



# ANNUAL COMPREHENSIVE FINANCIAL REPORT

*FOR THE YEARS ENDED JUNE 30, 2022 AND 2021*

---

A COMMUTER RAIL SERVICE JOINTLY OWNED AND OPERATED BY THE NORTHERN VIRGINIA TRANSPORTATION COMMISSION AND THE POTOMAC AND RAPPAHANNOCK TRANSPORTATION COMMISSION. HEADQUARTERED IN ALEXANDRIA, VIRGINIA.



# **VIRGINIA RAILWAY EXPRESS**

**Annual Comprehensive Financial Report**

**YEARS ENDED JUNE 30, 2022 AND 2021**



Prepared by:

Department of Finance

THIS PAGE NOT USED

## TABLE OF CONTENTS

	<u>Page</u>
<b>Introductory Section</b>	
Letter of Transmittal.....	1 – 4
Directory of Principal Officials and Key Personnel.....	5
Organizational Chart.....	6
<b>Financial Section</b>	
Independent Auditor’s Report.....	7 – 9
Management’s Discussion and Analysis.....	10 – 19
Basic Financial Statements	
Statements of Net Position.....	20 and 21
Statements of Revenues, Expenses and Changes in Net Position.....	22
Statements of Cash Flows.....	23
Notes to Financial Statements.....	24 – 64
Required Supplementary Information	
Schedule of Contributions – Virginia Retirement System.....	65
Schedule of Changes in Net Pension (Asset) Liability and Related Ratios – Virginia Retirement System.....	66
Notes to Required Supplementary Information – Virginia Retirement System.....	67
Schedule of the VRE’s Share of Net OPEB Liability – Group Life Insurance Program	68
Schedule of the VRE’s Contributions – OPEB – Group Life Insurance Program.....	69
Notes to Required Supplementary Information – Other Postemployment Benefits.....	70

**Statistical Section**

Introduction to Statistical Section.....	71
Schedule of Change in Net Position.....	72
Schedule of Components of Net Position.....	73
Schedule of Outstanding Debt.....	74
Schedule of Jurisdictional Contributions.....	75
Schedule of Miscellaneous Statistics.....	76
VRE System Map.....	77
Principal Employers of Participating Jurisdictions.....	78
Demographics and Economic Statistics of Participating Jurisdictions.....	79 and 80
Debt Service Requirements.....	81 and 82

**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 <i>Government Auditing Standards</i> .....	83 and 84
--	-----------

THIS PAGE NOT USED

## **Introductory Section**







VIRGINIA RAILWAY EXPRESS

November 7, 2022

To the Honorable Operations Board Members and Commissioners  
The Virginia Railway Express  
The Northern Virginia Transportation Commission  
The Potomac and Rappahannock Transportation Commission

We are pleased to present the annual comprehensive financial report for the fiscal year ended June 30, 2022, for the Virginia Railway Express (VRE). VRE is a commuter rail service jointly owned and operated by the Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC), collectively referred to as “the Commissions.” NVTC and PRTC are political subdivisions of the Commonwealth of Virginia. VRE is not a legal entity and is considered a joint venture of the two Commissions for accounting purposes. As used in this report, VRE refers to those activities that are carried out jointly or individually by NVTC and PRTC to operate the commuter rail activities described below.

The report consists of management’s representations concerning the finances of VRE. Consequently, management assumes responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, VRE’s management has established a comprehensive internal control framework that is designed to protect VRE’s assets from loss, theft, or misuse and to gather sufficient reliable information for the preparation of VRE’s financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived. The evaluation of costs and benefits requires estimates and judgments by management.

VRE’s financial statements have been audited by PBMares, LLP, a firm of licensed certified public accountants, and have earned an unmodified opinion. The independent auditor’s report is located at the front of the financial section of this report.

Management’s Discussion and Analysis (MD&A) immediately follows the independent auditor’s report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

### **Profile of Virginia Railway Express**

VRE provides commuter rail service on two railroad lines originating near Fredericksburg and Manassas, Virginia, and terminating at Union Station in Washington, DC. VRE began operations in 1992 with 16 daily trains and 1,800 average daily ridership. During fiscal year 2022, VRE operated 32 daily trains in revenue service and carried an average daily ridership of 3,314 over 248 service days. Ridership throughout fiscal year 2022 was materially and negatively affected by ongoing impacts from the COVID-19 Coronavirus pandemic.

VRE is owned by the Commissions. Certain functions have been delegated to the VRE Operations Board, which consists of representatives of the Commissions who are also representatives of all contributing and participating jurisdictions, plus the Virginia Secretary of Transportation or their designee. VRE is managed by the Chief Executive Officer, who is a contract employee of both Commissions. PRTC is the recipient of federal grants for the commuter rail service, and NVTC is the recipient of state grants for the commuter rail service, with certain minor exceptions. All non-contract staff are employees of PRTC.

In accordance with the Master Agreement that created VRE, the Operations Board must prepare and submit a preliminary annual budget to the Commissions and the contributing and participating jurisdictions by September 30 of the preceding fiscal year for review and comment. A final recommended budget is prepared by December 1 for consideration by the Operations Board and the Commissions by February 1, followed by transmittal to the jurisdictions for appropriation. In addition, the Operations Board is required to have an annual audit performed of the financial activities related to the commuter rail service.

## **Economic Conditions**

### ***Major Initiatives***

During fiscal year 2022, VRE focused on improving its facilities, rolling stock, and systems in order to ensure the financial health and operational safety of the current rail service and to allow for future system expansion.

- **Facilities:** In fiscal year 2022, work was completed on the Broad Run and Crossroads LED Yard Lighting Replacement project. Substantial progress continued on the construction of the Lifecycle Overhaul and Upgrade (LOU) Facility project at Crossroads Yard, a new rolling stock lifecycle maintenance facility that will significantly expand VRE's equipment maintenance capabilities. Construction work continued as well on the Quantico and Rolling Road station improvement projects. Development efforts continued on several VRE expansion projects that will allow for future system growth, including the Broad Run, Crystal City & L'Enfant station expansions and new structured parking at Manassas Park. Substantial work was also completed on the renovation of the VRE headquarters office in Alexandria.
- **Rolling Stock:** In fiscal year 2022, VRE continued efforts towards the delivery of twenty-one new, modern design passenger railcars from Alstom Transportation Inc. These cars will provide an expanded railcar fleet and the opportunity for longer trains and/or additional service. The cars are expected to be completed and ready for revenue service by fiscal year 2027.
- **Systems:** In fiscal year 2022, VRE completed work on the Scheidt & Bachmann fare collection system validator equipment project, which provides additional equipment for several ongoing station expansion projects as well as a more robust capital spare inventory. VRE also completed the Variable Message Sign (VMS) proof of concept project, the first phase of the future system-wide upgrade of the VRE transit display system and train information portal. Additional development and implementation work on the new Enterprise Resource Management (ERP) System, Munis, continued this year. VRE also continues to move forward on implementation of automated systems to count passengers on the trains. This system will provide real-time information to customers and staff and allow for more efficient utilization of VRE's capacity.

VRE continues to advance the engineering, environmental clearances, design, and construction for both the Manassas Line Capacity Expansion program (funded primarily through the I-66 Outside the Beltway concessionaire payment) and the Fredericksburg Line Capacity Expansion program (funded primarily through the Commonwealth's SMART SCALE program). Both expansion efforts have also received crucial regional funding from the Northern Virginia Transportation Authority (NVTA). The component projects within these programs will provide new railcars for expanded carrying capacity, additional parking facilities at key stations, expanded station platforms to improve passenger boarding and alighting, storage and maintenance facility expansions, and real-time traveler information. Taken together, these programs will increase VRE's capacity as well as its ability to provide new services.

