings	52,711,975	-	-	-	52,711,975
Building improvements	4,349,204	131,072	(7,810)	-	4,472,466
Intangible right-to-use lease buildings	692,516	50,138	(10,870)	-	731,784
Intangible right-to-use lease parking lots	289,664	-	(152,913)	-	136,751
Intangible right-to-use lease tower	49,791	-	-	-	49,791
Intangible right-to-use lease equipment	34,207	-	-	-	34,207
Intangible right-to-use lease facilities	112,662	-	-	-	112,662
Intangible right-to-use subscription assets	291,780	-	-	475,482	767,262
Site improvements	1,430,513	-	-	-	1,430,513
Bus shelters	1,449,679	10,150	-	-	1,459,829
Vehicles	360,379	491,551	(39,820)	-	812,110
Furniture and equipment	2,394,745	44,183	-	-	2,438,928
Software and easement	4,034,978	-	-	-	4,034,978
Facilities	56,489,589	-	-	3,024,812	59,514,401
Track and signal improvements	50,054,135	-	-	-	50,054,135
Furniture, equipment, software and building improvement	9,815,064	67,348	-	842,162	10,724,574
Equity in property of others	2,893,643	59,579,598	-	-	62,473,241
Total capital assets being depreciated and amortized	423,403,300	61,900,909	(12,449,696)	5,079,614	477,934,127
Less accumulated depreciation and amortization for:					
Buses and related equipment	67,018,981	4,512,972	(12,238,283)	-	59,293,670
Rail rolling stock	64,181,006	5,837,297	-	-	70,018,303
Buildings	9,056,619	1,757,166	-	-	10,813,785
Building improvements	3,228,535	241,929	(7,810)	-	3,462,654
Site improvements	916,580	68,542	-	-	985,122
Bus shelters	1,401,818	21,194	-	-	1,423,012
Vehicles	279,498	87,184	(39,820)	-	326,862
Furniture and equipment	2,270,844	178,674	-	-	2,449,518
Software and easement	3,909,378	52,638	-	-	3,962,016
Facilities	27,265,378	1,619,217	-	-	28,884,595
Track and signal improvements	23,761,389	2,787,839	-	-	26,549,228
Furniture, equipment, software and building improvement	8,354,066	327,309	-	-	8,681,375
Intangible right-to-use lease buildings	67,637	59,276	(10,870)	-	116,043
Intangible right-to-use lease parking lots	146,448	115,866	(152,913)	-	109,401
Intangible right-to-use lease tower	19,273	19,274	-	-	38,547
Intangible right-to-use lease equipment	9,879	10,942	-	-	20,821
Intangible right-to-use lease facilities	35,578	35,578	-	-	71,156
Intangible right-to-use subscription assets	-	249,142	-	-	249,142
Equity in property of others	2,231,142	82,297	-	-	2,313,439
Total accumulated depreciation and amortization	214,154,049	18,064,336	(12,449,696)	-	219,768,689
Total capital assets being depreciated and amortized, net	209,249,251	43,836,573	-	5,079,614	258,165,438
Total capital assets, net	$ 256,221,257	$ 72,675,762	$ (417,732)	$ -	$ 328,479,287

Note 6. Leases

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

Lease obligation for a tower. PRTC is required to make monthly principal and interest payments ranging of $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). The tower has an estimated useful life of thirty-one months. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was $99,581 ($49,791 PRTC reporting entity) and had accumulated amortization of $77,095 ($38,547 PRTC reporting entity).	$	11,846
Lease obligation for a building. PRTC is required to make monthly principal and interest payments ranging from $10,299 to $13,438 through April 2033. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of $1,363,291 ($681,646 PRTC reporting entity). The building has an estimated 141 month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was $1,363,291 ($681,646 PRTC reporting entity) and had accumulated amortization of $230,415 ($115,207 PRTC reporting entity).		600,406
Lease obligation for a building roof. PRTC is required to make monthly principal and interest payments of $650 through March 2038. The lease has an interest rate of 3.40%. An initial lease liability was recorded in the amount of $100,214 ($50,107 PRTC reporting entity) during the current fiscal year. The building roof has an estimated 180 month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was $100,277 ($50,138 PRTC reporting entity) and had accumulated amortization of $1,671 ($836 PRTC reporting entity).		49,414
Lease obligation for a parking lot. PRTC is required to make monthly principal and interest payments of $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). The parking lot has an estimated thirty month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was $273,503 ($136,752 PRTC reporting entity) and had accumulated amortization of $218,803 ($109,402 PRTC reporting entity).		28,895

Note 6. Leases (Continued)

Lease obligation for equipment (copier). PRTC is required to make monthly principal and interest payments of $226 through October 2024. The lease has an interest rate of 3%. An initial lease liability was recorded in the amount of $8,599. The copier has an estimated forty month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was $3,440.	$	3,543
Lease obligation for equipment (copier). PRTC is required to make monthly principal and interest payments of $545 through July 2024. The lease has an interest rate of 3%. An initial lease liability was recorded in the amount of $19,225. The copier has an estimated thirty-seven month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was $6,755.		6,958
Lease obligation for equipment (postage machine). PRTC is required to make monthly principal and interest payments of $186 through December 2024. The lease has an interest rate of 3%. An initial lease liability was recorded in the amount of $6,383. The postage machine has an estimated thirty-six month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was $3,191.		3,263
Lease obligation for facilities (parking lot). PRTC is required to make monthly principal and interest payments of $3,115 to $3,208 through August 2024. The lease has an interest rate of 3%. An initial lease liability was recorded in the amount of $112,662. The parking lot has an estimated thirty-eight month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was $41,507.		43,894
	$	748,219

Note 6. Leases (Continued)

The following table summarizes the total minimum lease payments due:

Year(s) Ending June 30,	Principal	Interest
2024	$ 136,439	$ 20,465
2025	59,243	17,603
2026	53,790	15,997
2027	57,440	14,324
2028	61,359	12,538
2029-2033	358,526	31,430
2034-2038	21,422	1,744
Total minimum lease payments	$ 748,219	$ 114,101

PRTC is a lessor for a lease related to a communication tower. The lease term is for 43.5 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 annual payments ranging from $26,222 to $86,843 ($13,111 to $43,422 PRTC reporting entity) through December 2064. During fiscal year 2023, there was a remeasurement of the lease receivable due to a contract amendment that resulted in a lease receivable of $1,088,174 (PRTC reporting entity $544,087).

