

**POTOMAC AND RAPPAHANNOCK  
TRANSPORTATION COMMISSION**

**FINANCIAL AND COMPLIANCE REPORT**

**YEAR ENDED JUNE 30, 2025**



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ASSURANCE, TAX & ADVISORY SERVICES

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Commission Board Members  
Potomac and Rappahannock Transportation Commission

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities and each major fund of the Potomac and Rappahannock Transportation Commission (Commission), as of and for the year ended June 30, 2025, 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 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, 2025, and the respective changes in financial position and cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-10 and 58-66, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying schedules listed in the table of contents as supplementary information 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 19, 2025 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*PBMares, LLP*

Harrisonburg, Virginia  
November 19, 2025

## 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, 2025. 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, 2025, PRTC’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$512,604,663. Of this total, \$146,440,979 is for bus service and member jurisdictions and \$366,163,684 is for commuter rail service.

The net position of PRTC increased by \$31,714,828 for fiscal year 2025. This is the net effect of a \$12,994,645 increase from bus service and member jurisdictions and a \$18,720,183 increase from commuter rail service.

As of June 30, 2025, PRTC’s unrestricted net position is \$109,328,858. Of this total, \$33,823,746 is for bus service and member jurisdictions and \$75,505,112 is for commuter rail service.

### OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

PRTC operates commuter bus service from Prince William County, Front Royal, Warrenton, Stafford and Spotsylvania Counties 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, 2025 and 2024:

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

	Bus Service and Member Jurisdictions		Commuter Rail Service		Total	
	2025	2024	2025	2024	2025	2024
Assets and deferred outflows of resources:						
Current assets	\$ 72,769,221	\$ 59,850,361	\$ 85,467,847	\$ 92,042,209	\$ 158,237,068	\$ 151,892,570
Other noncurrent assets	193,653	-	821,247	532,448	1,014,900	532,448
Capital assets, net	90,861,579	90,214,598	290,372,088	270,110,939	381,233,667	360,325,537
<b>Total assets</b>	<b>163,824,453</b>	<b>150,064,959</b>	<b>376,661,182</b>	<b>362,685,596</b>	<b>540,485,635</b>	<b>512,750,555</b>
Deferred outflows of resources	463,632	461,773	685,885	655,705	1,149,517	1,117,478
<b>Total assets and deferred outflows of resources</b>	<b>164,288,085</b>	<b>150,526,732</b>	<b>377,347,067</b>	<b>363,341,301</b>	<b>541,635,152</b>	<b>513,868,033</b>
Liabilities and deferred inflows of resources:						
Current liabilities	16,398,849	15,787,496	8,803,986	13,434,834	25,202,835	29,222,330
Noncurrent liabilities	1,088,237	1,038,151	1,349,603	1,590,181	2,437,840	2,628,332
<b>Total liabilities</b>	<b>17,487,086</b>	<b>16,825,647</b>	<b>10,153,589</b>	<b>15,025,015</b>	<b>27,640,675</b>	<b>31,850,662</b>
Deferred inflows of resources	360,020	254,751	1,029,794	872,785	1,389,814	1,127,536
<b>Total liabilities and deferred inflows of resources</b>	<b>17,847,106</b>	<b>17,080,398</b>	<b>11,183,383</b>	<b>15,897,800</b>	<b>29,030,489</b>	<b>32,978,198</b>
Net Position:						
Net investment in capital assets	90,409,589	89,993,105	283,428,660	259,032,261	373,838,249	349,025,366
Restricted	22,013,991	23,396,975	5,482,751	5,276,502	27,496,742	28,673,477
Restricted - grants and contributions	-	-	1,460,625	628,212	1,460,625	628,212
Restricted - pension asset	193,653	-	286,536	-	480,189	-
Unrestricted	33,823,746	20,056,254	75,505,112	82,506,526	109,328,858	102,562,780
<b>Total net position</b>	<b>\$ 146,440,979</b>	<b>\$ 133,446,334</b>	<b>\$ 366,163,684</b>	<b>\$ 347,443,501</b>	<b>\$ 512,604,663</b>	<b>\$ 480,889,835</b>

As noted earlier, net position may serve as a useful indicator of a government's financial position. As shown above, total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$512.6 million, an increase of \$31.7 million over the previous fiscal year. The largest portion of net position, \$373.8 million or 72.9%, 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, \$29.4 million or 5.7%, 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 \$6.3 million or 4.2% from the previous year, primarily due to increased cash and investments of \$21.5 million, decreased grant and other receivables of \$14.8 million, and decreased restricted cash and investments of \$0.4 million.

Capital assets, net of accumulated depreciation and amortization, increased approximately \$20.9 million or 5.8%, primarily due to bus, vehicle and station improvements.

## 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, 2025 and 2024:

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

	Bus Service and Member Jurisdictions		Commuter Rail Service		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Operating revenues	\$ 49,527,970	\$ 39,436,098	\$ 9,242,389	\$ 9,623,683	\$ 58,770,359	\$ 49,059,781
Nonoperating revenues	77,155,821	82,850,937	28,514,684	37,851,139	105,670,505	120,702,076
Transfers, net	(45,179,215)	(61,202,132)	45,179,215	61,202,132	-	-
<b>Total revenues</b>	<b>81,504,576</b>	<b>61,084,903</b>	<b>82,936,288</b>	<b>108,676,954</b>	<b>164,440,864</b>	<b>169,761,857</b>
Expenses:						
Operating expenses	69,441,946	69,677,243	47,911,769	63,026,140	117,353,715	132,703,383
Depreciation and amortization	7,878,204	7,260,138	11,829,317	11,774,121	19,707,521	19,034,259
Nonoperating expenses	3,551,939	232,921	21,496,657	118,129	25,048,596	351,050
<b>Total expenses</b>	<b>80,872,089</b>	<b>77,170,302</b>	<b>81,237,743</b>	<b>74,918,390</b>	<b>162,109,832</b>	<b>152,088,692</b>
Capital grants & assistance	12,149,617	29,559,245	16,997,138	6,244,051	29,146,755	35,803,296
Gain on disposal of assets	212,541	15,555	24,500	-	237,041	15,555
Change in net position	12,994,645	13,489,401	18,720,183	40,002,615	31,714,828	53,492,016
Net position, beginning	133,446,334	119,956,933	347,443,501	307,440,886	480,889,835	427,397,819
<b>Net position, ending</b>	<b>\$ 146,440,979</b>	<b>\$ 133,446,334</b>	<b>\$ 366,163,684</b>	<b>\$ 347,443,501</b>	<b>\$ 512,604,663</b>	<b>\$ 480,889,835</b>

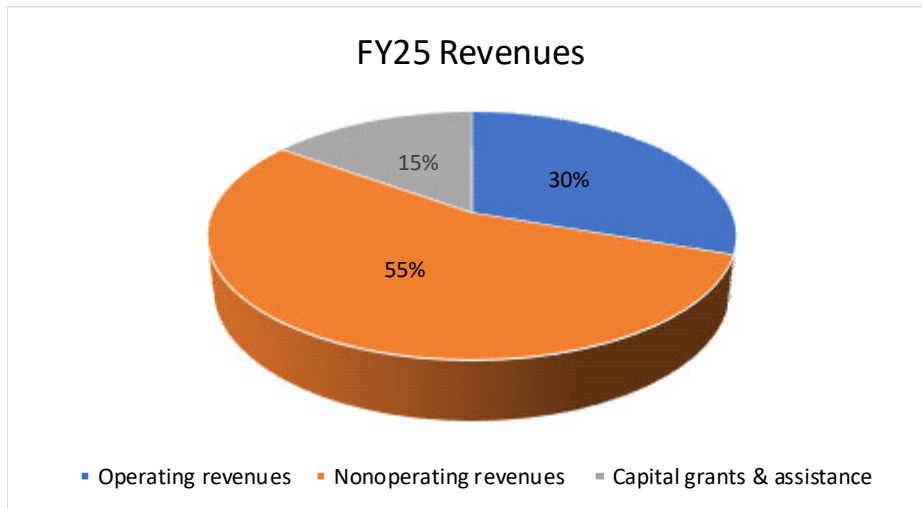
For the fiscal year ended June 30, 2025, revenues totaled \$164.4 million, compared to \$169.8 million in the preceding year, a decrease of \$5.3 million or 3.1%. Expenses increased by \$10.0 million or 6.6%. A discussion of the key components of these changes follows.

Operating revenues increased \$9.7 million or 19.8% from the prior year, primarily the result of increase in farebox revenue of \$9.2 million reflecting continued return of ridership after the COVID-19 pandemic and Federal employee "Return to Office" mandates, and increase in motor fuel tax revenue of \$0.5 million. For the Bus Service and Member Jurisdictions Fund, total ridership was 2.3 million in fiscal year 2025 compared to 2.0 million in fiscal year 2024. For the Commuter Rail Service Fund, total ridership was 1.9 million in fiscal year 2025 compared to 1.6 million in fiscal year 2024.

Nonoperating revenues decreased by \$15.0 million or 12.5% from the prior year, primarily the result of increased jurisdictional contributions of \$11.9 million, increased other income of \$1.3 million, offset by decreased Federal grants of \$17.6 million, decreased funding received from NVTC as a result of a change in allocation of the Commuter Rail Service activity discussed below, decreased State grants of \$0.3 million and decreased investment income of \$0.2 million.

Capital grants and assistance decreased by \$6.7 million or 18.6% from the prior year, primarily the result of increased state capital funding of \$1.0 million, decreased regional transportation funding (NVRTA) of \$0.3 million and decreased federal capital funding of \$8.0 million.

The following chart shows PRTC reporting entity revenues by source for the fiscal year ended June 30, 2025.



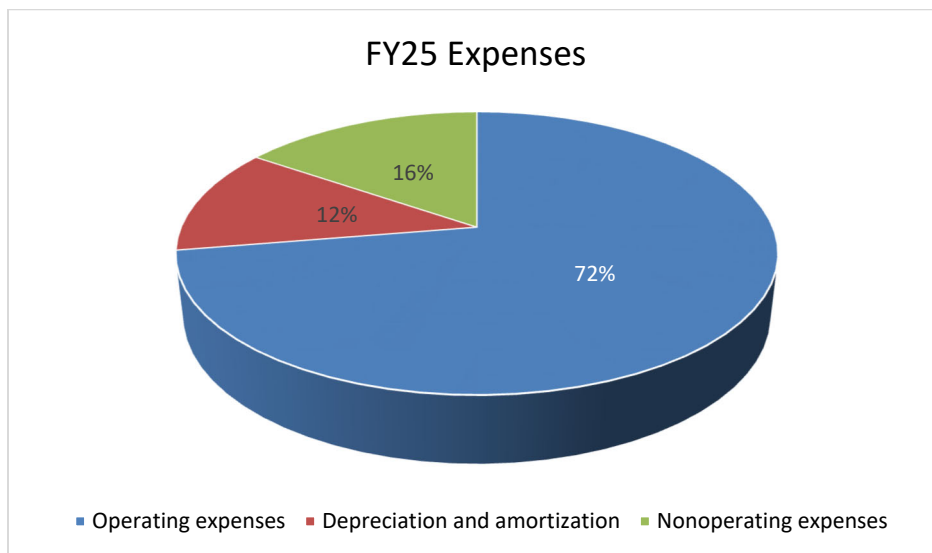
Operating expenses decreased by \$15.3 million or 11.6%.