In 2018, the Virginia legislature created the Commuter Rail Operating and Capital (C-ROC) Fund. C-ROC funding is dedicated to “retaining, maintaining, improving, and developing commuter rail-related infrastructure improvements and operations” that are “essential to the Commonwealth’s continued economic growth, vitality, and competitiveness.” VRE is the only commuter railroad currently operating in Virginia and the only eligible recipient of funding from the C-ROC Fund. C-ROC funding may be used to support the cost of commuter rail operations as well as to make necessary capital investments and improvements, either on a pay-as-you-go basis or through the issuance of debt. C-ROC funding may be used as matching funds for state and federal grants. \$15 million annually is dedicated to the C-ROC Fund from fuel tax revenues generated in the NVTC and PRTC region, which is then available to VRE for its use on operating and capital projects. Funding of \$1.25 million per month began flowing into the C-ROC Fund on July 1, 2018.

In December 2019, Governor Ralph Northam announced the Transforming Rail in Virginia (TRV) program, which included a landmark agreement between the Commonwealth and CSX Transportation (CSXT) for the acquisition of railroad right-of-way in the RF&P Corridor. This ambitious program of capital improvements, which includes the construction of a new passenger-dedicated two-track Long Bridge across the Potomac River, will occur in phases over the next decade and beyond. The investments will improve the capacity and reliability of both commuter and intercity passenger rail services while maintaining freight interoperability in the corridor.

To date, VRE has programmed \$45 million of C-ROC funds (covering fiscal years 2019, 2020, and 2021) towards its L’Enfant and Crystal City station improvement projects. In March 2021, VRE entered into a Funding Agreement with the Virginia Department of Rail and Public Transportation (DRPT), which was subsequently assigned to the new Virginia Passenger Rail Authority (VPRA). The Funding Agreement commits VRE to use C-ROC funds to support the TRV program in two ways – through the issuance of debt to assist in the CSXT right-of-way purchase and through ten years of pay-as-you-go contributions to the Long Bridge or other planned capital investments in the VRE service area.

In accordance with the requirements of the Funding Agreement, on June 28, 2022, VRE and NVTC (with NVTC as the Issuer) closed the sale of the Transportation District Special Obligation Revenue Bonds (Transforming Rail in Virginia) Series 2022 (Green Bonds). The sale of these double-A rated tax-exempt bonds generated approximately \$119 million in net proceeds that were then available for transfer to VPRA in July 2022.

### ***Long-Term Financial Planning***

In order to prioritize investment needs and identify future growth opportunities, the VRE System Plan 2040 was adopted by the VRE Operations Board in January 2014. The plan assesses the future long-term ridership demand for VRE service and identifies the service expansions and capital investments necessary to accommodate that demand. The plan provides a framework for VRE system investments and actions VRE should pursue to best meet long-term regional travel needs. During fiscal year 2016, a companion Financial Plan was completed that identified the costs, revenues, and funding gaps associated with System Plan 2040. The Financial Plan was critical to making the case to the legislature for the creation of the C-ROC Fund.

The TRV program of projects will address many of the needs identified in VRE’s System Plan 2040, and VRE will contribute C-ROC funds to support key TRV projects in the VRE service area. The agreement between the Commonwealth and CSXT also will result in changes to operations in the corridor, with passenger and freight traffic being largely segregated. This has resulted in changes to VRE’s original plans for station expansions on the Fredericksburg Line.

In June 2022, VRE staff initiated the System Plan 2050 update process to reflect the planned TRV investments as well as significant changes in regional travel patterns since 2014. The scope of this comprehensive update is structured into three discrete phases that will take place over eighteen months and will allow VRE to identify ways to serve a greater number of people and support a variety of regional travel needs.

## ***Financial Environment***

As the regional road network has become more crowded over the last 25 years, particularly in the critical Interstate 95/395 and Interstate 66 Corridors of Statewide Significance, the VRE commuter rail system has provided an important travel alternative for Virginia commuters. VRE has remained competitive over time due to investments in new equipment and regular maintenance of existing equipment, a focus on reliability and on-time performance, and strong customer service, as well as growth in the overall economy of the Washington region. The Commonwealth's TRV program will address many of the major investment needs identified in VRE's System Plan 2040 – most notably, providing additional passenger capacity across the Potomac River – and will position VRE for continued long-term growth.

The near and medium-term environment remains uncertain given the COVID-19 pandemic and its impact on travel patterns. As of October 2022, midweek ridership on VRE remains down approximately 65 percent from pre-pandemic levels. Ridership did grow steadily in fiscal year 2022 as more employees returned to working in offices, and ridership is expected to continue to grow in fiscal year 2023. However, remote work is still being heavily utilized in the Washington region, with some public and private sector organizations remaining fully remote while many others have transitioned to a 'hybrid' approach. The ultimate impact on VRE's ridership will depend on many factors – economic, political, and organization-specific – that are not directly within VRE's control. VRE is focused on a wide range of actions, including marketing, promotional fares, and potential service modifications to expand beyond the traditional peak-hour federal employee commute market and grow ridership.

## **Awards and Acknowledgement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Virginia Railway Express for its comprehensive annual financial report for the fiscal year ended June 30, 2020. Due to delays at GFOA in reviewing submissions, VRE has not yet received the results of its submission of the annual comprehensive financial report for the fiscal year ended June 30, 2021. However, VRE anticipates earning the Certificate of Achievement for the fiscal year ended June 30, 2021, submission.

To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and will be submitting it to the GFOA for review.

This report could not have been prepared without the dedicated cooperation of the entire Finance staff. We would also like to thank the VRE Operations Board and the Commissions for their continued support in planning and conducting the financial operations of VRE in a responsible, progressive fashion.

Respectfully submitted,



Rich Dalton  
Chief Executive Officer



Mark Schofield  
Chief Financial Officer



Alexander E. Buchanan  
Comptroller

# DIRECTORY OF PRINCIPAL OFFICIALS AND KEY PERSONNEL

## Operations Board

### Officers

Chair	Hon. Margaret Franklin, Prince William County
Vice - Chair	Hon. James Walkinshaw, Fairfax County
Secretary	Hon. Sarah Bagley, City of Alexandria
Treasurer	vacant

### Members

Hon. Walter Alcorn, Fairfax County  
Hon. Andrea Bailey, Prince William County  
Hon. Meg Bohmke, Stafford County  
Hon. Libby Garvey, Arlington County  
Hon. Monica Gary, Stafford County  
Hon. Lori Hays, Spotsylvania County  
Hon. Matthew Kelly, City of Fredericksburg  
Hon. Jeanine Lawson, Prince William County  
Michael McLaughlin, Commonwealth of Virginia  
Hon. Ralph Smith, City of Manassas  
Hon. Daniel Storck, Fairfax County