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, 2023, the balance of the deferred inflow was $1,029,445 ($514,723 PRTC reporting entity). Lease revenue for the year ended June 30, 2023 was $24,511 ($12,255 PRTC reporting entity) and lease interest income for the same year was $19,778 ($9,889 PRTC reporting entity).

Future minimum lease amounts as of June 30, 2023 are as follows:

			PRTC Reporting Entity	
Year(s) Ending June 30,	Principal	Interest	Principal	Interest
2024	$ (5,169)	$ 31,792	$ (2,584)	$ 15,896
2025	(4,526)	31,947	(2,263)	15,974
2026	(3,839)	32,083	(1,920)	16,041
2027	(3,107)	32,198	(1,553)	16,099
2028	(2,327)	32,291	(1,164)	16,146
2029-2033	1,873	161,981	936	80,990
2034-2038	29,834	160,118	14,918	80,059
2039-2043	66,655	153,552	33,328	76,776
2044-2048	114,448	140,832	57,224	70,416
2049-2053	175,774	120,165	87,887	60,082
2054-2058	253,733	89,342	126,866	44,671
2059-2063	352,066	45,651	176,033	22,826
2064	84,312	2,529	42,156	1,264
Total minimum lease payments	$ 1,059,727	$ 1,034,481	$ 529,864	$ 517,240

Note 7. Subscriptions

During the current fiscal year, PRTC had multiple subscription agreements as lessee for software ranging from two to three years. In accordance with the implementation of GASB Statement 96, an initial subscription liability was recorded in the amount of $499,853 ($249,927 PRTC reporting entity) during the current fiscal year. As of June 30, 2023, the balance of the subscription liability was $302,044 ($151,022 PRTC reporting entity).

PRTC is required to make annual principal and interest payments ranging from $1,458 to $106,762. The subscriptions have an interest rate ranging from 2.35% to 2.80%. The value of the intangible right-to-use subscription assets as of the end of the current fiscal year was $1,534,525 ($767,262 PRTC reporting entity) and had accumulated amortization of $498,284 ($249,142 PRTC reporting entity).

Annual requirements to amortize subscription obligations are as follows:

Subscription liability for an enterprise resource planning (ERP) system. PRTC is required to make annual principal and interest payments in the amount of $106,762 through August 2025. The subscription has an interest rate of 2.35%. An initial subscription liability was recorded in the amount of $311,754. The ERP system has an estimated thirty-eight month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was $1,284,748 ($642,374 PRTC reporting entity) and had accumulated amortization of $405,710 ($202,855 PRTC reporting entity).	$ 103,107
Subscription liability for an ERP module. PRTC is required to make annual principal and interest payments of $2,240 through August 2025. The subscription has an interest rate of 2.80%. An initial subscription liability was recorded in the amount of $5,823. The ERP module has an estimated thirty-one month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was $5,823 ($2,912 PRTC reporting entity) and had accumulated amortization of $1,092 ($546 PRTC reporting entity).	2,169
Subscription liability for Microsoft. PRTC is required to make annual principal and interest payments in the amount of $93,645 through February 2025. The subscription has an interest rate of 2.35%. An initial subscription liability was recorded in the amount of $182,276. The subscription has an estimated thirty-one month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was $243,953 ($121,976 PRTC reporting entity) and had accumulated amortization of $91,482 ($45,741 PRTC reporting entity).	45,746
	$ 151,022

Note 7. Subscriptions (Continued)

The following table summarized the total minimum subscription payments due:

Year Ending June 30,	Principal	Interest
2024	$ 97,779	$ 3,545
2025	53,243	1,258
Total minimum subscription payments	$ 151,022	$ 4,803

Note 8. Long-Term Liabilities

The following is a summary of long-term liability activity for the year ended June 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bond	$ 285,000	$ -	$ (285,000)	$ -	$ -
Unamortized premium	10,679	-	(10,679)	-	-
Private placement note payable	2,677,870	-	(852,435)	1,825,435	892,011
Lease liabilities	924,151	50,138	(226,070)	748,219	136,439
Subscription liabilities	249,927	-	(98,905)	151,022	97,779
Compensated absences	898,512	542,400	(537,598)	903,314	77,204
	$ 5,046,139	$ 592,538	$ (2,010,687)	$ 3,627,990	$ 1,203,433

*The beginning balance was restated for recording of subscription liability as of July 1 in accordance with GASB 96.