For the Bus Service and Member Jurisdictions Fund, operating expenses decreased by \$0.2 million. Direct transportation expenses, which represent the use of jurisdictional motor fuel tax funds for the VRE subsidy as well as other jurisdictional transportation projects independent of PRTC, decreased by \$1.2 million. Fuel expenses decreased by \$0.2 million offset by increased contractual services of \$0.8 million, and increased combined expenses for salaries and benefits, other services, and supplies of \$0.4 million.

For the Commuter Rail Service Fund, operating expenses decreased by \$15.1 million or 24%. PRTC's share of the reporting entity decreased from 59.52% to 49.05% with a corresponding increase for NVTC. Insurance costs increased while general and administrative costs, other operations and maintenance, property lease and access fees and marketing costs decreased.

Fiscal year 2025 reflects contribution to NVTC of \$21.5 million while fiscal year 2024 reflects contribution from NVTC of \$10.1 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, 2025.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The details of capital assets as of June 30, 2025 and 2024 are as follows:

	Bus Service and Member Jurisdictions		Commuter Rail Service		Total	
	2025	2024	2025	2024	2025	2024
Buses and related equipment	\$ 99,312,805	\$ 95,527,988	\$ -	\$ -	\$ 99,312,805	\$ 95,527,988
Rail rolling stock	-	-	143,388,695	143,388,695	143,388,695	143,388,695
Land	6,639,270	6,639,270	-	-	6,639,270	6,639,270
Buildings	52,711,975	52,711,975	-	-	52,711,975	52,711,975
Building improvements	7,624,986	7,351,136	-	-	7,624,986	7,351,136
Intangible right-to-use lease buildings	-	-	731,784	731,784	731,784	731,784
Intangible right-to-use lease tower	-	-	105,572	105,572	105,572	105,572
Intangible right-to-use subscription assets	-	-	907,986	907,986	907,986	907,986
Intangible right-to-use lease equipment	43,445	34,207	-	-	43,445	34,207
Intangible right-to-use lease facilities	78,011	112,662	-	-	78,011	112,662
Construction in progress	1,552,840	404,503	75,251,526	57,971,970	76,804,366	58,376,473
Site improvements	1,430,513	1,430,513	-	-	1,430,513	1,430,513
Bus shelters	1,228,309	1,380,803	-	-	1,228,309	1,380,803
Vehicles	1,225,415	853,034	133,914	150,680	1,359,329	1,003,714
Furniture and equipment	2,483,907	2,474,584	-	-	2,483,907	2,474,584
Software and easement	4,034,978	4,034,978	-	-	4,034,978	4,034,978
Facilities	-	-	102,469,868	91,812,860	102,469,868	91,812,860
Track and signal improvements	-	-	54,026,541	50,054,135	54,026,541	50,054,135
Furniture, equipment and software	-	-	11,319,488	11,164,192	11,319,488	11,164,192
Equity in property of others	-	-	62,473,241	62,473,241	62,473,241	62,473,241
<b>Capital assets</b>	<b>178,366,454</b>	<b>172,955,653</b>	<b>450,808,615</b>	<b>418,761,115</b>	<b>629,175,069</b>	<b>591,716,768</b>
Less accumulated depreciation and amortization	87,504,875	82,741,055	160,436,527	148,650,176	247,941,402	231,391,231
<b>Total capital assets, net</b>	<b>\$ 90,861,579</b>	<b>\$ 90,214,598</b>	<b>\$ 290,372,088</b>	<b>\$ 270,110,939</b>	<b>\$ 381,233,667</b>	<b>\$ 360,325,537</b>

PRTC's investment in capital assets as of June 30, 2025, amounted to \$381.2 million (net of accumulated depreciation and amortization), which represents an increase of \$20.9 million or 5.8%.

For bus service and member jurisdictions, eight buses were added, six buses were disposed, and three paratransit vehicles were added during fiscal year 2025.

For commuter rail service, capital assets (net of accumulated depreciation and amortization) increased by \$20.3 million or 7.5%. The major project completed during the fiscal year was the Quantico Station Improvements (\$14.5 million). The major additions to construction in progress during the fiscal year were costs related to the Manassas Line Property Acquisitions (\$13.0 million), the Manassas Park Parking Expansion project (\$6.0 million), the Equity in VPRALong Bridge project (\$3.7 million), the L'Enfant Station Improvements project (\$1.5 million), the Alexandria Station Improvements project (\$1.3 million), the Broad Run Expansion project (\$1.2 million), the Crystal City Station Improvements project (\$0.8 million), the 21 New Railcars project (\$0.5 million), and the Crossroads Long Term Expansion project (\$0.5 million).

## Economic Factors and Next Year's Budget

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

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

For the Commuter Rail Service Fund, fares increased by 5.0 percent for fiscal year 2025. 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 (CROC) Fund, which continued in fiscal year 2025.

Additional sources of funding will be available in fiscal year 2026 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](mailto:jembrey@omniride.com).

## **BASIC FINANCIAL STATEMENTS**

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## STATEMENT OF NET POSITION

Year Ended June 30, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
<b>Current Assets</b>			
Cash and investments in bank	\$ 36,266,189	\$ 30,810,214	\$ 67,076,403
Receivables:			
Due from other governments	54,776,792	7,927,465	62,704,257
Trade receivables, net of allowance for doubtful accounts	-	184,479	184,479
Due from NVTA	-	1,572,112	1,572,112
Miscellaneous	4,414	694,883	699,297
Internal balances	(35,708,704)	35,708,704	-
Inventory	-	2,152,830	2,152,830
Prepaid expenses and other assets	45,461	275,591	321,052
Restricted assets:			
Cash and investments in pooled funds - member jurisdictions	17,385,069	-	17,385,069
Cash, cash equivalents and investments	-	6,141,569	6,141,569
<b>Total current assets</b>	<b>72,769,221</b>	<b>85,467,847</b>	<b>158,237,068</b>
<b>Noncurrent Assets</b>			
Lease receivable	-	534,711	534,711
Net pension asset	193,653	286,536	480,189
Capital assets:			
Transportation equipment:			
Buses and related equipment	99,312,805	-	99,312,805
Rail rolling stock	-	143,388,695	143,388,695
Less: accumulated depreciation	(59,814,926)	(81,766,619)	(141,581,545)
<b>Transportation equipment, net</b>	<b>39,497,879</b>	<b>61,622,076</b>	<b>101,119,955</b>
Land, buildings and equipment:			
Land	6,639,270	-	6,639,270
Construction in progress	1,552,840	75,251,526	76,804,366
Buildings	52,711,975	-	52,711,975
Building improvements	7,624,986	-	7,624,986
Intangible right-to-use-lease buildings	-	731,784	731,784
Intangible right-to-use-lease tower	-	105,572	105,572
Intangible right-to-use subscription assets	-	907,986	907,986
Intangible right-to-use lease equipment	43,445	-	43,445
Intangible right-to-use lease facilities	78,011	-	78,011
Site improvements	1,430,513	-	1,430,513
Bus shelters	1,228,309	-	1,228,309
Vehicles	1,225,415	133,914	1,359,329
Furniture and equipment	2,483,907	-	2,483,907
Software and easement	4,034,978	-	4,034,978
Facilities	-	102,469,868	102,469,868
Track and signal improvements	-	54,026,541	54,026,541
Furniture, equipment and software	-	11,319,488	11,319,488
Equity in property of others	-	62,473,241	62,473,241
Less: accumulated depreciation and amortization	(27,689,949)	(78,669,908)	(106,359,857)
<b>Land, buildings and equipment, net</b>	<b>51,363,700</b>	<b>228,750,012</b>	<b>280,113,712</b>
<b>Total capital assets, net</b>	<b>90,861,579</b>	<b>290,372,088</b>	<b>381,233,667</b>
<b>Total noncurrent assets</b>	<b>91,055,232</b>	<b>291,193,335</b>	<b>382,248,567</b>
<b>Total assets</b>	<b>163,824,453</b>	<b>376,661,182</b>	<b>540,485,635</b>
<b>Deferred Outflows of Resources</b>			
Pension plan	388,470	574,793	963,263
Other postemployment benefits	75,162	111,092	186,254
<b>Total deferred outflows of resources</b>	<b>463,632</b>	<b>685,885</b>	<b>1,149,517</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 164,288,085</b>	<b>\$ 377,347,067</b>	<b>\$ 541,635,152</b>

<b>LIABILITIES AND NET POSITION</b>	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
<b>Current Liabilities</b>			
Accounts payable and other liabilities	\$ 8,879,051	\$ 3,619,031	\$ 12,498,082
Accrued expenses	-	3,128,903	3,128,903
Accrued payroll and benefits	606,414	-	606,414
Accrued interest	-	1,553	1,553
Due to other governments	1,402,642	-	1,402,642
Unearned revenue	5,430,911	768,579	6,199,490
Compensated absences	30,870	111,305	142,175
Lease liabilities	48,961	74,140	123,101
Retainage payable	-	1,100,475	1,100,475
<b>Total current liabilities</b>	<b>16,398,849</b>	<b>8,803,986</b>	<b>25,202,835</b>
<b>Noncurrent Liabilities</b>			
Compensated absences	824,909	457,794	1,282,703
Net other postemployment benefits liability	227,092	335,648	562,740
Lease liabilities	36,236	556,161	592,397
<b>Total noncurrent liabilities</b>	<b>1,088,237</b>	<b>1,349,603</b>	<b>2,437,840</b>
<b>Total liabilities</b>	<b>17,487,086</b>	<b>10,153,589</b>	<b>27,640,675</b>
<b>Deferred Inflows of Resources</b>			
Leases	-	497,156	497,156
Pension plan	321,506	475,713	797,219
Other postemployment benefits	38,514	56,925	95,439
<b>Total deferred inflows of resources</b>	<b>360,020</b>	<b>1,029,794</b>	<b>1,389,814</b>
<b>Net Position</b>			
Net investment in capital assets	90,409,589	283,428,660	373,838,249
Restricted	22,013,991	5,482,751	27,496,742
Restricted - grants and contributions	-	1,460,625	1,460,625
Restricted - pension asset	193,653	286,536	480,189
Unrestricted	33,823,746	75,505,112	109,328,858
<b>Total net position</b>	<b>146,440,979</b>	<b>366,163,684</b>	<b>512,604,663</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 164,288,085</b>	<b>\$ 377,347,067</b>	<b>\$ 541,635,152</b>