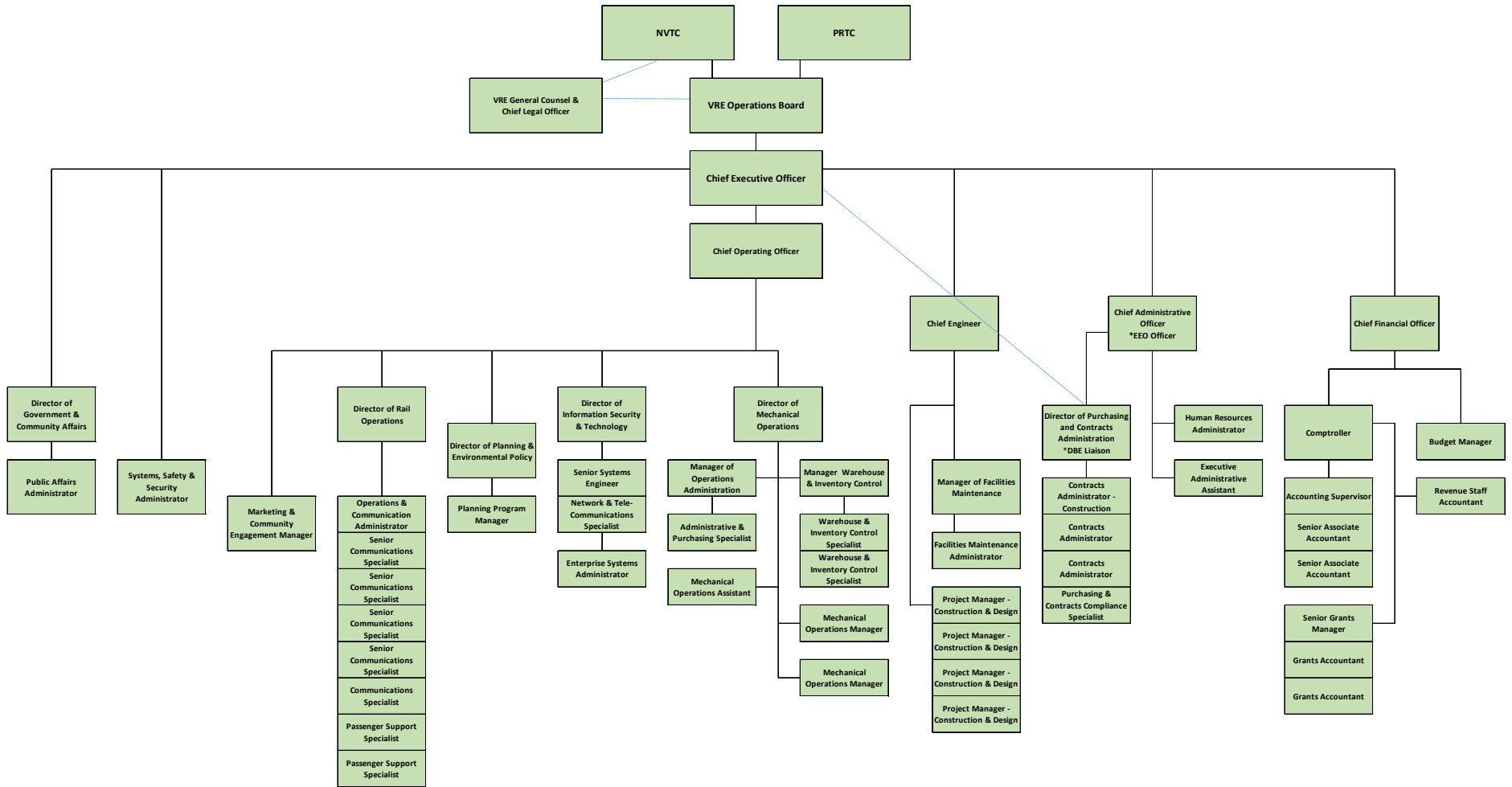
### Alternates

Hon. Canek Aguirre, City of Alexandria  
Hon. Victor Angry, Prince William County  
Hon. Pete Candland, Prince William County  
Hon. Katie Cristol, Arlington County  
Hon. Deborah Frazier, Spotsylvania County  
Hon. Jason Graham, City of Fredericksburg  
Hon. Jeff McKay, Fairfax County  
Hon. Darrell Moore, City of Manassas Park  
Hon. Pamela Sebesky, City of Manassas  
Emily Stock, Commonwealth of Virginia  
Hon. Ann Wheeler, Prince William County

### Management

Chief Executive Officer	Richard Dalton
Chief Financial Officer	Mark Schofield
Chief Administrative Officer	Cynthia D. Bullock
Chief Legal Officer	Stephen A. MacIsaac
Comptroller	Alexander E. Buchanan
Director, Government and Community Affairs	Joseph Swartz
Director, Rail Operations	Chris Henry

Virginia Railway Express  
Organizational Chart  
As of June 30, 2022



\* Note: Director of Purchasing and Contracts Administration reports to the CEO in matters related to their duties as DBE liaison  
 Chief Administrative Officer - primary EEO Officer for VRE  
 COO position is currently being re-evaluated for reporting lines  
 VRE General Counsel & Chief Legal Officer reports to the Operations Board and also assists the NVTC Commission with legal matters  
 Yellow blocks indicate position currently vacant

## **Financial Section**





## INDEPENDENT AUDITOR'S REPORT

To the Honorable Operations Board Members and Commissioners  
The Northern Virginia Transportation Commission  
The Potomac and Rappahannock Transportation Commission

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

#### ***Opinion***

We have audited the financial statements of the Virginia Railway Express (VRE), a joint venture of the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation Commission, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the VRE's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of VRE, as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards 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 VRE 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 opinion.

#### ***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 VRE's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *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, 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 audits in accordance with GAAS, *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, we

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 VRE'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 VRE'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

### ***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 10-19 and 65-70, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 on them.

### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section listed in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022 on our consideration of the VRE'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 of VRE'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 VRE's internal control over financial reporting and compliance.

*PBMares, LLP*

Harrisonburg, Virginia  
November 7, 2022



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides the reader with an overview of the activities and performance of the Virginia Railway Express (VRE) for the fiscal year ended June 30, 2022. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the letter of transmittal on pages 1-4 of this report and the financial statements, which begin on page 20.

### Financial Operations and Highlights

- Operating revenues increased by 43.4 percent compared to the prior year, from \$7,417,274 to \$10,634,078. Ridership increased 140.5 percent from 341,662 to 821,828, reflecting the return of ridership following the COVID-19 Coronavirus pandemic throughout fiscal year 2021 and 2022. Average daily ridership was 3,314 in fiscal year 2022 compared to 1,389 in fiscal year 2021. Average daily ridership in fiscal year 2020 was 18,329 through the end of February 2020, the last month prior to the negative ridership effects of COVID.
- Operating expenses increased by 0.6 percent from \$81,823,228 to \$82,329,324, as the result of increased costs for diesel fuel, increased costs of insurance, increased grant funded state of good repair equipment maintenance costs and regular contractual increases for operations, maintenance, and access fees, offset by reductions in railcar maintenance costs and the effects of implementation of the GASB 87 Leases Standard.
- Non-operating revenue decreased by 0.4 percent from \$97,671,776 to \$97,311,179 primarily as the result of increased operating support related to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act offset by reduction in jurisdictional subsidy and changes in federal and state operating grant funding.
- Capital grants and assistance increased by 264.1 percent from \$12,123,680 to \$44,146,486 as a result of increased capital project spending. VRE continues to have many capital projects in various stages of development, several of which are in the major construction phase in fiscal year 2022.
- The operating loss before depreciation and amortization was \$71,695,246, a decrease from the previous year of 3.6 percent. Local, state, and federal support is accounted for as non-operating income and is used to offset these losses.
- VRE's total net position increased by \$45,301,247 from \$421,182,222 to \$466,483,469, or 10.8 percent, primarily as the result of grants and contributions for capital improvements, the effect of the Commuter Rail Operating and Capital (C-ROC) Fund, and the additional operating support provided by federal COVID-19 pandemic relief grants. At the end of the fiscal year, unrestricted net position was \$30,239,677, a decrease of \$101,226,082, primarily related to the effects of a completed bond issuance at the end of fiscal year 2022.
- During the fiscal year, capital assets, net of accumulated depreciation and amortization, increased by 8.6 percent, as the combined result of increased capital expenditures during the fiscal year and the recognition of annual depreciation and amortization.

### Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the basic financial statements of the Virginia Railway Express. VRE's basic financial statements also include notes that provide more detail for some of the information contained in the basic statements.

**Basic Financial Statements.** VRE’s statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to an enterprise using the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred. VRE’s basic financial statements are the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. Comparative data for the prior fiscal year is provided for all three statements.

The Statements of Net Position reports VRE’s net position, the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position is one way to measure financial position, but the reader should also consider other indicators, such as the rate of growth of operating subsidies, passenger fare levels, ridership, general economic conditions, and the age and condition of capital assets.