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 $9,569,200 (PRTC reporting entity, $4,784,600)	$ 3,650,870	$ 1,825,435

Future minimum lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest
2024	$ 892,011	$ 73,668
2025	933,424	32,255
	$ 1,825,435	$ 105,923

Note 9. Net Position

Restricted net position represents net assets subject to restrictions beyond PRTC's control. Following is a summary of the components of restricted net position as of June 30, 2023:

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Cash and investments	$ 17,739,443	$ -	$ 17,739,443
Due from other governments, net	4,796,700	-	4,796,700
Net pension asset	45,305	67,453	112,758
Grants and contributions	-	1,318,693	1,318,693
Cash and investments - insurance	-	5,073,701	5,073,701
	$ 22,581,448	$ 6,459,847	$ 29,041,295

Unrestricted net position consists of the following as of June 30, 2023:

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Designation of unrestricted net assets:			
Carry forward to support future years' budgets	$ 993,660	$ -	$ 993,660
Local match for federal/state grants	1,866,400	-	1,866,400
Total designations	2,860,060	-	2,860,060
Undesignated unrestricted net position	19,190,951	57,695,801	76,886,752
Total unrestricted net position	$ 22,051,011	$ 57,695,801	$ 79,746,812

Note 10. Joint Venture – Virginia Railway Express

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

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

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

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

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

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

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

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

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

Financial information from VRE's fiscal year 2023 audited financial statements is shown below.

VIRGINIA RAILWAY EXPRESS
STATEMENT OF NET POSITION
June 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets	
Cash and cash equivalents	$ 80,010,886
Accounts receivable:	
Federal due from PRTC	32,091,015
Federal CARES Act	3,264,673
Commonwealth of Virginia grants	37,323,122
Commuter Rail Operating and Capital (C-ROC) Fund	2,500,000
Trade receivables, net of allowance for doubtful accounts	373,999
Other receivables	3,987,992
Inventory	3,165,942
Prepaid expenses and other	572,705
Restricted cash, cash equivalents and investments	35,423,290
Total current assets	198,713,624
Noncurrent Assets	
Lease receivable	1,059,727
Pension asset	67,453
Capital assets (net of $274,339,485 accumulated depreciation and amortization)	502,695,977
Total noncurrent assets	503,823,157
Total assets	702,536,781
Deferred Outflows of Resources	
Loss on refunding	300,853
Pension plan	694,950
Other postemployment benefits	88,910
Total deferred outflows of resources	1,084,713
Total assets and deferred outflows of resources	$ 703,621,494

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

VIRGINIA RAILWAY EXPRESS
STATEMENT OF NET POSITION (Continued)
June 30, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current Liabilities	
Accounts payable and accrued liabilities	$ 15,632,721
Unearned revenue	1,266,371
Contract retainage	1,473,173
Current portion of:	
Subscription liability	195,558
Lease liability	175,438
Private placement note payable	1,784,022
Bonds payable	4,565,000
Total current liabilities	25,092,283
Noncurrent Liabilities	
Other postemployment benefits	328,073
Private placement note payable	1,866,848
Bonds payable	159,591,000
Subscription liability	106,486
Lease liability	1,205,684
Compensated absences	932,458
Total noncurrent liabilities	164,030,549
Total liabilities	189,122,832
Deferred Inflows of Resources	
Leases	1,029,445
Pension plan	582,225
Other postemployment benefits	83,998
Total deferred inflows of resources	1,695,668
Net Position	
Net investment in capital assets	322,715,330
Restricted for liability insurance plan	10,147,403
Restricted for debt service	22,521,722
Restricted grants or contributions	2,754,165
Restricted pension asset	67,453
Unrestricted assets	154,596,921
Total net position	512,802,994
Total liabilities, deferred inflows of resources and net position	$ 703,621,494

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

VIRGINIA RAILWAY EXPRESS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2023

Operating Revenues	$ 14,250,860
Operating Expenses	92,086,157
Operating loss before depreciation and amortization	(77,835,297)
Depreciation and Amortization	(22,480,189)
Operating loss	(100,315,486)
Nonoperating Revenues (Expenses)	
Subsidies:	
Commonwealth of Virginia grants	42,011,586
Federal grants – with PRTC as grantee	9,289,764
Federal CARES Act	20,267,695
Jurisdictional contributions	13,544,122
Commuter Rail Operating and Capital (C-ROC) Fund	15,000,000
Interest income:	
Operating funds	1,069,411
Insurance trust	183,169
Commuter Rail Operating and Capital (C-ROC) Fund	1,894,380
Other restricted funds and leases	672,198
Interest, amortization and other nonoperating expenses, net	(7,285,456)
Total nonoperating revenues, net	96,646,869
Capital Grants and Assistance	
Commonwealth of Virginia grants	27,879,245
Federal grants – with PRTC as grantee	20,406,397
Regional transportation funding (NVTA)	1,702,500
Total capital grants and assistance	49,988,142
Change in net position	46,319,525
Net Position, beginning of year	466,483,469
Net Position, ending	$ 512,802,994

Note 11. Direct Transportation Expenses

In addition to PRTC administrative costs, the member jurisdictions authorize disbursements from their respective motor fuel tax revenues for transportation projects operating or originating within their jurisdiction. During the year ended June 30, 2023, amounts expended for joint and jurisdictional transportation projects consisted of:

	Bus Service and Member Jurisdictions
VRE support	$ 4,161,951
Other jurisdictional projects	11,107,286
	$ 15,269,237

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

Note 12. Risk Management and Liability Insurance Plan

PRTC and the VRE commuter rail operation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance is purchased to address these risks, including workers' compensation and employee health and accidental insurance. The Virginia Department of Treasury, Division of Risk Management has established the terms of VRE's Commuter Rail Operations Liability Plan (the Insurance Plan). The Insurance Plan consists of a combination of self-insurance reserves and purchased insurance in amounts actuarially determined to meet the indemnification requirements of the Operating Access Agreements and the Purchase of Services Agreement and for liability and property coverage. The Commissions indemnify each of the railroads in an amount up to the passenger rail liability cap (currently at $323 million) for any claims against persons or property associated with commuter rail operations. Settled claims have not exceeded commercial coverage during any of the past three fiscal years. The liability for incurred but not reported claims was approximately $56,300 at June 30, 2023, of which $28,150 was included in the PRTC reporting entity.