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Year Ended June 30, 2025

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Operating Revenues			
Motor fuel tax	\$ 34,362,030	\$ -	\$ 34,362,030
Farebox and passenger	15,165,940	9,108,363	24,274,303
Equipment rental and other	-	134,026	134,026
<b>Total operating revenues</b>	<b>49,527,970</b>	<b>9,242,389</b>	<b>58,770,359</b>
Operating Expenses			
Direct transportation	16,904,571	-	16,904,571
Salaries and related benefits	7,403,079	-	7,403,079
Contractual services	39,508,204	-	39,508,204
Other services	2,243,066	-	2,243,066
Materials, supplies and minor equipment	215,410	-	215,410
Fuel	3,167,616	-	3,167,616
Contract operations and maintenance	-	16,602,448	16,602,448
Other operations and maintenance	-	10,759,617	10,759,617
Property leases and access fees	-	9,240,338	9,240,338
Insurance	-	4,013,990	4,013,990
Marketing and sales	-	629,903	629,903
General and administrative	-	6,665,473	6,665,473
<b>Total operating expenses</b>	<b>69,441,946</b>	<b>47,911,769</b>	<b>117,353,715</b>
<b>Operating loss before depreciation and amortization</b>	<b>(19,913,976)</b>	<b>(38,669,380)</b>	<b>(58,583,356)</b>
Depreciation and amortization	(7,878,204)	(11,829,317)	(19,707,521)
<b>Operating loss</b>	<b>(27,792,180)</b>	<b>(50,498,697)</b>	<b>(78,290,877)</b>
Nonoperating Revenues (Expenses)			
Jurisdictional contributions	-	12,459,482	12,459,482
Commonwealth of Virginia grants	14,903,924	-	14,903,924
Federal grants	49,228,008	-	49,228,008
Commonwealth of Virginia - VPRA	-	8,662,771	8,662,771
Commuter Rail Operating and Capital (C-ROC) Fund	-	5,088,715	5,088,715
Contributions to NVTC	-	(21,451,774)	(21,451,774)
Investment income	1,156,772	2,303,716	3,460,488
Pass-through grants - member jurisdictions	(3,549,664)	-	(3,549,664)
Interest, amortization and other nonoperating expenses, net	(2,275)	(44,883)	(47,158)
Member jurisdiction contributions	10,081,034	-	10,081,034
Other revenue	1,786,083	-	1,786,083
<b>Total nonoperating revenues, net</b>	<b>73,603,882</b>	<b>7,018,027</b>	<b>80,621,909</b>
Capital Grants and Assistance			
Commonwealth of Virginia grants	2,536,828	10,734,041	13,270,869
Federal grants	9,612,789	-	9,612,789
Regional transportation funding - NVTA	-	1,173,662	1,173,662
Commuter Rail Operating and Capital (C-ROC) Fund	-	5,095,505	5,095,505
Contribution from NVTC	-	(6,070)	(6,070)
<b>Total capital grants and assistance, net</b>	<b>12,149,617</b>	<b>16,997,138</b>	<b>29,146,755</b>
<b>Income (loss) before transfers and gain on disposal of assets</b>	<b>57,961,319</b>	<b>(26,483,532)</b>	<b>31,477,787</b>
Transfers, net	(45,179,215)	45,179,215	-
Gain on Disposal of Assets	212,541	24,500	237,041
<b>Change in net position</b>	<b>12,994,645</b>	<b>18,720,183</b>	<b>31,714,828</b>
Net Position, beginning	133,446,334	347,443,501	480,889,835
Net Position, ending	\$ 146,440,979	\$ 366,163,684	\$ 512,604,663

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## STATEMENT OF CASH FLOWS Year Ended June 30, 2025

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from motor fuel tax	\$ 31,632,019	\$ -	\$ 31,632,019
Receipts from customers	14,780,604	8,819,214	23,599,818
Payments to suppliers	(44,660,114)	(42,651,647)	(87,311,761)
Payments to member jurisdictions	(15,646,790)	-	(15,646,790)
Payments to employees	(6,888,411)	(6,577,410)	(13,465,821)
<b>Net cash used in operating activities</b>	<b>(20,782,692)</b>	<b>(40,409,843)</b>	<b>(61,192,535)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal payments on private placement note payable	-	(933,424)	(933,424)
Interest payments on private placement note payable	-	(32,253)	(32,253)
Principal payments on lease liabilities	(45,197)	(69,533)	(114,730)
Principal payments on subscription liabilities	-	(53,243)	(53,243)
Interest payments on leases	(2,275)	(20,986)	(23,261)
Proceeds from sale of assets	224,721	24,500	249,221
Contribution to NVTC	-	(21,451,774)	(21,451,774)
Capital grants and assistance	26,488,004	-	26,488,004
Acquisition of capital assets	(8,252,200)	(35,159,646)	(43,411,846)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>18,413,053</b>	<b>(57,696,359)</b>	<b>(39,283,306)</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Governmental subsidies	73,614,699	37,784,075	111,398,774
Other revenues	10,312,883	-	10,312,883
Interfund transfers	(57,226,289)	57,226,289	-
Payments for jurisdiction grant - related expenditures	(3,549,664)	-	(3,549,664)
<b>Net cash provided by noncapital financing activities</b>	<b>23,151,629</b>	<b>95,010,364</b>	<b>118,161,993</b>
<b>Cash Flows From Investing Activities</b>			
Investment income	1,156,772	2,303,716	3,460,488
<b>Cash provided by investing activities</b>	<b>1,156,772</b>	<b>2,303,716</b>	<b>3,460,488</b>
<b>Increase in cash and cash equivalents</b>	<b>21,938,762</b>	<b>(792,122)</b>	<b>21,146,640</b>
<b>Cash and Cash Equivalents</b>			
Beginning	31,712,496	37,743,905	69,456,401
Ending	\$ 53,651,258	\$ 36,951,783	\$ 90,603,041

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## STATEMENT OF CASH FLOWS (Continued) Year Ended June 30, 2025

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>			
Operating loss	\$ (27,792,180)	\$ (50,498,697)	\$ (78,290,877)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization	7,878,204	11,829,317	19,707,521
Write-off of CIP to expense	(9,470)	(9,870)	(19,340)
Changes in assets and liabilities:			
(Increase) decrease in:			
Due from other governments	(3,470,247)	-	(3,470,247)
Miscellaneous receivables	(1,889)	(435,148)	(437,037)
Prepaid expenses and other assets	(9,781)	78,206	68,425
Trade receivables	-	18,781	18,781
Inventory	-	(27,344)	(27,344)
Lease receivable	-	(2,263)	(2,263)
Pension asset	(243,521)	(357,062)	(600,583)
Pension related deferred outflows of resources	(1,509)	(30,062)	(31,571)
OPEB related deferred outflows of resources	(350)	(118)	(468)
Increase (decrease) in:			
Accounts payable and other liabilities	493,433	(1,120,994)	(627,561)
Accrued payroll and benefits	200,374	12,556	212,930
Due to other governments	1,733,079	-	1,733,079
OPEB liability	(20,893)	(32,205)	(53,098)
Unearned revenue	356,789	8,051	364,840
Lease related deferred inflows of resources	-	(12,596)	(12,596)
Pension related deferred inflows of resources	106,552	171,713	278,265
OPEB related deferred inflows of resources	(1,283)	(2,108)	(3,391)
<b>Net cash used in operating activities</b>	<b>\$ (20,782,692)</b>	<b>\$ (40,409,843)</b>	<b>\$ (61,192,535)</b>
<b>Schedule of Noncash Capital Activities</b>			
Capital assets acquired through:			
Capital assets acquired through accounts payable	\$ 366,793	\$ 2,368,417	\$ 2,735,210
Capital assets acquired through accrued expenses	-	2,844,234	2,844,234
Intangible right-to-use assets acquired through leases	121,456	-	121,456

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Organization

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

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

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

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

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

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

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Summary of Significant Accounting Policies

The following summarizes PRTC's significant accounting policies:

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

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

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

PRTC reports the following major enterprise funds:

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

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

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

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Restricted cash and investments in pooled funds – member jurisdictions of \$17,385,069 at June 30, 2025 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 \$6,141,569 at June 30, 2025 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 \$45,600 at June 30, 2025.

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

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

**Deferred outflows/inflows of resources:** In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. PRTC currently has items related to the pension plan and other postemployment benefits (OPEB) – Group Life Insurance Program (GLI) and Health Insurance Credit Program (HIC) that qualify for reporting in this category. See Notes 13, 14 and 15 for details regarding these items.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. PRTC currently has items related to the pension plan, GLI - OPEB and HIC - OPEB that qualify for reporting in this category. See Notes 13, 14 and 15 for details regarding these items. PRTC also reports one item related to leases. See Note 6 for details regarding this item.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

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

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

Buses and related equipment	2 - 12 years
Rail rolling stock	8 - 25 years
Buildings and improvements	5 - 30 years
Site improvements	5 - 20 years
Bus shelters	5 years
Vehicles	5 years
Facilities	30 - 40 years
Track and signal improvements	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	Life of lease or subscription

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, 2025.

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

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

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

In accordance with GASB Statement No. 101, the government recognizes a liability for compensated absences when:

- The leave is attributable to services already rendered,
- The leave accumulates (i.e., carries forward to future periods), and
- It is more likely than not that the leave will be used for time off or otherwise paid or settled.

The liability is measured using the employee's pay rate as of the financial statement date, and includes salary-related payments that are directly and incrementally associated with leave payments (e.g., payroll taxes and retirement contributions).

PRTC has elected to use the Last-In, First-Out (LIFO) flow assumption for estimating the liability. Under this method, the most recently earned leave is assumed to be used first, which may result in a lower liability than FIFO in periods of rising pay rates.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

PRTC implemented Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences* during the fiscal year June 30, 2025. The implementation had no impact on beginning net position.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

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

**Operating revenues and expenses:** Operating revenues are generated from activities related to providing public transportation services to users. Operating revenues include 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 19, 2025, which was the date the financial statements were available to be issued.

### Note 3. Cash and Investments

**Deposits:** Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act"), Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

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

The Commission has investments in the LGIP, a professionally managed money market fund that invests in qualifying obligations and securities as permitted by state statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. PRTC’s investments in the LGIP are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an “AAAm” rating by Standard & Poor’s. The maturity of the LGIP is less than one year.

The Commonwealth of Virginia Department of the Treasury manages PRTC’s Insurance Trust. State statutes govern the portion of assets invested in the Commonwealth’s pooled accounts, while the remainder is invested by an external portfolio manager. At June 30, 2025, PRTC had \$5,449,990 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, 2025, the carrying values and maturity of investments were as follows:

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total	Fair Value	Maturities Less Than One Year
LGIP	\$ -	\$ 28,229,566	\$ 28,229,566	\$ 28,229,566	\$ 28,229,566
Restricted:					
Insurance trust fund - pooled funds	-	5,449,990	5,449,990	5,449,990	5,449,990
LGIP	17,385,069	691,579	18,076,648	18,076,648	18,076,648
	17,385,069	6,141,569	23,526,638	23,526,638	23,526,638
	\$ 17,385,069	\$ 34,371,135	\$ 51,756,204	\$ 51,756,204	\$ 51,756,204

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

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

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

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

#### Authorized Investments

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

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

#### Diversification

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

1. The portfolio will be diversified with not more than 5% of the value of the investment pool's assets invested in the securities of any single issuer. This limitation will not apply to securities of the U.S. Government or agency thereof, government sponsored corporation securities, or fully insured and/or collateralized certificates of deposit.
2. The Bus Service and Member Jurisdiction Fund investment policy establishes the maximum percentages of the portfolio permitted in each of the following instruments:

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

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

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.