The Statements of Revenues, Expenses and Changes in Net Position report all the revenues earned, and expenses incurred, during the reporting periods.

The Statements of Cash Flows provide information on cash receipts and cash payments during the reporting periods.

The basic financial statements can be found on pages 20-23 of this report.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 24-64 of this report.

## Financial Analysis - Statements of Net Position

As noted earlier, net position may serve over time as an indicator of financial strength, although other indicators should be considered as well. A condensed summary of VRE’s Statements of Net Position at June 30, 2022, 2021, and 2020 is shown below.

### Condensed Statements of Net Position

	2022	2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>			
Current and other assets	\$ 305,953,698	\$ 155,541,220	\$ 136,952,127
Capital assets, net	<b>354,171,361</b>	326,005,769	335,019,850
<b>Total assets</b>	<b>660,125,059</b>	481,546,989	471,971,977
Deferred outflows of resources	<b>1,455,938</b>	1,718,418	1,181,041
<b>Total assets and deferred outflows of resources</b>	<b>661,580,997</b>	483,265,407	473,153,018
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>			
Current portion of long-term debt	<b>6,819,694</b>	4,104,230	3,906,946
Other current liabilities	<b>14,241,895</b>	8,215,879	7,126,123
Noncurrent liabilities	<b>170,730,321</b>	49,715,447	53,129,940
<b>Total liabilities</b>	<b>191,791,910</b>	62,035,556	64,163,009
Deferred inflows of resources	<b>3,305,618</b>	47,629	174,555
<b>Total liabilities and deferred inflows of resources</b>	<b>195,097,528</b>	62,083,185	64,337,564
<b>NET POSITION:</b>			
Net investment in capital assets	<b>290,402,387</b>	274,934,995	279,674,828
Restricted	<b>145,841,405</b>	14,781,470	14,862,978
Unrestricted	<b>30,239,677</b>	131,465,757	114,277,648
<b>Total net position, as restated</b>	<b>\$ 466,483,469</b>	\$ 421,182,222	\$ 408,815,454

## **Current Year**

Net position increased by approximately \$45.3 million, or 10.8 percent during the current fiscal year, due mainly to capital contributions used to fund system improvements, the issuance of a Transportation District Special Obligation Revenue Bond, the Commuter Rail Operating and Capital (C-ROC) Fund and operating support related to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act.

The largest portion of VRE's net position, \$290.4 million or 62.3 percent, represents its investment in capital assets (e.g., land, buildings, improvements, rolling stock, equipment, software, right-to-use assets and accumulated depreciation and amortization), less the related indebtedness outstanding used to acquire those capital assets. VRE uses these assets to provide services to its riders; consequently, these assets are not available for future spending. The resources required to repay this debt must be provided annually from operations and federal (with PRTC as grantee), state and local support since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

Restricted net position increased approximately \$131.1 million or 886.7 percent, primarily related to the issuance of a Transportation District Special Obligation Revenue Bond in June 2022. The majority of VRE's restricted net position, \$133.3 million, represents resources that are restricted bond proceeds and for debt service.

Capital assets, net of accumulated depreciation and amortization, increased approximately \$28.2 million or 8.6 percent as the result of increased construction in progress (CIP) project expenditures and the recognition of annual depreciation and amortization.

Current liabilities increased approximately \$8.7 million or 71.0 percent as the result of increases in the current portion of Bonds Payable, as a result of the issuance of the Series 2022 Bonds, as well as increases in Accounts Payable, Accrued Expenses and Contract Retainage.

Noncurrent liabilities and deferred inflows of resources increased approximately \$124.3 million or 111.2 percent primarily because of the issuance of a Transportation District Special Obligation Revenue Bond in June 2022 offset by recognition of the elimination of pension liability and scheduled bond and capital lease repayments during the year.

## **Prior Year**

Net position increased by approximately \$12.4 million, or 3.0 percent during the current fiscal year, due mainly to capital contributions used to fund system improvements, the Commuter Rail Operating and Capital (C-ROC) Fund and operating support related to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act.

The largest portion of VRE's net position, \$274.9 million or 65.3 percent, represents its investment in capital assets (e.g., land, buildings, improvements, rolling stock, equipment, software, and accumulated depreciation and amortization), less the related indebtedness outstanding used to acquire those capital assets. VRE uses these assets to provide services to its riders; consequently, these assets are not available for future spending. The resources required to repay this debt must be provided annually from operations and federal (with PRTC as grantee), state and local support since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

Restricted net position decreased approximately \$81,000 or 0.6 percent, primarily related to minor decreases in the liability insurance fund and the VRA debt service reserve. The majority of VRE's restricted net position, \$10.2 million, represents resources that are restricted for the liability insurance plan.

Capital assets, net of accumulated depreciation and amortization, decreased approximately \$9.0 million or 2.7 percent as the result of the disposal of several capital assets no longer in service, the write-off to expense of four discontinued construction in progress (CIP) projects and the recognition of annual depreciation and amortization.

Current liabilities increased approximately \$1.3 million or 11.7 percent as the result of increases in Accounts Payable, Payables to Commissions and Contract Retainage, offset by a decrease to Deferred Revenue.

Noncurrent liabilities and deferred inflows of resources decreased approximately \$3.5 million or 6.6 percent because of scheduled bond and capital lease repayments during the year.

## Statements of Revenues, Expenses and Changes in Net Position

The following financial information was derived from the Statements of Revenues, Expenses and Changes in Net Position and reflects how VRE's net position changed during the current and two prior fiscal years.

	2022	2021	2020
Operating revenues:			
Passenger revenue	\$ 10,517,221	\$ 7,251,796	\$ 34,701,955
Equipment rentals and other	116,857	165,478	267,816
<b>Total operating revenues</b>	<b>10,634,078</b>	<b>7,417,274</b>	<b>34,969,771</b>
Nonoperating revenues:			
Subsidies:			
Commonwealth of Virginia	21,975,609	14,110,733	18,712,734
Federal – with PRTC as grantee	8,070,012	21,741,238	15,271,669
Federal – CARES Act	47,232,405	28,305,131	2,688,095
Jurisdictional contributions	4,756,658	18,300,780	17,767,748
Commuter Rail Operating and Capital Fund	15,000,000	15,000,000	15,000,000
Interest income	276,495	213,894	1,571,322
<b>Total nonoperating revenues, net</b>	<b>97,311,179</b>	<b>97,671,776</b>	<b>71,011,568</b>
<b>Total revenues</b>	<b>107,945,257</b>	<b>105,089,050</b>	<b>105,981,339</b>
Operating expenses:			
Contract operations and maintenance	28,495,740	28,125,410	28,076,445
Other operations and maintenance	17,763,617	15,603,856	15,446,821
Property leases and access fees	17,283,411	17,354,979	17,425,916
Insurance	7,431,921	7,100,216	4,370,863
Marketing and sales	795,787	979,335	2,189,698
General and administrative	10,558,848	12,659,432	11,015,700
<b>Total operating expenses</b>	<b>82,329,324</b>	<b>81,823,228</b>	<b>78,525,443</b>
Other expenses:			
Depreciation and amortization	21,552,764	21,118,165	19,690,320
Interest, financing costs and other	2,908,408	1,904,569	2,089,883
<b>Total other expenses</b>	<b>24,461,172</b>	<b>23,022,734</b>	<b>21,780,203</b>
<b>Total expenses</b>	<b>106,790,496</b>	<b>104,845,962</b>	<b>100,305,646</b>
Surplus before capital contributions and extraordinary item	1,154,761	243,088	5,675,693
Capital grants and assistance:			
Commonwealth of Virginia grants	25,604,500	2,339,034	2,110,561
Federal grants – with PRTC as grantee	17,603,912	8,738,493	3,696,057
Regional transportation funding (NVT A)	875,805	528,067	1,758,116
In-kind and other local contributions	62,269	518,086	-
<b>Total capital grants and assistance</b>	<b>44,146,486</b>	<b>12,123,680</b>	<b>7,564,734</b>
Extraordinary or Special Item	-	-	1,372,379
<b>Change in net position</b>	<b>45,301,247</b>	<b>12,366,768</b>	<b>14,612,806</b>
Net position - beginning of year	421,182,222	408,815,454	394,202,648
Net position - end of year	\$ 466,483,469	\$ 421,182,222	\$ 408,815,454