PRTC is indemnified from risk related to its bus/bus facility issues by virtue of its contract with Keolis Transit Services, LLC, the third-party bus services provider.

Note 12. Risk Management and Liability Insurance Plan (Continued)

The Division of Risk Management manages the Insurance Trust Fund pursuant to provisions of the Insurance Plan. Since November 2006, all plan assets have been invested in the Department of the Treasury common pool. Activity in the Insurance Trust Fund for the year ended June 30, 2023 was as follows:

	Total	PRTC Reporting Entity
Beginning balance, July 1, 2022	$ 9,966,010	$ 4,983,005
Insurance premiums paid	(7,100)	(3,550)
Claims mitigation and losses incurred	(19,392)	(9,696)
Investment income	183,169	91,585
Actuarial and administrative charges	(34,439)	(17,220)
Ending balance, June 30, 2023	$ 10,088,248	$ 5,044,124

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

Note 13. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

A. Plan Description

All full-time, salaried permanent employees of PRTC are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of 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 13. 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 13. 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 13. 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 13. 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 13. Pension Plan (Continued)

A. Plan Description (Continued)

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

Note 13. Pension Plan (Continued)

A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Continued)	**Cost-of-Living Adjustment (COLA) in Retirement (Continued)**	**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.	*Exceptions to COLA Effective Dates:* Same as Plan 1.	*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 13. 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, 2021 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	28
Non-vested	25
Active elsewhere in VRS	8
Total inactive members	61
Active members	92
Total covered employees	191

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, 2023 was 6.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

Note 13. 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 $523,279 and $454,868 for the years ended June 30, 2023 and 2022, respectively.

D. Net Pension Asset/Liability

PRTC's net pension asset/liability was measured as of June 30, 2022. The total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022.

E. Actuarial Assumptions

The total pension liability for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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 13. Pension Plan (Continued)

E. Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2021 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.83%

Note 13. Pension Plan (Continued)

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

*The above allocation provides a one-year expected return of 7.83%. 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 6.72%, 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, 2023, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 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, 2021	$ 24,312,977	$ 25,801,577	$ (1,488,600)
Changes for the year:			
Service cost	781,338	-	781,338
Interest	1,668,067	-	1,668,067
Difference between expected and actual experience	(239,320)	-	(239,320)
Contributions – employer	-	454,868	(454,868)
Contributions – employee	-	435,662	(435,662)
Net investment income	-	(41,059)	41,059
Benefit payments, including refunds of employee contributions	(764,428)	(764,428)	-
Administrative expense	-	(15,836)	15,836
Other changes	-	608	(608)
Net changes	1,445,657	69,815	1,375,842
Balance at June 30, 2022	$ 25,758,634	$ 25,871,392	$ (112,758)

Note 13. Pension Plan (Continued)

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Plan's net pension (asset) liability	$ 3,585,470	$ (112,758)	$ (3,094,659)

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

For the year ended June 30, 2023, the Commission recognized pension expense of $492,477. 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	$ 224,564	$ (274,302)
Changes of assumptions	413,879	-
Net difference between projected and actual earnings on pension plan investments	-	(698,982)
Employer contributions subsequent to the measurement date	523,279	-
Total	$ 1,161,722	$ (973,284)

The $523,279 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, 2024.

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
2024	$ 64,233
2025	(230,769)
2026	(525,589)
2027	357,284
	$ (334,841)

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

A. Plan Description

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

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

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 $8,984 as of June 30, 2023.</td></tr>
</table>

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

B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.34% 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, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, 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 $58,998 and $52,410 for the years ended June 30, 2023 and June 30, 2022, 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, 2023, PRTC reported a liability of $537,268, for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2022 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, 2021, and rolled forward to the measurement date of June 30, 2022. 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, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was $52,410 or 0.04462% as compared to $47,880 or 0.04294% at June 30, 2021.

For the year ended June 30, 2023, PRTC recognized GLI OPEB expense of $35,105. 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, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 42,545	$ (21,554)
Changes of assumptions	20,039	(52,332)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(33,571)
Changes in proportionate share	24,021	(30,102)
Employer contributions subsequent to the measurement date	58,998	-
Total	$ 145,603	$ (137,559)

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

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

The $58,998 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, 2024. 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
2024	$ (10,003)
2025	(13,994)
2026	(31,591)
2027	4,761
2028	(127)
	$ (50,954)

D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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, 2022.

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

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

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

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

D. Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2021 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, 2022, NOL amounts for the GLI is as follows (expressed in thousands):

	GLI OPEB Program
Total GLI OPEB liability	$ 3,672,085
Plan fiduciary net position	2,467,989
GLI Net OPEB liability	$ 1,204,096
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.21%

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

F. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.83%

*The above allocation provides a one-year return of 7.83%. 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 6.72%, 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 14. 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, 2022, 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, 2022 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	$ 781,788	$ 537,268	$ 339,662

I. GLI Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

Note 15. Contingencies and Contractual Commitments

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.

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

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

At June 30, 2023, there were disputes between VRE (Commuter Rail Service Fund) and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal (with PRTC as grantee) and Commonwealth of Virginia grants (with NVTC – VRE as grantee) and local funds will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenses incurred as of June 30, 2023:

Stations and parking lots	$ 46,672,740
Rail rolling stock	71,696,725
Maintenance and layover yards	3,199,049
Other administrative	324,352
Total	$ 121,892,866

PRTC entered into contracts in March 2023 to purchase fuel at set prices for delivery in July 2023 through June 2024. The total commitment is for 966,000 gallons of fuel at approximately $ 2,712,335. The fuel will be used in the normal course of business and is not being purchased for resale.