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	\$ 3,843,196
Spotsylvania County	6,625,126
City of Manassas Park	2,887,166
Prince William County	108,822
City of Fredericksburg	1,241,181
City of Manassas	2,679,578
	<u>\$ 17,385,069</u>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 4. Due To/From Other Governments

Amounts due from other governments are as follows:

	Bus Service and Member Jurisdictions
Federal Transit Administration	\$ 39,629,779
Virginia Department of Motor Vehicles - motor fuel tax receipts	5,596,737
Northern Virginia Transportation Commission	1,869,015
Virginia Department of Rail and Public Transportation	5,258,291
Washington Metropolitan Area Transit Authority	1,140,786
Virginia Department of Transportation	28,087
Prince William County - I66 Fare Buydown	13,338
City of Manassas	136,385
Prince William County	1,104,374
	<hr/>
	\$ 54,776,792
	<hr/>
	Commuter Rail Service
Virginia Passenger Rail Authority	\$ 7,927,465

Amounts due to other governments are as follows:

	Bus Service and Member Jurisdictions
Virginia Department of Rail and Public Transportation	\$ 3,740
Prince William County	1,104,200
U.S. Department of Transportation	153,985
City of Manassas Park	4,332
City of Manassas	136,385
	<hr/>
	\$ 1,402,642

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets

Changes in capital assets for the year ended June 30, 2025 are as follows:

	Balance July 1, 2024	Increases	Decreases	Transfers	Balance June 30, 2025
Capital assets not being depreciated or amortized:					
Land	\$ 6,639,270	\$ -	\$ -	\$ -	\$ 6,639,270
Construction in progress	58,376,473	33,088,558	(9,870)	(14,650,795)	76,804,366
<b>Total capital assets not being depreciated or amortized</b>	<b>65,015,743</b>	<b>33,088,558</b>	<b>(9,870)</b>	<b>(14,650,795)</b>	<b>83,443,636</b>
Capital assets being depreciated and amortized:					
Buses and related equipment	95,527,988	6,552,738	(2,809,028)	41,107	99,312,805
Rail rolling stock	143,388,695	-	-	-	143,388,695
Buildings	52,711,975	-	-	-	52,711,975
Building improvements	7,351,136	161,709	(9,469)	121,610	7,624,986
Site improvements	1,430,513	-	-	-	1,430,513
Bus shelters	1,380,803	-	(152,494)	-	1,228,309
Vehicles	1,003,714	398,581	(42,966)	-	1,359,329
Furniture and equipment	2,474,584	18,026	(8,703)	-	2,483,907
Software and easement	4,034,978	-	-	-	4,034,978
Facilities	91,812,860	60,587	-	10,596,421	102,469,868
Track and signal improvements	50,054,135	80,749	-	3,891,657	54,026,541
Furniture, equipment, software and building improvement	11,164,192	155,296	-	-	11,319,488
Intangible right-to-use lease buildings	731,784	-	-	-	731,784
Intangible right-to-use lease tower	105,572	-	-	-	105,572
Intangible right-to-use lease equipment	34,207	43,445	(34,207)	-	43,445
Intangible right-to-use lease facilities	112,662	78,011	(112,662)	-	78,011
Intangible right-to-use subscription assets	907,986	-	-	-	907,986
Equity in property of others	62,473,241	-	-	-	62,473,241
<b>Total capital assets being depreciated and amortized</b>	<b>526,701,025</b>	<b>7,549,142</b>	<b>(3,169,529)</b>	<b>14,650,795</b>	<b>545,731,433</b>
Less accumulated depreciation and amortization for:					
Buses and related equipment	57,157,973	5,465,981	(2,809,028)	-	59,814,926
Rail rolling stock	75,892,461	5,874,158	-	-	81,766,619
Buildings	12,570,850	1,757,067	(9,469)	-	14,318,448
Building improvements	3,748,963	289,918	-	-	4,038,881
Site improvements	1,053,320	68,198	-	-	1,121,518
Bus shelters	1,358,604	5,960	(140,315)	-	1,224,249
Vehicles	431,670	220,120	(42,966)	-	608,824
Furniture and equipment	2,351,634	41,898	-	-	2,393,532
Software and easement	4,010,695	1,284	-	-	4,011,979
Facilities	30,921,505	2,679,284	-	-	33,600,789
Track and signal improvements	29,337,066	2,181,822	-	-	31,518,888
Furniture, equipment, software and building improvement	9,308,645	585,643	(8,703)	-	9,885,585
Intangible right-to-use lease buildings	176,990	60,947	-	-	237,937
Intangible right-to-use lease tower	8,797	21,115	-	-	29,912
Intangible right-to-use lease equipment	31,763	7,545	(34,207)	-	5,101
Intangible right-to-use lease facilities	106,734	38,433	(112,662)	-	32,505
Intangible right-to-use subscription assets	527,825	325,852	-	-	853,677
Equity in property of others	2,395,736	82,296	-	-	2,478,032
<b>Total accumulated depreciation and amortization</b>	<b>231,391,231</b>	<b>19,707,521</b>	<b>(3,157,350)</b>	<b>-</b>	<b>247,941,402</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>295,309,794</b>	<b>(12,158,379)</b>	<b>(12,179)</b>	<b>14,650,795</b>	<b>297,790,031</b>
<b>Total capital assets, net</b>	<b>\$ 360,325,537</b>	<b>\$ 20,930,179</b>	<b>\$ (22,049)</b>	<b>\$ -</b>	<b>\$ 381,233,667</b>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Leases

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

Lease obligation for a building. PRTC is required to make monthly principal and interest payments ranging from \$10,927 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 \$460,831 (\$230,415 PRTC reporting entity).	\$ 507,111
Lease obligation for a building roof. PRTC is required to make monthly principal and interest payments ranging from \$650 to \$787 through March 2038. The lease has an interest rate of 3.40%. An initial lease liability was recorded in the amount of \$100,214 (\$50,107 PRTC reporting entity) during the current fiscal year. The building roof has an estimated 180 month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$100,277 (\$50,138 PRTC reporting entity) and had accumulated amortization of \$15,041 (\$7,521 PRTC reporting entity).	44,826
Lease obligation for a tower. PRTC is required to make monthly principal and interest payments ranging from \$3,627 to \$3,963 through January 2029. The lease has an interest rate of 2.43%. An initial lease liability was recorded in the amount of \$211,144 (\$105,572 PRTC reporting entity). The tower has an estimated useful life of sixty months. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$211,144 (\$105,572 PRTC reporting entity) and had accumulated amortization of \$59,824 (\$29,912 PRTC reporting entity).	78,364
Lease obligation for equipment (copier). PRTC is required to make monthly principal and interest payments of \$102 through February 2030. The lease has an interest rate of 3%. An initial lease liability was recorded in the amount of \$5,656. The copier has an estimated sixty month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$5,656 and had accumulated amortization of \$377.	5,305

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 6. Leases (Continued)**

Lease obligation for equipment (copier). PRTC is required to make monthly principal and interest payments of \$566 through December 2029. The lease has an interest rate of 3%. An initial lease liability was recorded in the amount of \$31,486. The copier has an estimated sixty month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$31,487 and had accumulated amortization of \$3,149. \$ 28,546

Lease obligation for equipment (postage machine). PRTC is required to make monthly principal and interest payments of \$183 through September 2027. The lease has an interest rate of 3%. An initial lease liability was recorded in the amount of \$6,302. 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 \$6,302 and had accumulated amortization of \$1,575. 4,779

Lease obligation for facilities (parking lot). PRTC is required to make monthly principal and interest payments of \$3,403 through August 2026. The lease has an interest rate of 3%. An initial lease liability was recorded in the amount of \$78,011. The parking lot has an estimated twenty-four month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$78,011 and had accumulated amortization of \$32,505. 46,567

\$ 715,498

The following table summarizes the total minimum lease payments due:

Year(s) Ending June 30,	Principal	Interest
2026	\$ 123,101	\$ 19,568
2027	95,194	16,278
2028	92,171	13,658
2029	87,177	10,990
2030	74,029	8,625
2031-2035	231,454	13,356
2036-2038	12,372	605
<b>Total minimum lease payments</b>	<u><u>\$ 715,498</u></u>	<u><u>\$ 83,080</u></u>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Leases (Continued)

PRTC is a lessor for a lease related to a communication tower. The lease term is for 518 months. The exercise of lease renewal options is at the Lessees discretion. PRTC monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease receivable and related deferred inflows of resources if changes occur that are expected to significantly affect the amount of the lease receivable. PRTC will receive annual payments ranging from \$28,244 to \$86,843 (\$14,122 to \$43,422 PRTC reporting entity) through December 2064. An initial lease receivable was recorded in the amount of \$1,437,167 (PRTC reporting entity \$718,584). During fiscal year 2023, there was a remeasurement of the lease receivable due to a contract amendment that resulted in a lease receivable of \$1,054,723 (PRTC reporting entity \$527,362). As of June 30, 2025, the receivable for lease payments was \$1,069,422 (PRTC reporting entity \$534,711).

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, 2025, the balance of the deferred inflow was \$994,311 (\$497,156 PRTC reporting entity). Lease revenue for the year ended June 30, 2025 was \$25,192 (\$12,596 PRTC reporting entity) and lease interest income for the same year was \$32,022 (\$16,011 PRTC reporting entity).

Future minimum lease amounts as of June 30, 2025 are as follows:

Year(s) Ending June 30,	Principal	Interest	PRTC Reporting Entity	
			Principal	Interest
2026	\$ (3,839)	\$ 32,083	\$ (1,920)	\$ 16,041
2027	(3,107)	32,198	(1,553)	16,099
2028	(2,327)	32,291	(1,164)	16,146
2029	(1,498)	32,361	(749)	16,181
2030	(617)	32,406	(308)	16,203
2031-2035	12,113	161,720	6,057	80,860
2036-2040	43,390	158,130	21,695	79,065
2041-2045	84,323	149,294	42,162	74,647
2046-2050	137,194	133,632	68,597	66,816
2051-2055	204,768	109,194	102,384	54,596
2056-2060	290,387	73,580	145,193	36,790
2061-2064	308,635	23,853	154,317	11,926
<b>Total minimum lease amounts</b>	<b>\$1,069,422</b>	<b>\$ 970,742</b>	<b>\$ 534,711</b>	<b>\$ 485,370</b>

### Note 7. Subscriptions

During the current fiscal year, PRTC had multiple subscription agreements as lessee for software each ranging for 3 years. As of June 30, 2025, the balance of the subscription liability was \$0.

PRTC has no remaining subscription payments as of June 30, 2025. The subscriptions had interest rates ranging from 2.35% to 2.80%. The value of the intangible right-to-use subscription assets as of the end of the current fiscal year was \$1,815,971 (\$907,986 PRTC reporting entity) and had accumulated amortization of \$1,707,354 (\$853,677 PRTC reporting entity).

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Long-Term Liabilities

The following is a summary of long-term liability activity for the year ended June 30, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Private placement note payable	\$ 933,424	\$ -	\$ (933,424)	\$ -	\$ -
Lease liabilities	708,772	121,456	(114,730)	715,498	123,101
Subscription liabilities	53,243	-	(53,243)	-	-
Compensated absences*	1,306,203	118,675	-	1,424,878	142,175
	<u>\$ 3,001,642</u>	<u>\$ 240,131</u>	<u>\$ (1,101,397)</u>	<u>\$ 2,140,376</u>	<u>\$ 265,276</u>

\*As of June 30, 2025, the increase in the liability is a net change for the year. The increase includes new accruals for sick leave based on historical usage in compliance with GASB Statement No. 101.

### 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, 2025:

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Cash and investments	\$ 17,385,069	\$ -	\$ 17,385,069
Due from other governments, net	4,628,922	-	4,628,922
Net pension asset	193,653	286,536	480,189
Grants and contributions	-	1,460,625	1,460,625
Cash and investments - insurance	-	5,482,751	5,482,751
	<u>\$ 22,207,644</u>	<u>\$ 7,229,912</u>	<u>\$ 29,437,556</u>

Unrestricted net position consists of the following as of June 30, 2025:

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total
Designation of unrestricted net assets:			
Carry forward to support future years' budgets	\$ 991,260	\$ -	\$ 991,260
Local match for federal/state grants	3,484,320	-	3,484,320
<b>Total designations</b>	<u>4,475,580</u>	<u>-</u>	<u>4,475,580</u>
Undesignated unrestricted net position	29,348,166	75,505,112	104,853,278
<b>Total unrestricted net position</b>	<u>\$ 33,823,746</u>	<u>\$ 75,505,112</u>	<u>\$ 109,328,858</u>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### **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.