## Revenues

### Current Year

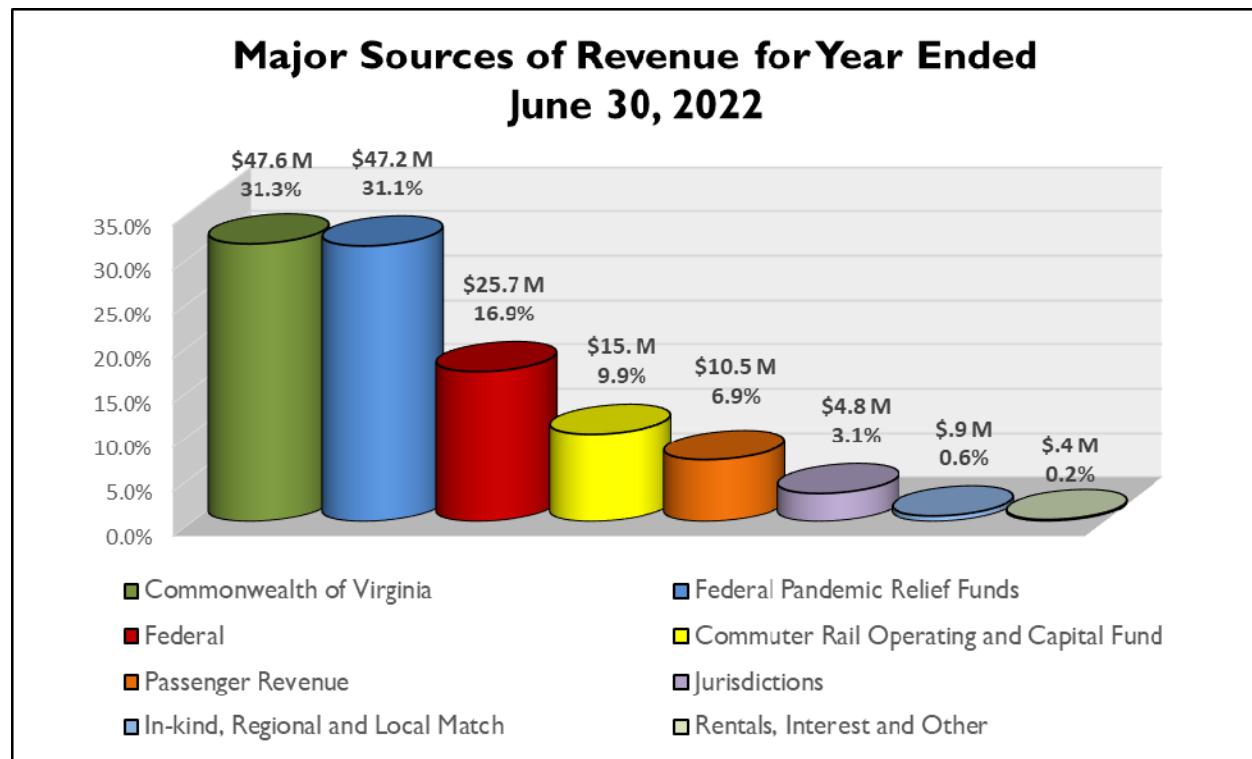
Total revenues for the current fiscal year increased approximately \$2.9 million or 2.7 percent. Operating revenues totaled approximately \$10.6 million, an increase of 43.4 percent from the prior year. Jurisdictional subsidies and contributions to project operating costs decreased by approximately \$13.5 million. State, federal and regional subsidies increased by \$13.1 million, primarily as the result of an additional \$18.9 million in CARES Act funding related to the COVID-19 pandemic and an additional \$8.4 million in state operating subsidy, offset by reductions in federal and state operating support for railroad access fees. Fiscal year 2022 is the fourth year of the Commuter Rail Operating and Capital (C-ROC) Fund, with \$15.0 million contributed to VRE each year.

Passenger revenue increased approximately \$3.3 million or 45.0 percent, reflecting the effects of the return of ridership in the early period following the COVID-19 pandemic. Total ridership increased by 140.5 percent as the result of the same factor. Average daily ridership was 3,314 in fiscal year 2022 compared to 1,389 in fiscal year 2021 and 12,992 in fiscal year 2020.

	June 30,		
	2022	2021	2020
Ridership	<b>821,828</b>	341,662	3,273,884
% Increase (Decrease)	<b>140.5%</b>	(89.6%)	(26.9%)

Capital grants and assistance increased approximately \$32.0 million or 264.1 percent; this increase is attributed to increases in capital project spending in fiscal year 2022. VRE continues to have many capital projects in various stages of development, several of which are in the major construction phase in fiscal year 2022.

The following chart shows the major sources of revenue for the year ended June 30, 2022:



## **Prior Year**

Total revenues for the current fiscal year decreased approximately \$892,000 or 0.8 percent. Operating revenues totaled approximately \$7.4 million, a decrease of 78.8 percent from the prior year. Jurisdictional subsidies and contributions to project operating costs increased by approximately \$533,000. State, federal, and regional subsidies increased by \$27.5 million, primarily as the result of an additional \$25.6 million in CARES Act funding related to the COVID-19 pandemic. Fiscal year 2021 is the third year of the Commuter Rail Operating and Capital (C-ROC) Fund, with \$15.0 million contributed to VRE each year.

Passenger revenue decreased approximately \$27.6 million or 78.8 percent, reflecting the effects of the COVID-19 pandemic throughout fiscal year 2021. Total ridership decreased by 89.6 percent as the result of the same factor. Average daily ridership was 1,389 in fiscal year 2021 compared to 12,992 in fiscal year 2020.

Capital grants and assistance increased approximately \$4.6 million or 60.3 percent; this increase is attributed to increases in capital project spending in fiscal year 2021. VRE continues to be in a period with many capital projects in the development and design phases, some of which have transitioned into major construction.

## **Expenses**

### **Current Year**

Total operating and other expenses, including depreciation and amortization, increased by approximately \$1.9 million or 1.9 percent. Operating expenses increased by approximately \$0.5 million or 0.6 percent. Total operating expenses were approximately \$82.3 million compared to \$81.8 million for the prior fiscal year.

Insurance costs increased by \$0.3 million or 4.7 percent due to ongoing changes in the global insurance market for commuter railroads. General and administrative costs decreased by \$2.1 million or 16.6 percent, primarily due to increases in salaries, software costs, information technology repair and maintenance costs and office maintenance costs, offset by the effects of the implementation of the GASB 87 Lease standard related to Office and Parking costs, and the year-to-year variance caused by the write off to expense of four discontinued CIP projects in fiscal year 2021 and not in fiscal year 2022.