Note 16. 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, 2023, annual track usage fees totaled approximately $11,923,000 of which $3,280,000 is recognized by the PRTC reporting entity, and facility and other identified costs totaled approximately $465,000, of which $128,000 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.

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, 2023, costs for track access and equipment storage totaled approximately $6,513,000, of which $1,792,000 was recognized by the PRTC reporting entity. Costs for mid-day maintenance, utility, and other services totaled approximately $4,326,000 of which $1,190,000 was recognized by the PRTC reporting entity. Cost adjustments will be made in fiscal year 2024 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, 2023, based on an annual budget prepared in advance, was approximately $26,586,000, of which $7,315,000 is recognized by the PRTC reporting entity. Costs for fiscal year 2024 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

Note 17. Interfund Transfers

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total Transferred Out
Transfer from fund:			
Bus Service and Member Jurisdictions	$ -	$ 49,963,856	$ 49,963,856
Commuter Rail Service	(88,013)	-	(88,013)
Total transferred in	$ (88,013)	$ 49,963,856	$ 49,875,843

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

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

Note 18. Pending GASB Statements

At June 30, 2023, GASB had issued statements not yet implemented by PRTC. The statements which might impact PRTC are as follows:

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 18. 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 19. Subsequent Events

In July 2023, the VRE Operations Board authorized the Chief Financial Officer to execute a Sole Source Contract with Wabtec Corporation of Cedar Rapids, Iowa for Cloud Positive Train Control (PTC) Hosting and WabtecOne PTC Performance Analytics in the amount of $4,454,930, plus a 10 percent contingency of $445,493, for a total amount not to exceed $4,900,423, for a five year term.

In August 2023, the Lifecycle Overhaul and Upgrade (LOU) Facility was placed into service with a total cost of $52,878,484. The facility, featuring 33,000 square feet of maintenance space will allow VRE to cost-effectively maintain rolling stock, as well as systems and components, in a state of good repair.

In September 2023, the VRE Operations Board authorized the Chief Executive Officer to execute a contract with Vanasse Hangen Brustlin, Inc. (VHB) of Washington, DC for Engineering and Environmental Services for VRE L'Enfant Track and Station Improvements in the amount of $3,072,448, plus a 10% contingency of $307,245, for a total not to exceed $3,379,693.

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	2023
Contractually required contribution (CRC)	$ 528,296	$ 460,763	$ 478,465	$ 419,283	$ 413,760	$ 354,543	$ 323,989	$ 421,362	$ 454,868	$ 523,279
Contributions in relation to the CRC	528,296	460,763	478,465	419,283	413,760	354,543	323,989	421,362	454,868	523,279
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	$ 10,928,358
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%	4.79%

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

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	2022
Total Group Life Insurance OPEB Liability						
The Commission's Portion of the Net GLI OPEB Liability	0.04678%	0.04670%	0.04626%	0.04360%	0.04294%	0.04462%
The Commission's Proportionate Share of the Net GLI OPEB Liability	$ 703,000	$ 709,000	$ 752,773	$ 727,613	$ 499,938	$ 537,268
The Commission's Covered Payroll	$ 8,627,885	$ 8,875,155	$ 9,076,294	$ 8,973,619	$ 8,866,711	$ 9,705,606
The Commission's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.15%	7.99%	8.29%	8.11%	5.64%	5.54%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%	52.00%	52.64%	67.45%	67.21%

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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution (CRC)	$ 34,887	$ 38,509	$ 41,266	$ 44,865	$ 46,151	$ 47,196	$ 46,660	$ 47,879	$ 52,410	$ 58,998
Contributions in relation to the CRC	34,887	38,509	41,266	44,865	46,151	47,196	46,660	47,879	52,410	58,998
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's 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	$ 10,928,358
Contributions as a percentage of covered payroll	0.53%	0.53%	0.53%	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%	0.54%

See Notes to Required Supplementary Information – OPEB

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – VIRGINIA RETIREMENT SYSTEM
Year Ended June 30, 2023

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, 2021 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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS
Year Ended June 30, 2023

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, 2021 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, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022
Current Assets		
Cash and investments in banks	$ 13,508,214	$ 16,011,817
Receivables:		
Due from other governments	63,577,824	42,599,307
Due from Commuter Rail Service Fund	1,930,662	1,673,796
Miscellaneous	4,146	70,393
Prepaid expenses and other assets	60,667	23,934
Restricted assets:		
Cash and investments in pooled funds - member jurisdictions	17,739,443	14,749,451
Total current assets	96,820,956	75,128,698
Noncurrent Assets		
Net pension asset	45,305	597,207
Capital assets:		
Transportation equipment:		
Buses and related equipment	82,585,825	93,297,239
Less: accumulated depreciation	(59,293,669)	(67,018,981)
Transportation equipment, net	23,292,156	26,278,258
Land, buildings and equipment:		
Land	6,639,270	6,639,270
Buildings	52,711,975	52,711,975
Building improvements	4,472,466	4,349,204
Intangible right-to-use lease equipment	34,207	34,207
Intangible right-to-use lease facilities	112,662	112,662
Construction in progress	3,073,151	162,344
Site improvements	1,430,513	1,430,513
Bus shelters	1,459,829	1,449,679
Vehicles	736,440	287,598
Furniture and equipment	2,438,928	2,394,745
Software and easement	4,034,978	4,034,978
Less: accumulated depreciation and amortization	(23,305,278)	(21,041,637)
Land, buildings and equipment, net	53,839,141	52,565,538
Total capital assets, net	77,131,297	78,843,796
Total noncurrent assets	77,176,602	79,441,003
Total assets	173,997,558	154,569,701
Deferred Outflows of Resources		
Pension plan	466,772	691,495
Other postemployment benefits	56,693	58,576
Total deferred outflows of resources	523,465	750,071
Total assets and deferred outflows of resources	$ 174,521,023	$ 155,319,772