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.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

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.

Financial information from VRE's fiscal year 2025 audited financial statements is shown below.

### VIRGINIA RAILWAY EXPRESS STATEMENT OF NET POSITION June 30, 2025

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<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Current Assets	
Cash and cash equivalents	\$ 62,815,961
Accounts receivable:	
Federal due from PRTC	33,036,044
Federal Pandemic Relief Funds	4,987,149
Commonwealth of Virginia grants	28,976,830
Due from NVTA	3,144,223
Commuter Rail Operating and Capital (C-ROC) Fund	2,500,000
Trade receivables, net of allowance for doubtful accounts	376,116
Other receivables	705,589
Inventory	4,389,196
Prepaid expenses and other	561,875
Restricted cash, cash equivalents and investments	31,052,063
<b>Total current assets</b>	<u>172,545,046</u>
Noncurrent Assets	
Lease receivable	1,069,422
Pension asset	286,536
Capital assets (net of \$320,873,053 accumulated depreciation and amortization)	580,744,177
<b>Total noncurrent assets</b>	<u>582,100,135</u>
<b>Total assets</b>	<u>754,645,181</u>
Deferred Outflows of Resources	
Loss on refunding	239,139
Pension plan	574,793
Other postemployment benefits	111,092
<b>Total deferred outflows of resources</b>	<u>925,024</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 755,570,205</u>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

#### VIRGINIA RAILWAY EXPRESS STATEMENT OF NET POSITION (Continued) June 30, 2025

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<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 16,888,464
Unearned revenue	1,566,982
Contract retainage	2,200,951
Current portion of:	
Lease liability	148,280
Bonds payable	5,050,000
<b>Total current liabilities</b>	<u>25,854,677</u>
Noncurrent Liabilities	
Other postemployment benefits	335,648
Bonds payable	148,692,685
Lease liability	1,112,322
Compensated absences	933,351
<b>Total noncurrent liabilities</b>	<u>151,074,006</u>
<b>Total liabilities</b>	<u>176,928,683</u>
Deferred Inflows of Resources	
Leases	994,311
Pension plan	475,713
Other postemployment benefits	56,925
<b>Total deferred inflows of resources</b>	<u>1,526,949</u>
Net Position	
Net investment in capital assets	413,353,775
Restricted for liability insurance plan	10,965,502
Restricted for debt service	14,762,144
Restricted grants or contributions	5,324,417
Restricted pension asset	286,536
Unrestricted assets	132,422,199
<b>Total net position</b>	<u>577,114,573</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 755,570,205</u>

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

**VIRGINIA RAILWAY EXPRESS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
Year Ended June 30, 2025**

Operating Revenues	\$ 18,843,413
Operating Expenses	<u>97,883,011</u>
<b>Operating loss before depreciation and amortization</b>	<b>(79,039,598)</b>
Depreciation and Amortization	<u>(23,658,635)</u>
<b>Operating loss</b>	<b><u>(102,698,233)</u></b>
Nonoperating Revenues (Expenses)	
Subsidies:	
Commonwealth of Virginia grants	34,312,117
Federal grants – with PRTC as grantee	9,191,915
Federal Pandemic Relief Funds	31,772,470
Jurisdictional contributions	18,300,780
Commuter Rail Operating and Capital (C-ROC) Fund	7,495,000
Interest income:	
Operating funds	1,234,499
Insurance trust	433,402
Commuter Rail Operating and Capital (C-ROC) Fund	2,061,247
Other restricted funds and leases	907,170
Gain on disposal of assets	49,000
Interest, amortization and other nonoperating expenses, net	<u>(6,513,685)</u>
<b>Total nonoperating revenues, net</b>	<b><u>99,243,915</u></b>
Capital Grants and Assistance	
Commonwealth of Virginia grants	23,977,330
Federal grants – with PRTC as grantee	4,313,098
Commuter Rail Operating and Capital (C-ROC) Fund	7,505,000
Regional transportation funding (NVT A)	2,347,325
Local contributions	<u>(6,070)</u>
<b>Total capital grants and assistance</b>	<b><u>38,136,683</u></b>
<b>Change in net position</b>	<b>34,682,365</b>
Net Position, beginning of year	<u>542,432,208</u>
Net Position, ending	<u><u>\$ 577,114,573</u></u>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2025, amounts expended for joint and jurisdictional transportation projects consisted of:

	Bus Service and Member Jurisdictions
VRE support	\$ 6,230,634
Other jurisdictional projects	10,673,937
	<u>\$ 16,904,571</u>

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

### Note 12. Risk Management and Liability Insurance Plan

PRTC and the VRE commuter rail operation are 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 \$70,600 at June 30, 2025, of which \$35,300 was included in the PRTC reporting entity.

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

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

The Division of Risk Management manages the Insurance Trust Fund pursuant to provisions of the Insurance Plan. Since November 2006, all plan assets have been invested in the Department of the Treasury common pool. Activity in the Insurance Trust Fund for the year ended June 30, 2025 was as follows:

	Total	PRTC Reporting Entity
Beginning balance, July 1, 2024	\$ 10,490,529	\$ 5,245,264
Insurance premiums paid	(7,530)	(3,765)
Investment income	433,402	216,701
Actuarial and administrative charges	(16,420)	(8,210)
Ending balance, June 30, 2025	<u>\$ 10,899,981</u>	<u>\$ 5,449,990</u>

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

### Note 13. Pension Plan

Name of Plan: Virginia Retirement System (VRS)  
 Identification of Plan: Agent Multiple-Employer Pension Plan  
 Administering Entity: Virginia Retirement System (System)

#### A. Plan Description

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

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

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

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 13. Pension Plan (Continued)

#### B. Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	42
Inactive members:	
Vested	32
Non-vested	28
Active elsewhere in VRS	11
Active members	<u>98</u>
<b>Total covered employees</b>	<u><u>211</u></u>

#### C. Contributions

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

PRTC's contractually required contribution rate for the year ended June 30, 2025 was 4.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

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 \$593,689 and \$564,407 for the years ended June 30, 2025 and 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$81,091 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$145,670 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$8,100,994 for the year ended June 30, 2025.

#### D. Net Pension Asset/Liability

PRTC's net pension asset/liability was measured as of June 30, 2024. The total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 13. Pension Plan (Continued)

#### E. Actuarial Assumptions

The total pension liability for the Commission's retirement plan was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 13. Pension Plan (Continued)

#### F. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	(3.00%)	3.50%	(0.11%)
<b>Total</b>	100.00%		7.07%
		* Expected arithmetic nominal return	7.07%

\* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

Note 13. Pension Plan (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023 actuarial valuations. From July 1, 2024 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, 2023	\$ 27,672,807	\$ 27,552,413	\$ 120,394
Changes for the year:			
Service cost	916,058	-	916,058
Interest	1,897,796	-	1,897,796
Difference between expected and actual experience	350,000	-	350,000
Contributions – employer	-	564,407	(564,407)
Contributions – employee	-	522,161	(522,161)
Net investment income	-	2,693,946	(2,693,946)
Benefit payments, including refunds of employee contributions	(946,736)	(946,736)	-
Administrative expense	-	(16,680)	16,680
Other changes	-	603	(603)
<b>Net changes</b>	<b>2,217,118</b>	<b>2,817,701</b>	<b>(600,583)</b>
Balance at June 30, 2024	\$ 29,889,925	\$ 30,370,114	\$ (480,189)

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 13. Pension Plan (Continued)

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Plan's net pension (asset) liability	\$ 3,585,941	\$ (480,189)	\$ (3,762,020)

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

For the year ended June 30, 2025, the Commission recognized pension expense of \$239,800. 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	\$ 369,574	\$ (42,079)
Net difference between projected and actual earnings on pension plan investments	-	(755,140)
Employer contributions subsequent to the measurement date	593,689	-
<b>Total</b>	<u>\$ 963,263</u>	<u>\$ (797,219)</u>

The \$593,689 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 (asset) liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and (inflows) of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ (498,825)
2027	345,830
2028	(108,653)
2029	(165,997)
	<u>\$ (427,645)</u>

#### K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2024-annual-report.pdf](http://varetire.org/pdf/publications/2024-annual-report.pdf), or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

#### A. Plan Description

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

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

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

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

#### B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% 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, 2025, was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. 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 \$60,423 and \$64,270 for the years ended June 30, 2025 and June 30, 2024, respectively.

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

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

At June 30, 2025, PRTC reported a liability of \$517,230, for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2024 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, 2023, and rolled forward to the measurement date of June 30, 2024. 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, 2024 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the participating employer’s proportion was \$64,270 or 0.04635% as compared to \$63,720 or 0.04639% at June 30, 2023.

For the year ended June 30, 2025, PRTC recognized GLI OPEB expense of \$11,414. 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, 2025, 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	\$ 81,579	\$ (12,634)
Change in assumptions	2,948	(25,633)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(43,597)
Changes in proportionate share	27,162	(12,372)
Employer contributions subsequent to the measurement date	60,423	-
<b>Total</b>	<u>\$ 172,112</u>	<u>\$ (94,236)</u>

The \$60,423 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, 2026. 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
2026	\$ (23,253)
2027	14,300
2028	9,106
2029	9,338
2030	7,962
	<u>\$ 17,453</u>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

#### D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2023, 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, 2024.

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

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

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

#### E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2024, NOL amounts for the GLI is as follows (expressed in thousands):

	GLI OPEB Program
Total GLI OPEB liability	\$ 4,196,055
Plan fiduciary net position	3,080,133
<b>GLI Net OPEB liability</b>	<b>\$ 1,115,922</b>

Plan fiduciary net position as a percentage of the total GLI OPEB liability 73.41%

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

#### F. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	(3.00%)	3.50%	(0.11%)
<b>Total</b>	<b>100.00%</b>		<b>7.07%</b>

\* Expected arithmetic nominal return 7.07%

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

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

\*The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

#### G. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by PRTC for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024 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%)
Plan's GLI net OPEB liability	\$ 804,360	\$ 517,230	\$ 285,267

#### I. GLI Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at [varetire.org/pdf/publications/2024-annual-report.pdf](http://varetire.org/pdf/publications/2024-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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

#### A. Plan Description

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

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

#### B. Employees Covered by Benefit Terms

As of the June 30, 2024 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	7
Inactive members:	
Vested	2
Active elsewhere in VRS	9
Active members	98
	<hr/>
<b>Total covered employees</b>	<b>116</b>
	<hr/> <hr/>

#### C. Contributions

The contribution requirement for active employees is governed by Title 51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. PRTC's contractually required employer contribution rate for the year ended June 30, 2025 was .11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from PRTC to the HIC program were \$14,142 and \$19,044 for the years ended June 30, 2025 and 2024, respectively.