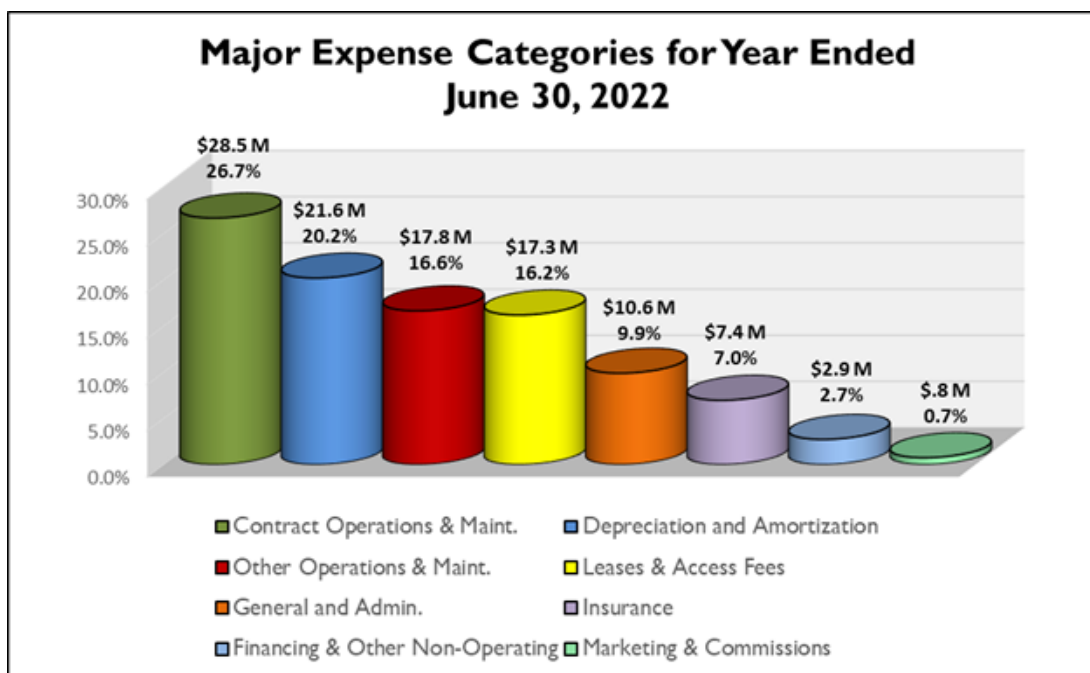
Contract operations and maintenance increased by approximately \$0.3 million or 1.3 percent. Contract, property lease and access fee costs remained effectively flat, decreasing by less than \$0.1 million or 0.4 percent, in part due to cost reductions for Amtrak access fees related to federal COVID relief. Other operations and maintenance costs increased by \$2.2 million or 13.8 percent, primarily due to an increase in diesel fuel costs of \$2.4 million due to resumption of full service and rising fuel prices during the fiscal year. All other costs in this category decreased by \$0.2 million or 1.4% combined.

Marketing and sales costs decreased by \$0.2 million or 18.7 percent, primarily due to decreased costs related to reduced costs related to mitigation of COVID.

Depreciation and amortization increased by approximately \$0.4 million or 2.1 percent and net interest and financing costs increased by approximately \$1.0 million or 52.7 percent, related to the costs of issuance for the Series 2022 Bonds.



The following chart shows the major expense categories for the year ended June 30, 2022:



**Prior Year**

Total operating and other expenses, including depreciation and amortization, increased by approximately \$4.5 million or 4.5 percent. Operating expenses increased by approximately \$3.3 million or 4.2 percent. Total operating expenses were approximately \$81.8 million compared to \$78.5 million for the prior fiscal year.

Insurance costs increased by \$2.7 million or 62.4 percent due to changes in the global insurance market for commuter railroads. General and administrative costs increased by \$1.6 million or 14.9 percent, primarily due to the write off to expense of four discontinued CIP projects offset by expense decreases in most other administrative categories.

Contract operations and maintenance remained effectively flat, increasing by less than \$0.1 million or 0.2 percent. Property lease and access fee costs also remained effectively flat, decreasing by less than \$0.1 million or 0.4 percent, in part due to cost reductions for Amtrak access fees related to federal COVID relief. Other operations and maintenance costs remained effectively flat, increasing by less than \$0.2 million or 1.0 percent, primarily to a decrease in diesel fuel costs due to reduced operations and various other operating costs due to reductions of service during the COVID-19 pandemic, offset by increases in winter weather preparation costs.

Marketing and sales costs decreased by \$1.2 million or 55.3 percent, primarily due to decreased costs directly related to reduced ridership and ticket sales, specifically sales commissions, bank fees and payment card settlement costs.

Depreciation and amortization increased by approximately \$1.4 million or 7.3 percent and net interest and financing costs decreased by approximately \$185,000 or 8.9 percent.

## Capital Assets and Debt Administration

### Capital Assets

VRE's investment in capital assets as of June 30, 2022 totals approximately \$354 million (net of accumulated depreciation and amortization). Investment in capital assets includes the items identified in the table below. Acquisitions are funded from a variety of sources, including loans and grants from various government agencies and other local sources.

	2022	2021	2020
Right-to-use leased buildings	\$ 1,385,031	\$ -	\$ -
Right-to-use leased parking lots	579,328	-	-
Right-to-use leased tower	99,581	-	-
Rolling stock	285,303,075	285,279,918	285,279,918
Vehicles	145,560	145,560	145,560
Facilities	112,979,178	112,809,451	112,809,451
Track and signal improvements	100,108,269	100,108,269	99,528,959
Equipment and software	13,370,290	13,031,118	12,126,666
Construction in progress	80,340,785	33,184,419	24,003,731
Equity in property of others	5,787,287	5,787,287	5,787,287
Furniture, equipment and software	6,259,838	6,258,646	6,389,452
	<b>606,358,222</b>	<b>556,604,668</b>	<b>546,071,024</b>
Less accumulated depreciation and amortization	<b>(252,186,861)</b>	<b>(230,598,899)</b>	<b>(211,051,174)</b>
<b>Total capital assets, net</b>	<b>\$ 354,171,361</b>	<b>\$ 326,005,769</b>	<b>\$ 335,019,850</b>

### Current Year

During fiscal year 2022, capital assets increased approximately \$28.1 million or 8.6 percent, as the combined result of new project construction, implementation of the GASB 87 Lease standard and the recognition of annual depreciation and amortization. Completed projects totaling approximately \$0.5 million were transferred from construction in progress to their respective capital accounts and an additional \$11,100 was charged directly to the capital accounts. A small parcel of real property (land) was sold at the Quantico station for \$18,000 in fiscal year 2022.

The major completed projects during the fiscal year were the S&B Fare Collection System Validators purchase (\$0.3 million) and the Broad Run and Crossroads LED Yard Lighting Replacement (\$0.2 million).

The major additions to construction in progress during the fiscal year were costs related to the Crossroads Lifecycle and Overhaul and Upgrade Facility (\$19.4 million), the twenty-one New Railcars project (\$13.1 million), the Quantico station improvement project (\$6.7 million), the Rolling Road station platform extension project (\$2.7 million), the Broad Run station improvement project (\$1.7 million), the VRE Headquarters Office Renovation project (\$0.9 million), the Manassas Park parking expansion project (\$0.8 million) and the Enterprise Resource Planning (ERP) system development (\$0.7 million).

Additional information on VRE's capital assets and contractual commitments can be found in Notes 3 and 11 to the financial statements.

## **Prior Year**

During fiscal year 2021, capital assets decreased approximately \$9.0 million or 2.7 percent, as the combined result of new project construction, the reclassification to expense of several discontinued construction in progress projects and the recognition of annual depreciation and amortization. Completed projects totaling approximately \$2.9 million were transferred from construction in progress to their respective capital accounts and an additional \$69,005 was charged directly to the capital accounts. No capital assets were sold in fiscal year 2021, but several fully depreciated capital assets totaling approximately \$1.6 million were retired from service and disposed, including the original VRE Mobile Ticket System at a value of \$1.4 million and several computer assets at a combined value of approximately \$0.1 million.

Approximately \$2.1 million in construction in progress was reclassified to operating expense. This reduction was primarily related to three projects, all in the preliminary design and development phase, for second platforms at VRE's Brooke, Leeland Road and Lorton stations, at a total value of \$1.5 million. The Commonwealth of Virginia has acquired half of the CSX Transportation right of way in the VRE service area, with the objective of achieving near-total separation of freight and passenger rail service. With that change to operations in the corridor, these second platform projects were determined to be no longer necessary, and work on those design efforts was terminated. The additional \$0.6 million that was reclassified was for ongoing phase two development work on the original Mobile Ticketing System that was not completed or in-service at the time that system was retired from service.