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**2023**	2022
Current Liabilities		
Accounts payable and other liabilities	**$ 16,286,558**	$ 6,910,953
Accrued payroll and benefits	**463,027**	404,015
Accrued interest	**-**	3,439
Due to other governments	**3,740**	3,740
Due to Commuter Rail Service Fund	**35,355,688**	27,271,277
Unearned revenue	**1,111,316**	960,124
Compensated absences	**62,697**	44,327
Lease liability	**48,720**	46,184
Bonds payable, net	**-**	295,679
Total current liabilities	**53,331,746**	35,939,738
Noncurrent Liabilities		
Compensated absences	**569,591**	536,503
Net other postemployment benefits liability	**209,195**	194,353
Lease liability	**8,938**	57,658
Total noncurrent liabilities	**787,724**	788,514
Total liabilities	**54,119,470**	36,728,252
Deferred Inflows of Resources		
Pension plan	**391,059**	1,180,224
Other postemployment benefits	**53,561**	89,717
Total deferred inflows of resources	**444,620**	1,269,941
Net Position		
Net investment in capital assets	**75,324,474**	78,444,276
Restricted - member jurisdictions	**22,536,143**	19,649,371
Restricted - pension asset	**45,305**	597,207
Unrestricted	**22,051,011**	18,630,725
Total net position	**119,956,933**	117,321,579
Total liabilities, deferred inflows of resources and net position	**$ 174,521,023**	$ 155,319,772

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – BUS SERVICE AND MEMBER JURISDICTIONS
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues		
Motor fuel tax	**$ 30,723,138**	$ 28,028,585
Farebox	**3,773,719**	3,494,401
Advertising	**-**	109,619
Total operating revenues	**34,496,857**	31,632,605
Operating Expenses		
Direct transportation	**15,269,237**	10,860,216
Salaries and related benefits	**6,243,742**	5,420,554
Contractual services	**35,061,458**	31,657,699
Other services	**2,056,553**	1,809,658
Materials, supplies and minor equipment	**463,736**	447,222
Fuel	**3,889,589**	2,297,522
Total operating expenses	**62,984,315**	52,492,871
Operating loss before depreciation and amortization	**(28,487,458)**	(20,860,266)
Depreciation and amortization	**(6,824,242)**	(6,989,865)
Operating loss	**(35,311,700)**	(27,850,131)
Nonoperating Revenues (Expenses)		
Commonwealth of Virginia grants	**15,716,043**	14,286,618
Federal grants	**45,981,921**	61,590,367
Investment income	**886,543**	46,008
Pass-through grants - member jurisdictions	**(181,077)**	(141,254)
Interest	**4,754**	22,203
Other revenue	**1,387,617**	468,138
Total nonoperating revenues, net	**63,795,801**	76,272,080
Capital Grants and Assistance		
Commonwealth of Virginia grants	**3,232,249**	217,476
Federal grants	**20,735,038**	17,622,051
Capital contributions	**10,150**	20,300
Total capital grants and assistance	**23,977,437**	17,859,827
Income before transfers and gain on disposal of assets	**52,461,538**	66,281,776
Transfers In	**88,013**	74,034
Transfers Out	**(49,963,856)**	(72,893,245)
Transfers, net	**(49,875,843)**	(72,819,211)
Gain (loss) on Disposal of Assets	**49,659**	(827)
Change in net position	**2,635,354**	(6,538,262)
Net Position, beginning	**117,321,579**	123,859,841
Net Position, ending	**$ 119,956,933**	$ 117,321,579

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

COMPARATIVE STATEMENTS OF NET POSITION – COMMUTER RAIL SERVICE
June 30, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022
Current Assets		
Cash and investments in bank	**$ 22,010,995**	$ 29,385,179
Receivables:		
Due from Bus Service and Member Jurisdictions Fund	**35,355,688**	27,252,637
Due from other governments	**1,297,496**	-
Trade receivables, net of allowance for doubtful accounts	**102,887**	149,374
Miscellaneous	**2,339,602**	1,144,796
Inventory	**870,951**	1,001,940
Prepaid expenses and other assets	**157,551**	150,968
Restricted cash, cash equivalents and investments	**5,668,499**	5,583,515
Total current assets	**67,803,669**	64,668,409
Noncurrent Assets		
Lease receivable	**529,864**	701,474
Net pension asset	**67,453**	891,393
Capital assets:		
Transportation equipment:		
Rail rolling stock	**143,388,695**	142,651,537
Less: accumulated depreciation	**(70,018,305)**	(64,181,006)
Transportation equipment, net	**73,370,390**	78,470,531
Buildings and equipment:		
Construction in progress	**60,601,428**	40,170,392
Vehicles	**75,670**	72,781
Intangible right-to-use-lease buildings	**731,784**	692,516
Intangible right-to-use-lease parkings lots	**136,751**	289,664
Intangible right-to-use-lease tower	**49,791**	49,791
Intangible right-to-use subscription assets	**767,262**	-
Facilities	**59,514,401**	56,489,589
Track and signal improvements	**50,054,135**	50,054,134
Furniture, equipment and software	**10,724,574**	9,815,064
Equity in property of others	**62,473,241**	2,893,643
Less: accumulated depreciation and amortization	**(67,151,437)**	(61,912,425)
Buildings and equipment, net	**177,977,600**	98,615,149
Total capital assets, net	**251,347,990**	177,085,680
Total noncurrent assets	**251,945,307**	178,678,547
Total assets	**319,748,976**	243,346,956
Deferred Outflows of Resources		
Pension plan	**694,950**	1,032,127
Other postemployment benefits	**88,910**	92,101
Total deferred outflows of resources	**783,860**	1,124,228
Total assets and deferred outflows of resources	**$ 320,532,836**	$ 244,471,184