#### D. Net HIC OPEB Liability

At June 30, 2025, PRTC reported a net HIC OPEB liability of \$45,510, which was measured as of June 30, 2024. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

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

E. Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2023 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, 2024:

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

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

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

F. Long-term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	32.00%	6.70%	2.14%
Fixed Income	16.00%	5.40%	0.86%
Credit Strategies	16.00%	8.10%	1.30%
Real Assets	15.00%	7.20%	1.08%
Private Equity	15.00%	8.70%	1.31%
PIP - Private Investment Partnership	1.00%	8.00%	0.08%
Diversifying Strategies	6.00%	5.80%	0.35%
Cash	2.00%	3.00%	0.06%
Leverage	(3.00%)	3.50%	(0.11%)
<b>Total</b>	<b>100.00%</b>		<b>7.07%</b>
		* Expected arithmetic nominal return	<b>7.07%</b>

\* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

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

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

G. Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2024, the rate contributed by PRTC for the HIC OPEB was 100% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

H. Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a-b)
Balances at June 30, 2023	\$ 95,495	\$ 36,019	\$ 59,476
Changes for the Year:			
Service cost	2,863	-	2,863
Interest	6,551	-	6,551
Contributions – employer	-	19,044	(19,044)
Net investment income	-	4,405	(4,405)
Benefit payments, including refunds of employee contributions	(2,621)	(2,621)	-
Administrative expense	-	(69)	69
<b>Net changes</b>	<b>6,793</b>	<b>20,759</b>	<b>(13,966)</b>
Balances at June 30, 2024	\$ 102,288	\$ 56,778	\$ 45,510

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Plan’s HIC net OPEB liability	\$ 58,662	\$ 45,510	\$ 34,497

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

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

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

For the year ended June 30, 2025, PRTC recognized HIC Program OPEB expense of \$6,195. At June 30, 2025, PRTC reported deferred outflows of resources and deferred inflows of resources related to the HIC OPEB Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB program investments	\$ -	\$ (1,203)
Employer contributions subsequent to the measurement date	14,142	-
<b>Total</b>	<b>\$ 14,142</b>	<b>\$ (1,203)</b>

The \$14,142 reported as deferred outflows of resources related to the HIC OPEB resulting from PRTC’s contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2026	\$ (305)
2027	(305)
2028	(307)
2029	(286)
<b>Total</b>	<b>\$ (1,203)</b>

K. Health Insurance Credit Program Plan Data

Detailed information about the VRS Political Subdivision HIC Program is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### Note 16. Contingencies and Contractual Commitments

#### Federal and State-Assisted Programs

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

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

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

At June 30, 2025, 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, 2025:

Stations and parking lots	\$ 16,360,114
Rail rolling stock	66,381,089
Maintenance and layover yards	2,670,571
Track and signal improvements	84
Other administrative	102,200
	<hr/>
<b>Total</b>	<b>\$ 85,514,058</b>

PRTC entered into contracts in March 2025 to purchase fuel at set prices for delivery in July 2025 through June 2026. The total commitment is for 1,008,000 gallons of fuel at approximately \$2,509,156. The fuel will be used in the normal course of business and is not being purchased for resale.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### **Note 17. Operating Leases and Agreements**

Operating Access Agreements with the CSX Transportation and Norfolk Southern railroads provide the Commissions the right to use tracks owned by the railroads in the provision of commuter rail passenger service. These agreements require the Commissions to pay the railroads a monthly base fee and to reimburse the railroads for any incremental cost incurred by the railroads as a result of providing track access for commuter rail service. For the year ended June 30, 2025, annual track usage fees totaled approximately \$10,398,000 of which \$5,100,200 is recognized by the PRTC reporting entity, and facility and other identified costs totaled approximately \$504,000, of which \$247,200 is recognized by the PRTC reporting entity. This decrease was partially offset by annual contractual escalations with CSX Transportation.

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 years ended June 30, 2025 and 2024, costs for track access and equipment storage totaled approximately \$8,442,000, of which \$4,140,800 was recognized by the PRTC reporting entity. Costs for mid-day maintenance, utility, and other services totaled approximately \$4,715,000 of which \$2,312,700 was recognized by the PRTC reporting entity. The increase in these costs is primarily driven by annual contract escalations tied to the Association of American Railroads (AAR) cost index, partially offset by reduced usage of maintenance and other services. Cost adjustments will be made in fiscal year 2026 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, 2025, totaled approximately \$29,207,000, of which \$14,326,000 is recognized by the PRTC reporting entity. The increase in train operation and maintenance costs is primarily a result of annual contract escalations. Costs are based on an annual budget prepared in advance. Costs for fiscal year 2026 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

### Note 18. Interfund Transfers

	Bus Service and Member Jurisdictions	Commuter Rail Service	Total Transferred Out
Transfer from fund:			
Bus Service and Member Jurisdictions	\$ -	\$ 45,277,483	\$ 45,277,483
Commuter Rail Service	(98,268)	-	(98,268)
<b>Total transferred in</b>	<b>\$ (98,268)</b>	<b>\$ 45,277,483</b>	<b>\$ 45,179,215</b>

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

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

### Note 19. Pending GASB Statements

At June 30, 2025, GASB had issued statements not yet implemented by PRTC. The statements which might impact PRTC are as follows:

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

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

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

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO FINANCIAL STATEMENTS

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### **Note 20. Subsequent Events**

In June 2025, the VRE Operations Board recommended the Commissions approve a Purchase and Sale Agreement with Spotsylvania County for acquisition by the Commissions of a parking lot at the Spotsylvania VRE Station for a nominal fee of \$10, and authorized the VRE Chief Executive Officer to execute the agreement on behalf of the Commissions and to further execute all documents necessary to conclude the transfer of the property to the Commissions. The parking lot will be appraised and included in VRE's Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position at the acquisition value yet to be determined. As of October 2025, the execution of the agreement as well as the appraisal are still pending; however, both are expected to be finalized by the end of November 2025.

In February 2025, the Commissions approved an Amended Manassas Line Funding Agreement with the Virginia Passenger Rail Authority (VPRRA) authorizing payment by the Commissions of \$155 million to VPRRA over a five-year period to acquire four Manassas Line Property Interests from VPRRA which are critical to VRE's current and future commuter rail operations. The agreement was executed by the VRE Chief Executive Officer in April 2025 with a purchase deposit of \$26 million paid to VPRRA in June 2025. In July 2025, the VRE Operations Board recommended the Commissions approve a Contract of Purchase and Sale with VPRRA for acquisition by the Commissions of the four Manassas Line Property Interests, and authorized the VRE Chief Executive Officer to execute the agreement on behalf of the Commissions and to further execute all documents necessary to conclude the transfer of the four property interests to the Commissions. As of October 2025, the execution of the agreement is still pending; however, the agreement is expected to be finalized by the end of December 2025 with the remaining purchase price of \$129 million to be fully paid by July 2027.

In September 2025, the VRE Operations Board authorized the Chief Executive Officer to amend the current General Engineering Consulting (GEC VIII) Services Task Orders with HDR Engineering, Inc. for Final Engineering Design Support for the Alexandria Station Improvements and King Street and Commonwealth Avenue Bridge Replacement Project in the amount of \$1,309,000, increasing the authorization for these Task Orders from \$1,412,400 to a total amount not to exceed \$2,721,400. In the course of advancing the final design for both the station improvements, as well as the replacement of the railroad bridges, the need for additional related efforts were identified, including design enhancements and schedule coordination.

In September 2025, the Manassas Park Parking Expansion project was placed in service at an estimated cost of \$33 million pending receipt and payment of all final project vendor invoices. The additional parking will increase station parking capacity for VRE riders, providing an additional 540 spaces for VRE and 196 for the City of Manassas Park, addressing increasing demand for parking at the Manassas Park station.

**REQUIRED SUPPLEMENTARY INFORMATION**

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**SCHEDULE OF CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required contribution (CRC)	\$ 478,465	\$ 419,283	\$ 413,760	\$ 354,543	\$ 323,989	\$ 421,362	\$ 454,868	\$ 523,246	\$ 564,407	\$ <b>593,689</b>
Contributions in relation to the CRC	478,465	419,283	413,760	354,543	323,989	421,362	454,868	523,246	564,407	<b>593,689</b>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,294	\$ 8,866,711	\$ 9,705,606	\$ 10,928,358	\$ 11,901,932	\$ <b>12,850,404</b>
Contributions as a percentage of covered payroll	6.15%	4.86%	4.66%	3.91%	3.61%	4.75%	4.69%	4.79%	4.74%	<b>4.62%</b>

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

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

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Pension Liability</b>										
Service cost	\$ 743,258	\$ 778,686	\$ 756,831	\$ 796,518	\$ 747,243	\$ 766,964	\$ 718,141	\$ 781,338	\$ 867,475	\$ 916,058
Interest	850,266	942,652	1,051,830	1,132,348	1,233,409	1,339,757	1,481,325	1,668,067	1,763,608	1,897,796
Changes of assumptions	-	-	(243,263)	108,387	631,239	-	803,822	-	-	-
Differences between expected and actual experience	92,275	284,843	38,724	-	312,560	743,287	(221,363)	(239,320)	280,263	350,000
Benefit payments, including refunds of employee contributions	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)	(676,419)	(829,005)	(764,428)	(997,173)	(946,736)
<b>Net change in total pension liability</b>	<b>1,409,867</b>	<b>1,550,103</b>	<b>1,167,210</b>	<b>1,566,424</b>	<b>2,208,235</b>	<b>2,173,589</b>	<b>1,952,920</b>	<b>1,445,657</b>	<b>1,914,173</b>	<b>2,217,118</b>
Total pension liability - beginning	12,284,629	13,694,496	15,244,599	16,411,809	17,978,233	20,186,468	22,360,057	24,312,977	25,758,634	27,672,807
Total pension liability - ending (a)	<b>\$ 13,694,496</b>	<b>\$ 15,244,599</b>	<b>\$ 16,411,809</b>	<b>\$ 17,978,233</b>	<b>\$ 20,186,468</b>	<b>\$ 22,360,057</b>	<b>\$ 24,312,977</b>	<b>\$ 25,758,634</b>	<b>\$ 27,672,807</b>	<b>\$ 29,889,925</b>
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	\$ 460,763	\$ 478,465	\$ 419,283	\$ 413,760	\$ 354,543	\$ 323,989	\$ 421,362	\$ 454,868	\$ 523,246	\$ 564,407
Contributions - employee	494,240	375,574	407,825	411,106	414,063	419,869	399,479	435,662	482,987	522,161
Net investment income	603,590	259,738	1,829,732	1,265,980	1,249,744	378,372	5,570,288	(41,059)	1,687,642	2,693,946
Benefit payments, including refunds of employee contributions	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)	(676,419)	(829,005)	(764,428)	(997,173)	(946,736)
Administrative expense	(7,442)	(8,396)	(9,970)	(10,415)	(11,937)	(12,621)	(13,494)	(15,836)	(16,364)	(16,680)
Other	(131)	(107)	(1,654)	(1,150)	(791)	(457)	530	608	683	603
<b>Net change in plan fiduciary net position</b>	<b>1,275,088</b>	<b>649,196</b>	<b>2,208,304</b>	<b>1,608,452</b>	<b>1,289,406</b>	<b>432,733</b>	<b>5,549,160</b>	<b>69,815</b>	<b>1,681,021</b>	<b>2,817,701</b>
Plan fiduciary net position - beginning	12,789,238	14,064,326	14,713,522	16,921,826	18,530,278	19,819,684	20,252,417	25,801,577	25,871,392	27,552,413
Plan fiduciary net position - ending (b)	<b>14,064,326</b>	<b>14,713,522</b>	<b>16,921,826</b>	<b>18,530,278</b>	<b>19,819,684</b>	<b>20,252,417</b>	<b>25,801,577</b>	<b>25,871,392</b>	<b>27,552,413</b>	<b>30,370,114</b>
PRTC's net pension (asset) liability - ending (a) - (b)	<b>\$ (369,830)</b>	<b>\$ 531,077</b>	<b>\$ (510,017)</b>	<b>\$ (552,045)</b>	<b>\$ 366,784</b>	<b>\$ 2,107,640</b>	<b>\$ (1,488,600)</b>	<b>\$ (112,758)</b>	<b>\$ 120,394</b>	<b>\$ (480,189)</b>
Plan fiduciary net position as a percentage of the total pension liability	102.70%	96.52%	103.11%	103.07%	98.18%	90.57%	106.12%	100.44%	99.56%	101.61%
Covered payroll	\$ 7,265,941	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,294	\$ 8,866,711	\$ 9,705,606	\$ 10,928,358	\$ 11,901,932
PRTC's net pension (asset) liability as a percentage of covered payroll	-5.09%	6.82%	-5.91%	-6.22%	4.04%	23.49%	-16.79%	-1.16%	1.10%	-4.03%

## POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

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

	Fiscal Year June 30,							
	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Group Life Insurance OPEB Liability</b>								
The Commission's Portion of the Net GLI OPEB Liability	0.04678%	0.04670%	0.04626%	0.04360%	0.04294%	0.04462%	0.04639%	0.04635%
The Commission's Proportionate Share of the Net GLI OPEB Liability	\$ 703,000	\$ 709,000	\$ 752,773	\$ 727,613	\$ 499,938	\$ 537,268	\$ 556,362	\$ 517,230
The Commission's Covered Payroll	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,294	\$ 8,866,711	\$ 9,705,606	\$ 10,928,358	\$ 11,901,932
The Commission's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.15%	7.99%	8.29%	8.11%	5.64%	5.54%	5.09%	4.35%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%	52.00%	52.64%	67.45%	67.21%	69.30%	73.41%

**Note to Schedule:**

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

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**SCHEDULE OF CONTRIBUTIONS – OPEB –  
GROUP LIFE INSURANCE PROGRAM**

	Fiscal Year June 30,										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Contractually required contribution (CRC)	\$ 41,266	\$ 44,865	\$ 46,151	\$ 47,196	\$ 46,660	\$ 47,879	\$ 52,410	\$ 58,998	\$ 64,270	\$ 60,423	
Contributions in relation to the CRC	41,266	44,865	46,151	47,196	46,660	47,879	52,410	58,998	64,270	60,423	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,294	\$ 8,866,711	\$ 9,705,606	\$ 10,928,358	\$ 11,901,932	\$ 12,850,404	
Contributions as a percentage of covered payroll	0.53%	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%	0.54%	0.54%	0.47%	

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

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

	Fiscal Year June 30 2023	Fiscal Year June 30 2024
Total HIC OPEB Liability		
Service cost	\$ -	\$ 2,863
Interest	(48)	6,551
Changes of benefit terms	96,968	-
Benefit payments	(1,425)	(2,621)
<b>Net change in total HIC OPEB liability</b>	<u>95,495</u>	<u>6,793</u>
Total HIC OPEB liability - beginning	-	95,495
Total HIC OPEB liability - ending (a)	<u>\$ 95,495</u>	<u>\$ 102,288</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 36,215	\$ 19,044
Net investment income	1,279	4,405
Benefit payments, including refunds	(1,425)	(2,621)
Administrative expense	(50)	(69)
<b>Net change in plan fiduciary net position</b>	<u>36,019</u>	<u>20,759</u>
Plan fiduciary net position - beginning	-	36,019
Plan fiduciary net position - ending (b)	<u>36,019</u>	<u>56,778</u>
PRTC's net HIC OPEB liability - ending (a) - (b)	<u>\$ 59,476</u>	<u>\$ 45,510</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	37.72%	55.51%
Covered payroll	\$ 3,696,519	\$ 11,901,932
PRTC's net HIC OPEB liability as a percentage of covered payroll	1.61%	0.38%

**Note to Schedule:**

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years which information is available.
- (2) Covered payroll for 2023 reflects a partial year of activity due to the program's mid-year implementation, resulting in a lower total compared to a full fiscal year.

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

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

	Fiscal Year June 30,		
	2023	2024	2025
Contractually required contribution (CRC)	\$ 5,914	\$ 19,044	\$ 14,142
Contributions in relation to the CRC	5,914	19,044	14,142
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll	3,696,519	\$ 11,901,932	\$ 12,850,404
Contributions as a percentage of covered payroll	0.16%	0.16%	0.11%

**Notes to Schedule:**

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

(2) Covered payroll for 2023 reflects a partial year of activity due to the program's mid-year implementation, resulting in a lower total compared to a full fiscal year.

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – VIRGINIA RETIREMENT SYSTEM Year Ended June 30, 2025

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### Note 1. Changes of Benefit Terms

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

### Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

#### Non-Hazardous Duty

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

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2025

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### Note 1. Group Life Insurance Program

#### A. Changes of Benefit Terms

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

#### B. Changes of Assumptions

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

#### Non-Largest 10 Locality Employers – General Employees

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

### Note 2. Health Insurance Credit Program

#### A. Changes of Benefit Terms

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

**POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
OTHER POSTEMPLOYMENT BENEFITS**

**Year Ended June 30, 2025**

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**Note 2. Health Insurance Credit Program (Continued)**

**B. Changes of Assumptions**

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020. 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, 2025 and 2024

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2025</b>	<b>2024</b>
<b>Current Assets</b>		
Cash and investments in banks	\$ 36,266,189	\$ 13,700,624
Receivables:		
Due from other governments	54,776,792	75,344,411
Due from Commuter Rail Service Fund	2,314,489	2,789,787
Miscellaneous	4,414	38,254
Prepaid expenses and other assets	45,461	35,680
Restricted assets:		
Cash and investments in pooled funds - member jurisdictions	17,385,069	18,011,872
<b>Total current assets</b>	<b>110,792,414</b>	<b>109,920,628</b>
<b>Noncurrent Assets</b>		
Net pension asset	193,653	-
Capital assets:		
Transportation equipment:		
Buses and related equipment	99,312,805	95,527,988
Less: accumulated depreciation	(59,814,926)	(57,157,972)
<b>Transportation equipment, net</b>	<b>39,497,879</b>	<b>38,370,016</b>
Land, buildings and equipment:		
Land	6,639,270	6,639,270
Buildings	52,711,975	52,711,975
Building improvements	7,624,986	7,351,136
Intangible right-to-use lease equipment	43,445	34,207
Intangible right-to-use lease facilities	78,011	112,662
Construction in progress	1,552,840	404,503
Site improvements	1,430,513	1,430,513
Bus shelters	1,228,309	1,380,803
Vehicles	1,225,415	853,034
Furniture and equipment	2,483,907	2,474,584
Software and easement	4,034,978	4,034,978
Less: accumulated depreciation and amortization	(27,689,949)	(25,583,083)
<b>Land, buildings and equipment, net</b>	<b>51,363,700</b>	<b>51,844,582</b>
<b>Total capital assets, net</b>	<b>90,861,579</b>	<b>90,214,598</b>
<b>Total noncurrent assets</b>	<b>91,055,232</b>	<b>90,214,598</b>
<b>Total assets</b>	<b>201,847,646</b>	<b>200,135,226</b>
<b>Deferred Outflows of Resources</b>		
Pension plan	388,470	386,961
Other postemployment benefits	75,162	74,812
<b>Total deferred outflows of resources</b>	<b>463,632</b>	<b>461,773</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 202,311,278</b>	<b>\$ 200,596,999</b>

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>2025</b>	<b>2024</b>
<b>Current Liabilities</b>		
Accounts payable and other liabilities	\$ 8,879,051	\$ 8,231,379
Accrued payroll and benefits	606,414	512,159
Due to other governments	1,402,642	144,861
Due to Commuter Rail Service Fund	38,023,193	50,070,267
Unearned revenue	5,430,911	6,880,797
Compensated absences	30,870	9,362
Lease liability	48,961	8,938
<b>Total current liabilities</b>	<b>54,422,042</b>	<b>65,857,763</b>
<b>Noncurrent Liabilities</b>		
Compensated absences	824,909	740,298
Net pension liability	-	49,868
Net other postemployment benefits liability	227,092	247,985
Lease liability	36,236	-
<b>Total noncurrent liabilities</b>	<b>1,088,237</b>	<b>1,038,151</b>
<b>Total liabilities</b>	<b>55,510,279</b>	<b>66,895,914</b>
<b>Deferred Inflows of Resources</b>		
Pension plan	321,506	214,954
Other postemployment benefits	38,514	39,797
<b>Total deferred inflows of resources</b>	<b>360,020</b>	<b>254,751</b>
<b>Net Position</b>		
Net investment in capital assets	90,409,589	89,993,105
Restricted - member jurisdictions	22,013,991	23,396,975
Restricted - pension asset	193,653	-
Unrestricted	33,823,746	20,056,254
<b>Total net position</b>	<b>146,440,979</b>	<b>133,446,334</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 202,311,278</b>	<b>\$ 200,596,999</b>

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

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

Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenues		
Motor fuel tax	\$ 34,362,030	\$ 33,735,063
Farebox	15,165,940	5,701,035
<b>Total operating revenues</b>	<b>49,527,970</b>	<b>39,436,098</b>
Operating Expenses		
Direct transportation	16,904,571	18,086,772
Salaries and related benefits	7,403,079	7,002,761
Contractual services	39,508,204	38,743,115
Other services	2,243,066	1,980,410
Materials, supplies and minor equipment	215,410	480,553
Fuel	3,167,616	3,383,632
<b>Total operating expenses</b>	<b>69,441,946</b>	<b>69,677,243</b>
<b>Operating loss before depreciation and amortization</b>	<b>(19,913,976)</b>	<b>(30,241,145)</b>
Depreciation and amortization	(7,878,204)	(7,260,138)
<b>Operating loss</b>	<b>(27,792,180)</b>	<b>(37,501,283)</b>
Nonoperating Revenues (Expenses)		
Commonwealth of Virginia grants	14,903,924	14,308,209
Commonwealth of Virginia GLI contribution	-	1,895
Federal grants	49,228,008	66,813,321
Investment income	1,156,772	1,196,161
Pass-through grants - member jurisdictions	(3,549,664)	(231,855)
Interest	(2,275)	(1,066)
Member jurisdiction contributions	10,081,034	101,084
Other revenue	1,786,083	430,267
<b>Total nonoperating revenues, net</b>	<b>73,603,882</b>	<b>82,618,016</b>
Capital Grants and Assistance		
Commonwealth of Virginia grants	2,536,828	11,939,452
Federal grants	9,612,789	17,619,793
<b>Total capital grants and assistance</b>	<b>12,149,617</b>	<b>29,559,245</b>
<b>Income before transfers and gain on disposal of assets</b>	<b>57,961,319</b>	<b>74,675,978</b>
Transfers In	98,268	93,072
Transfers Out	(45,277,483)	(61,295,204)
<b>Transfers, net</b>	<b>(45,179,215)</b>	<b>(61,202,132)</b>
Gain on Disposal of Assets	212,541	15,555
<b>Change in net position</b>	<b>12,994,645</b>	<b>13,489,401</b>
Net Position, beginning	133,446,334	119,956,933
Net Position, ending	<b>\$ 146,440,979</b>	<b>\$ 133,446,334</b>