The major completed projects during the fiscal year were the Fare Collection EMV Compliance Upgrade project (\$2.1 million), completion of the Crossroads to Hamilton Third Track Slope Stabilization project (\$0.6 million), and implementation of the new VRE Mobile Ticketing System (\$0.2 million).

The major additions to construction in progress during the fiscal year were costs related to the Crossroads Lifecycle and Overhaul and Upgrade Facility (\$8.8 million), development of the Crystal City station project (\$0.8 million), development of the Munis Enterprise Resource Planning (ERP) System (\$0.6 million), the Quantico station improvement project (\$0.6 million), the Broad Run station improvement project (\$0.5 million) the Alexandria station improvements project (\$0.6 million), development of the Franconia/Springfield platform project (\$0.5 million), development of the Manassas Park parking expansion project (\$0.5 million) and the VRE Headquarters Office Renovation project (\$0.3 million).

## **Debt Administration**

At June 30, 2022, VRE had total debt outstanding of \$159,961,357.

The Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC) are co-lessees of the private placement note payable for rolling stock, which is secured by the related equipment.

The promissory note for the purchase of 60 Gallery railcars was issued by NVTC, but both NVTC and PRTC were signatories. This note was previously designated to the Federal Railroad Administration (FRA) as lender but was delegated to the Build America Bureau of the United States Department of Transportation in fiscal year 2017. This delegation had no effect on the terms of the note. The note was secured by the revenues of VRE and the rolling stock.

In fiscal year 2018, VRE entered into a financing agreement with the Virginia Resources Authority (VRA) for the purposes of refunding the FRA promissory note and reducing VRE’s debt service costs. As required by the authorizing resolutions of the Commissions and jurisdictions, the VRA refunding loan did not extend the term of the original borrowing and achieved net present value debt service savings of not less than three percent. The FRA note was refunded in full with the proceeds of the VRA financing, and VRE has pledged its revenues to the repayment of the principal, premium, and interest on the local bond purchased by VRA.

In fiscal year 2022, VRE and NVTC successfully issued \$115,670,000 (par value) in Transportation District Special Obligation Revenue Bonds (“Series 2022 Bonds”). The bonds are limited obligations of NVTC and payable solely from pledged revenues of the Commuter Operating and Capital Fund (C-ROC), a special non-reverting fund in the state treasury on the Commonwealth of Virginia. The bond proceeds will be used to fund a debt service reserve for the Series 2022 Bonds, to pay issuance and finance costs of the Series 2022 Bonds, and to finance contributions to the Virginia Passenger Rail Authority (VPRRA) to assist with VPRRA’s purchase of rail right-of-way from CSX Transportation.

	<b>2022</b>	2021	2020
Bonds payable	<b>\$ 152,965,000</b>	\$ 39,770,000	\$ 42,120,000
Private placement note payable	<b>5,355,739</b>	6,984,969	8,541,915
Leases payable	<b>1,640,618</b>	-	-
<b>Total</b>	<b>\$ 159,961,357</b>	\$ 46,754,969	\$ 50,661,915

See Note 4 for additional information related to long-term debt activity.

## **Economic Factors and Next Year’s Budget**

Population growth in Northern Virginia, especially in the outer suburbs, continues to remain robust. In combination with the congestion on major highways and on-going highway construction projects, this growth will continue to support long-term demand for VRE’s service. The constraining factors to VRE growth in the near-term are the effects on ridership stemming from the COVID-19 pandemic and its effects, as well as station parking, availability of seats, storage capacity, and the availability of subsidy funds.

The local subsidy for fiscal year 2023 increased by \$8,787,464 or 184.7 percent to \$13,544,122. Fares were held constant; the previous general fare increase was 3.0 percent in fiscal year 2020. In fiscal year 2019 VRE began to receive funding from the Commonwealth of Virginia Commuter Rail Operating and Capital (C-ROC) Fund, which will continue in fiscal year 2023. Additional sources of funding will be available in fiscal year 2023 from federal, state and regional sources, although the amounts received will continue to vary from year to year.

## **Requests for Information**

This financial report is designed to provide a general overview of VRE’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 Chief Financial Officer, Virginia Railway Express, 1500 King Street, Suite 202, Alexandria, Virginia 22314-2730 or by e-mail to [mschofield@vre.org](mailto:mschofield@vre.org).

## **Basic Financial Statements**

# VIRGINIA RAILWAY EXPRESS

## STATEMENTS OF NET POSITION June 30, 2022 and 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2022	2021
Current Assets:		
Cash and cash equivalents	\$ 92,348,142	\$ 113,216,933
Accounts receivable:		
Federal Due from PRTC	22,615,359	11,002,685
Federal CARES Act	4,637,278	5,403,201
Commonwealth of Virginia grants	30,021,278	4,016,137
Commonwealth Rail Operating and Capital (C-ROC) Fund	2,500,000	2,500,000
Trade receivables, net of allowance for doubtful accounts	469,433	287,189
Other receivables	1,603,242	865,011
Inventory	3,148,774	2,883,469
Prepaid expenses and other	474,445	585,125
Restricted cash, cash equivalents and investments	145,841,405	14,781,470
<b>Total current assets</b>	<b>303,659,356</b>	<b>155,541,220</b>
Noncurrent Assets:		
Capital assets:		
Right-to-use leased buildings	1,385,031	-
Right-to-use leased parking lots	579,328	-
Right-to-use leased tower	99,581	-
Rolling stock	285,303,075	285,279,918
Vehicles	145,560	145,560
Facilities	112,979,178	112,809,451
Track and signal improvements	100,108,269	100,108,269
Equipment and software	13,370,290	13,031,118
Construction in progress	80,340,785	33,184,419
Equity in property of others	5,787,287	5,787,287
Furniture, equipment and software	6,259,838	6,258,646
	606,358,222	556,604,668
Less accumulated depreciation and amortization	(252,186,861)	(230,598,899)
<b>Total capital assets, net</b>	<b>354,171,361</b>	<b>326,005,769</b>
Leases receivable, noncurrent portion	1,402,949	-
Net pension assets	891,393	-
<b>Total noncurrent assets</b>	<b>356,465,703</b>	<b>326,005,769</b>
<b>Total assets</b>	<b>660,125,059</b>	<b>481,546,989</b>
Deferred Outflows of Resources:		
Loss on refunding	331,710	362,566
Pension plan	1,032,127	1,250,435
Other postemployment benefits	92,101	105,417
<b>Total deferred outflows of resources</b>	<b>1,455,938</b>	<b>1,718,418</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 661,580,997</b>	<b>\$ 483,265,407</b>

# VIRGINIA RAILWAY EXPRESS

## STATEMENTS OF NET POSITION (Continued) June 30, 2022 and 2021

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

	2022	2021
Current Liabilities:		
Accounts payable	\$ 7,370,602	\$ 3,460,577
Payable to the Commissions	1,687,982	2,107,906
Compensated absences	131,776	110,631
Accrued expenses	1,801,975	843,834
Accrued interest	482,987	523,251
Unearned revenue	1,202,584	805,079
Contract retainage	1,563,989	364,601
Current portion of bonds payable	4,755,000	2,475,000
Leases payable	359,824	-
Current portion of private placement note payable	1,704,870	1,629,230
<b>Total current liabilities</b>	<b>21,061,589</b>	<b>12,320,109</b>
Noncurrent Liabilities:		
Pension liability	-	1,228,984
Other postemployment benefits	305,585	436,013
Bonds payable	164,626,477	41,973,371
Private placement note payable	3,650,869	5,355,739
Leases payable	1,280,794	-
Compensated absences	866,596	721,340
<b>Total noncurrent liabilities</b>	<b>170,730,321</b>	<b>49,715,447</b>
<b>Total liabilities</b>	<b>191,791,910</b>	<b>62,035,556</b>
Deferred Inflows of Resources:		
Leases	1,402,949	-
Pension plan	1,761,605	11,412
Other postemployment benefits	141,064	36,217
<b>Total deferred inflows of resources</b>	<b>3,305,618</b>	<b>47,629</b>
Net Position:		
Net investment in capital assets	290,402,387	274,934,995
Restricted for liability insurance plan	10,022,903	10,252,938
Restricted for debt service	133,281,926	1,998,519
Restricted grants or contributions	2,536,576	2,530,013
Unrestricted assets	30,239,677	131,465,757
<b>Total net position</b>	<b>466,483,469</b>	<b>421,182,222</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 661,580,997</b>	<b>\$ 483,265,407</b>