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2023	2022
Current Liabilities		
Accounts payable and other liabilities	**$ 3,874,521**	$ 3,230,202
Accrued expenses	**1,736,712**	687,574
Due to Bus Service and Member Jurisdictions Fund	**1,930,662**	1,655,156
Unearned revenue	**348,379**	382,662
Private placement note payable	**892,011**	852,435
Interest payable	**18,026**	22,441
Lease liabilities	**87,719**	179,912
Subscription liabilities	**97,779**	-
Retainage payable	**736,587**	781,995
Compensated absences	**14,507**	41,931
Total current liabilities	**9,736,903**	7,834,308
Noncurrent Liabilities		
Lease liabilities	**602,842**	640,397
Subscription liabilities	**53,243**	-
Net other postemployment benefits liability	**328,073**	305,585
Compensated absences	**256,519**	275,751
Private placement note payable	**933,424**	1,825,435
Total noncurrent liabilities	**2,174,101**	3,047,168
Total liabilities	**11,911,004**	10,881,476
Deferred Inflows of Resources		
Leases	**514,723**	701,474
Pension plan	**582,225**	1,761,605
Other postemployment benefits	**83,998**	141,064
Total deferred inflows of resources	**1,180,946**	2,604,143
Net Position		
Net investment in capital assets	**243,285,238**	164,078,347
Restricted for liability insurance plan	**5,073,701**	5,011,451
Restricted grants and contributions	**1,318,693**	572,064
Restricted - pension asset	**67,453**	445,697
Unrestricted	**57,695,801**	60,878,006
Total net position	**307,440,886**	230,985,565
Total liabilities, deferred inflows of resources and net position	**$ 320,532,836**	$ 244,471,184

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – COMMUTER RAIL SERVICE
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues		
Passenger revenues	**$ 3,835,352**	$ 3,346,580
Equipment rental and other	**85,499**	37,184
Total operating revenues	**3,920,851**	3,383,764
Operating Expenses		
Contract operations and maintenance	**8,492,321**	9,067,344
Other operations and maintenance	**5,684,753**	5,652,383
Property leases and access fees	**5,072,347**	5,499,581
Insurance	**2,127,411**	2,364,837
Marketing and sales	**323,289**	253,219
General and administrative	**3,547,611**	3,272,708
Total operating expenses	**25,247,732**	26,110,072
Operating loss before depreciation and amortization	**(21,326,881)**	(22,726,308)
Depreciation and amortization	**(11,240,094)**	(10,776,382)
Operating loss	**(32,566,975)**	(33,502,690)
Nonoperating Revenues (Expenses)		
Jurisdictional contributions	**8,551,227**	3,003,166
Commonwealth of Virginia - VPRA	**8,055,997**	-
Commuter Rail Operating and Capital (C-ROC) Fund	**9,470,412**	9,470,410
Investment income	**1,665,540**	149,897
Interest, amortization and other nonoperating expenses, net	**(132,988)**	(172,255)
Total nonoperating revenues, net	**27,610,188**	12,451,218
Capital Grants and Assistance		
Regional transportation funding	**851,250**	437,902
Local contributions	**-**	62,269
Contributions from NVTC	**30,685,015**	(69,529,815)
Total capital grants and assistance, net	**31,536,265**	(69,029,644)
Loss before transfers	**26,579,478**	(90,081,116)
Transfers Out	**(88,013)**	(74,034)
Transfers In	**49,963,856**	72,893,245
Transfers, net	**49,875,843**	72,819,211
Change in net position	**76,455,321**	(17,261,905)
Net Position, beginning	**230,985,565**	248,247,470
Net Position, ending	**$ 307,440,886**	$ 230,985,565

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF MEMBER JURISDICTIONS' FUNDS
Year Ended June 30, 2023

	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, 2022	$ 1,898,612	$ 1,191,041	$ 3,068,328	$ 3,322,947	$ 4,995,892	$ 5,172,551	$ 19,649,371
Funds Received:							
Motor fuel tax	1,166,051	1,024,481	698,908	16,113,762	5,068,755	6,651,181	30,723,138
Transfer from PRTC (carryforward)	1,500	-	-	-	-	-	1,500
Other	-	136,828	-	-	-	-	136,828
Interest	83,896	42,691	119,284	169,469	206,152	265,051	886,543
Total funds received	1,251,447	1,204,000	818,192	16,283,231	5,274,907	6,916,232	31,748,009
Funds Disbursed:							
Direct transportation expenses:							
VRE operating and capital	271,677	597,421	346,629	-	1,833,319	1,112,905	4,161,951
Other jurisdictional projects	1,194,860	-	-	-	3,743,128	6,169,298	11,107,286
Transfers to PRTC:							
Administrative	8,200	6,900	5,800	104,900	34,800	46,900	207,500
OmniRide, OmniLink, Capital Improvement, Marketing, VanPool	2,500	237,400	122,500	12,997,400	10,500	14,200	13,384,500
Total funds disbursed	1,477,237	841,721	474,929	13,102,300	5,621,747	7,343,303	28,861,237
Funds Available - June 30, 2023	$ 1,672,822	$ 1,553,320	$ 3,411,591	$ 6,503,878	$ 4,649,052	$ 4,745,480	$ 22,536,143