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

COMPARATIVE STATEMENTS OF NET POSITION –  
COMMUTER RAIL SERVICE

June 30, 2025 and 2024

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2025</u>	<u>2024</u>
Current Assets		
Cash and investments in bank	\$ 30,810,214	\$ 31,839,191
Receivables:		
Due from Bus Service and Member Jurisdictions Fund	38,023,193	50,070,267
Due from other governments	7,927,465	2,503,434
Trade receivables, net of allowance for doubtful accounts	184,479	203,260
Due from NVTA	1,572,112	986,750
Miscellaneous	694,883	845,097
Inventory	2,152,830	2,125,486
Prepaid expenses and other assets	275,591	353,797
Restricted cash, cash equivalents and investments	6,141,569	5,904,714
<b>Total current assets</b>	<b>87,782,336</b>	<b>94,831,996</b>
Noncurrent Assets		
Lease receivable	534,711	532,448
Net pension asset	286,536	-
Capital assets:		
Transportation equipment:		
Rail rolling stock	143,388,695	143,388,695
Less: accumulated depreciation	(81,766,619)	(75,892,462)
<b>Transportation equipment, net</b>	<b>61,622,076</b>	<b>67,496,233</b>
Buildings and equipment:		
Construction in progress	75,251,526	57,971,970
Vehicles	133,914	150,680
Intangible right-to-use-lease buildings	731,784	731,784
Intangible right-to-use-lease tower	105,572	105,572
Intangible right-to-use subscription assets	907,986	907,986
Facilities	102,469,868	91,812,860
Track and signal improvements	54,026,541	50,054,135
Furniture, equipment and software	11,319,488	11,164,192
Equity in property of others	62,473,241	62,473,241
Less: accumulated depreciation and amortization	(78,669,908)	(72,757,714)
<b>Buildings and equipment, net</b>	<b>228,750,012</b>	<b>202,614,706</b>
<b>Total capital assets, net</b>	<b>290,372,088</b>	<b>270,110,939</b>
<b>Total noncurrent assets</b>	<b>291,193,335</b>	<b>270,643,387</b>
<b>Total assets</b>	<b>378,975,671</b>	<b>365,475,383</b>
Deferred Outflows of Resources		
Pension plan	574,793	544,731
Other postemployment benefits	111,092	110,974
<b>Total deferred outflows of resources</b>	<b>685,885</b>	<b>655,705</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 379,661,556</b>	<b>\$ 366,131,088</b>

<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>2025</b>	<b>2024</b>
<b>Current Liabilities</b>		
Accounts payable and other liabilities	\$ 3,619,031	\$ 8,005,014
Accrued expenses	3,128,903	2,700,437
Due to Bus Service and Member Jurisdictions Fund	2,314,489	2,789,787
Unearned revenue	768,579	760,528
Private placement note payable	-	933,424
Interest payable	1,553	9,909
Lease liabilities	74,140	69,683
Subscription liabilities	-	53,243
Retainage payable	1,100,475	867,704
Compensated absences	111,305	34,892
<b>Total current liabilities</b>	<b>11,118,475</b>	<b>16,224,621</b>
<b>Noncurrent Liabilities</b>		
Net pension liability	-	70,526
Lease liabilities	556,161	630,151
Net other postemployment benefits liability	335,648	367,853
Compensated absences	457,794	521,651
<b>Total noncurrent liabilities</b>	<b>1,349,603</b>	<b>1,590,181</b>
<b>Total liabilities</b>	<b>12,468,078</b>	<b>17,814,802</b>
<b>Deferred Inflows of Resources</b>		
Leases	497,156	509,752
Pension plan	475,713	304,000
Other postemployment benefits	56,925	59,033
<b>Total deferred inflows of resources</b>	<b>1,029,794</b>	<b>872,785</b>
<b>Net Position</b>		
Net investment in capital assets	283,428,660	259,032,261
Restricted for liability insurance plan	5,482,751	5,276,502
Restricted grants and contributions	1,460,625	628,212
Restricted - pension asset	286,536	-
Unrestricted	75,505,112	82,506,526
<b>Total net position</b>	<b>366,163,684</b>	<b>347,443,501</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 379,661,556</b>	<b>\$ 366,131,088</b>

POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

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

Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenues		
Passenger revenues	\$ 9,108,363	\$ 9,370,743
Equipment rental and other	134,026	252,940
<b>Total operating revenues</b>	<b>9,242,389</b>	<b>9,623,683</b>
Operating Expenses		
Contract operations and maintenance	16,602,448	19,960,060
Other operations and maintenance	10,759,617	15,720,607
Property leases and access fees	9,240,338	12,143,967
Insurance	4,013,990	4,690,414
Marketing and sales	629,903	832,103
General and administrative	6,665,473	9,678,989
<b>Total operating expenses</b>	<b>47,911,769</b>	<b>63,026,140</b>
<b>Operating loss before depreciation and amortization</b>	<b>(38,669,380)</b>	<b>(53,402,457)</b>
Depreciation and amortization	(11,829,317)	(11,774,121)
<b>Operating loss</b>	<b>(50,498,697)</b>	<b>(65,176,578)</b>
Nonoperating Revenues (Expenses)		
Jurisdictional contributions	12,459,482	10,673,269
Commonwealth of Virginia - VPRA	8,662,771	9,527,090
Commonwealth of Virginia GLI contribution	-	2,812
Commuter Rail Operating and Capital (C-ROC) Fund	5,088,715	5,017,589
Contributions (to) from NVTTC	(21,451,774)	10,083,900
Investment income	2,303,716	2,546,479
Interest, amortization and other nonoperating expenses, net	(44,883)	(118,129)
<b>Total nonoperating revenues, net</b>	<b>7,018,027</b>	<b>37,733,010</b>
Capital Grants and Assistance		
Commonwealth of Virginia grants	10,734,041	267,487
Regional transportation funding	1,173,662	953,621
Commuter Rail Operating and Capital (C-ROC) Fund	5,095,505	5,022,943
Other local contributions	(6,070)	-
<b>Total capital grants and assistance, net</b>	<b>16,997,138</b>	<b>6,244,051</b>
<b>Loss before transfers</b>	<b>(26,483,532)</b>	<b>(21,199,517)</b>
Transfers Out	(98,268)	(93,072)
Transfers In	45,277,483	61,295,204
<b>Transfers, net</b>	<b>45,179,215</b>	<b>61,202,132</b>
Gain on Disposal of Assets	24,500	-
<b>Change in net position</b>	<b>18,720,183</b>	<b>40,002,615</b>
Net Position, beginning	347,443,501	307,440,886
Net Position, ending	<b>\$ 366,163,684</b>	<b>\$ 347,443,501</b>

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## SCHEDULE OF MEMBER JURISDICTIONS' FUNDS Year Ended June 30, 2025

	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, 2024	\$ 1,782,506	\$ 2,356,661	\$ 3,080,849	\$ 2,779,877	\$ 5,300,470	\$ 8,096,612	\$ 23,396,975
Funds Received:							
Motor fuel tax	1,272,964	1,200,375	735,108	17,320,338	6,286,353	7,546,892	34,362,030
Transfer from PRTC (carryforward)	-	-	-	1,473,000	-	-	1,473,000
Other	-	136,385	-	10,000,000	-	-	10,136,385
Interest	77,950	120,125	136,708	273,017	224,282	324,690	1,156,772
Total funds received	1,350,914	1,456,885	871,816	29,066,355	6,510,635	7,871,582	47,128,187
Funds Disbursed:							
Direct transportation expenses:							
VRE operating and capital	698,263	-	531,102	-	2,782,517	2,218,752	6,230,634
Other jurisdictional projects	947,722	-	-	-	4,008,833	5,717,382	10,673,937
Transfers to PRTC:							
Administrative	29,200	25,700	17,500	404,200	127,100	166,800	770,500
OmniRide, OmniLink, Para Transit, Capital, Marketing, VanPool	2,400	749,200	387,000	29,673,000	10,600	13,900	30,836,100
Total funds disbursed	1,677,585	774,900	935,602	30,077,200	6,929,050	8,116,834	48,511,171
Funds Available - June 30, 2025	\$ 1,455,835	\$ 3,038,646	\$ 3,017,063	\$ 1,769,032	\$ 4,882,055	\$ 7,851,360	\$ 22,013,991

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, 2025. Total funds available reconcile to amounts reported on the Statement of Net Position as follows:

Cash and investments in pooled funds - member jurisdictions	\$ 17,385,069
Due from other governments - Motor fuels tax revenue receipts (see Note 4)	5,596,737
Due from other governments - Debt service	136,385
Due to other governments - PRTC	(1,104,200)
	<u>\$ 22,013,991</u>

Note 2 - Expenses for other jurisdictional projects consist of:

Road improvements/maintenance	\$ 400,000	\$ -	\$ -	\$ -	\$ 3,509,768	\$ -	\$ 3,909,768
Stafford regional airport	21,400	-	-	-	42,857	-	64,257
Parking garage debt service	297,007	-	-	-	-	-	297,007
FRED transit costs	229,315	-	-	-	80,899	172,158	482,372
Transportation salaries/benefits; debt service	-	-	-	-	375,309	5,545,224	5,920,533
	\$ 947,722	\$ -	\$ -	\$ -	\$ 4,008,833	\$ 5,717,382	\$ 10,673,937

# POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION

## SCHEDULE OF EXPENDITURES OF STATE AWARDS Year Ended June 30, 2025

State Granting Agency	State Grant Number	Expenditures
<u>Direct Payments:</u>		
Virginia Department of Rail and Public Transportation:		
Operating Assistance	72025-26	\$ 7,946,250
Commuter Assistance	72520-13; 72521-11; 71025-11; 71425-13	248,267
Transportation Intern	71224-06; 71225-11	21,023
I-95 Transit and TDM Bus Services	72025-61	505,342
I395 Corridor Improvement Plan Bus Services	50061-01; 50062-01; 50063-01	2,717,474
I-66 Transit and TDM Bus Services	79323-02	278,661
I-66 Commuter Services	79325-06; 79325-07	880,041
Manassas Metro Express Bus Service (TRIP)	50070-02; 50070-03	271,164
VanPool Incentive; VanStart/VanSave	72523-28; 71424-09; 72525-14	8,800
	72524-13; 73024-57; 73024-58; 73024-59; 73024-61;	
Capital - FY 24	73024-62; 73024-64	2,333,887
Capital - FY 25	71725-21	190,138
Capital - FY 25	73025-48	140,717
Capital - FY 25	73025-50	12,800
		<u>15,554,564</u>
Northern Virginia Transportation Commission:		
I395/95 Corridor VanPool	664-36-22	(5,600)
Dale City to Ballston Bus Service	664-31-24	6,545
Gainesville to Pentagon Bus Service	664-61-23	232,269
Haymarket to Rosslyn Bus Service	664-62-23	160,938
Prince William Metro Express Bus Service	664-32-24	267,908
Route 1 OmniRide Local Bus Service	664-33-24	235,398
Stafford to Pentagon/DC Bus Service	664-34-24; 664-35-24	969,752
		<u>1,867,210</u>
Virginia Department of Transportation:		
Congestion Mitigation & Air Quality (Employer Outreach)		<u>18,978</u>
<b>Total State Awards Expended</b>		<u><u>\$ 17,440,752</u></u>

Note: State funds of \$1,000,000 from 153-61-25 classified as farebox revenue on Comparative Statements of Revenues, Expenses, and Changes in Net Position for Bus Service and Member Jurisdictions.

## **COMPLIANCE SECTION**



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

To the Honorable Commission Board Members  
Potomac and Rappahannock Transportation Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities and each major fund of the Potomac and Rappahannock Transportation Commission (Commission), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated November 19, 2025.

**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 19, 2025