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, 2023. Total funds available reconcile to amounts reported on the Statement of Net Position as follows:

Cash and investments in pooled funds - member jurisdictions	$ 17,739,443
Due from other governments - Motor fuels tax revenue receipts (see Note 4)	4,796,700
	$ 22,536,143

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	$ 743,380	$ -	$ -	$ -	$ 3,106,788	$ -	$ 3,850,168
Stafford regional airport	21,430	-	-	-	150,000	-	171,430
Parking garage debt service	298,497	-	-	-	-	-	298,497
FRED transit costs	131,553	-	-	-	486,340	303,676	921,569
Transportation salaries/benefits; debt service	-	-	-	-	-	5,865,622	5,865,622
	$ 1,194,860	$ -	$ -	$ -	$ 3,743,128	$ 6,169,298	$ 11,107,286

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year Ended June 30, 2023

State Granting Agency	State Grant Number	Expenditures
Direct Payments:		
Virginia Department of Rail and Public Transportation:		
Operating Assistance	72023-26	$ 11,088,321
Commuter Assistance	72519-13; 71023-10; 71423-07	211,186
Transportation Intern	71223-05	18,137
I-95 Transit and TDM Bus Services	72023-61; 72023-62; 72023-63	853,292
I-66 TMP Bus Services	72518-12	57,591
I-66 Transit and TDM Bus Services	79323-02	221,345
Manassas Metro Express Bus Service (TRIP)	50070-01	316,450
Technical Assistance	71322-10; 71323-08	57,616
Capital - FY 21	73021-66; 73021-67	532,526
Capital - FY 22	73022-42; 73022-45; 73122-55; 79322-02	76,413
Capital - FY 23	73023-61	141,077
Capital - FY 23	73023-62	1,736,041
Capital - FY 23	73023-64	273,744
Capital - FY 23	73023-65	17,832
Capital - FY 23	73023-66	42,454
		15,644,025
Northern Virginia Transportation Commission:		
Dale City to Ballston Bus Service	664-31-22	84,242
Gainesville to Pentagon/DC Bus Service	664-01-20; 664-61-23	684,878
Haymarket to Rosslyn Bus Service	664-62-21; 664-62-23	133,270
Prince William Metro Express Bus Service	664-32-22	282,660
Route 1 OmniRide Local Bus Service	664-33-20; 664-33-22	905,331
Stafford to Pentagon/DC Bus Service	664-34-20; 664-35-20; 664-34-22; 664-35-22	1,068,290
I-395/95 Corridor VanPool Incentive	664-36-22	128,860
		3,287,531
Virginia Department of Transportation:		
Congestion Mitigation & Air Quality (Employer Outreach)		16,736
Total State Awards Expended		$ 18,948,292

Note: State funds of $323,740 from 72520-24 and $191,010 from 153-61-23 classified as farebox revenue on Comparative Statements of Revenues, Expenses, and Changes in Net Position for Bus Service and Member Jurisdictions.

COMPLIANCE SECTION

PBMares
CPAs and Consultants

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, 2023, 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 27, 2023.

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 27, 2023

PBMares
CPAs and Consultants

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, 2023. 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, 2023.

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, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We issued our report thereon dated November 27, 2023, 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 27, 2023

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Grantor / Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
DEPARTMENT OF TRANSPORTATION:				
Direct Payments:				
Federal Transit Cluster:				
COVID-19: VA-2020-052	20.507		$ -	$ 2,852
VA-2022-045	20.507		-	80,000
VA-2022-XXX (Pending)	20.507		-	3,953,500
VA-2022-030	20.507		-	12,298,959
VA-2022-046	20.507		40,000	40,000
VA-95-X046	20.507		-	(34,899)
VA-95-X149	20.507		-	153,344
VA-2017-023	20.507		-	(2)
COVID-19: VA-2020-052	20.507		-	6,974,242
VA-2021-002	20.507		-	61,527
VA-2021-033	20.507		-	261,734
VA-2022-030	20.507		-	13,293,132
TBD	20.507		-	1,930,349
Federal Transit - Formula Grants			40,000	39,014,738
VA-2016-014	20.525		-	1,017,222
VA-2018-020	20.525		-	4,476,911
VA-2019-021	20.525		-	10,716
VA-2020-030	20.525		-	168,457
VA-2021-033	20.525		-	4,926,548
TBD	20.525		-	16,715,022
Federal Transit - State of Good Repair Grants Program			-	27,314,876
VA-2019-020	20.526		-	299,603
VA-2021-029	20.526		-	11,237
Federal Transit - Bus and Bus Facilities Formula & Discretionary Programs (Bus Program)			-	310,840
Total Federal Transit Cluster			40,000	66,640,454
Pass-through Payments:				
Virginia Department of Transportation				
Highway Planning and Construction Cluster:				
Highway Planning and Construction (Federal Highway)	20.205	5A01(947)	-	66,957
Total Highway Planning and Construction Cluster			-	66,957
Total Expenditures of Federal Awards			$ 40,000	$ 66,707,411

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

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, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of PRTC, it is not intended to and does not present the financial position or changes in net position of PRTC.

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

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

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

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

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

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

Note 2. Summary of Significant Accounting Policies

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

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

Note 3. Indirect Cost Rate

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

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

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 $ 2,001,222

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, 2023

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.