# VIRGINIA RAILWAY EXPRESS

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended June 30, 2022 and 2021

	2022	2021
Operating Revenues:		
Passenger revenue	\$ 10,517,221	\$ 7,251,796
Equipment rentals and other	116,857	165,478
<b>Total operating revenues</b>	<b>10,634,078</b>	<b>7,417,274</b>
Operating Expenses:		
Contract operations and maintenance	28,495,740	28,125,410
Other operations and maintenance	17,763,617	15,603,856
Property leases and access fees	17,283,411	17,354,979
Insurance	7,431,921	7,100,216
Marketing and sales	795,787	979,335
General and administrative	10,558,848	12,659,432
<b>Total operating expenses</b>	<b>82,329,324</b>	<b>81,823,228</b>
<b>Operating loss before depreciation and amortization</b>	<b>(71,695,246)</b>	<b>(74,405,954)</b>
Depreciation and Amortization	(21,552,764)	(21,118,165)
<b>Operating loss</b>	<b>(93,248,010)</b>	<b>(95,524,119)</b>
Nonoperating Revenues (Expenses):		
Subsidies:		
Commonwealth of Virginia grants	21,975,609	14,110,733
Federal grants – with PRTC as grantee	8,070,012	21,741,238
Federal CARES Act	47,232,405	28,305,131
Jurisdictional contributions	4,756,658	18,300,780
Commuter Rail Operating and Capital (C-ROC) Fund	15,000,000	15,000,000
Interest income:		
Operating funds	101,474	89,187
Insurance trust	19,451	67,921
Commonwealth Rail Operating and Capital (C-ROC) Fund	139,208	50,085
Leases	29,174	-
Other restricted funds	(12,812)	6,701
Interest, amortization and other nonoperating expenses, net	(2,908,408)	(1,904,569)
<b>Total nonoperating revenues, net</b>	<b>94,402,771</b>	<b>95,767,207</b>
Capital Grants and Assistance:		
Commonwealth of Virginia grants	25,604,500	2,339,034
Federal grants – with PRTC as grantee	17,603,912	8,738,493
Regional transportation funding (NVTAA)	875,805	528,067
Local contributions	62,269	518,086
<b>Total capital grants and assistance</b>	<b>44,146,486</b>	<b>12,123,680</b>
<b>Change in net position</b>	<b>45,301,247</b>	<b>12,366,768</b>
Net Position, beginning of year	421,182,222	408,815,454
Net Position, ending	\$ 466,483,469	\$ 421,182,222



# VIRGINIA RAILWAY EXPRESS

## STATEMENTS OF CASH FLOWS Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Receipts from customers	\$ 10,054,329	\$ 6,656,559
Payments to suppliers	(73,135,971)	(72,895,656)
Payments to employees	(8,496,495)	(6,621,920)
<b>Net cash used in operating activities</b>	<b>(71,578,137)</b>	<b>(72,861,017)</b>
Cash Flows from Noncapital Financing Activities:		
Governmental subsidies	<b>83,196,830</b>	82,375,026
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(43,893,625)	(12,449,305)
Capital grants and assistance	20,423,389	24,934,882
Proceeds from bond issuance	129,521,695	-
Proceeds from sale of capital assets	18,000	-
Private placement note payable	(1,629,230)	(1,556,946)
Principal paid on bonds	(2,475,000)	(2,350,000)
Leases payable	(423,322)	-
Interest paid on private placement note payable	(302,128)	(347,694)
Interest paid on bonds and notes	(1,716,641)	(1,966,196)
Interest paid on leases	(50,937)	-
Bond issuance cost	(1,147,071)	-
<b>Net cash provided by capital and related financing activities</b>	<b>98,325,130</b>	<b>6,264,741</b>
Cash Flows from Investing Activities:		
Interest received on investments	247,321	213,894
<b>Increase in cash and cash equivalents</b>	<b>110,191,144</b>	<b>15,992,644</b>
Cash and Cash Equivalents, beginning	<b>127,998,403</b>	112,005,759
Cash and Cash Equivalents, ending	<b>\$ 238,189,547</b>	\$ 127,998,403
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating loss	\$ (93,248,010)	\$ (95,524,119)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	21,552,764	21,118,165
Write-off of construction in progress to expense	-	2,129,654
(Increase) decrease in:		
Accounts receivable	(182,244)	306,838
Other receivables	-	(53,721)
Inventory	(265,305)	(131,791)
Prepaid expenses and other	110,680	(446,121)
Deferred outflows of resources – pension	218,309	(570,179)
Deferred outflows of resources – other postemployment benefits	13,316	1,945
Deferred inflows of resources - pension	1,750,193	(130,478)
Deferred inflows of resources - other postemployment benefits	104,847	3,552
Pension liability	(2,120,377)	1,016,648
Other postemployment benefits	(130,428)	(21,071)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,015,623	453,493
Unearned revenue	(397,505)	(1,013,832)
<b>Net cash used in operating activities</b>	<b>\$ (71,578,137)</b>	<b>\$ (72,861,017)</b>
Schedule of Noncash Capital Activities:		
Capital assets acquired through accounts payable	\$ 4,755,232	\$ 2,053,853
Capital assets acquired through accrued liabilities	562,821	552,686
Capital assets acquired through leases	2,063,940	-
Premium on bond acquired via debt issuance	12,136,265	-

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### **Note 1. Summary of Significant Accounting Policies**

#### **Reporting Entity**

The Virginia Railway Express (VRE) is accounted for as a joint venture of the Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC). Pursuant to a Master Agreement signed in 1989, NVTC and PRTC (the Commissions) jointly own and operate VRE. VRE provides commuter rail service on two railroad lines, one originating in Fredericksburg and one originating in Manassas, Virginia, and both 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.

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. In order to present a full and accurate picture of VRE operations and in accordance with the Master Agreement and related Appendices that established VRE, all financial transactions related to the commuter rail program are combined in this report. In addition, an allocation of the VRE assets, liabilities and operations are reflected in the financial reports of the Commissions based on asset ownership, named entity on debt instruments, and sources of funding.

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 revenue alone to produce positive operating income. In addition to fares, the system is financed with proceeds from the Commuter Rail Revenue Bonds, a federal loan (refinanced in fiscal year 2018 to a bond), lease financing, Federal (with PRTC as grantee) and Commonwealth of Virginia (with NVTC as grantee) grants, 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.

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 percent system ridership and 10 percent 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.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting

VRE prepares its financial statements using the accrual basis of accounting. The activities of VRE are similar to those of proprietary funds of local jurisdictions. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Revenues and expenses:** VRE distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses are those that result from providing services in connection with VRE’s principal ongoing operation. The principal operating revenues of VRE are fares paid by customers which result in passenger revenues. Passenger revenues are recorded as revenue at the time services are performed. Cash received for services in advance is deferred until earned.

Operating revenues and expenses also include all revenues and expenses not associated with capital and related financing, noncapital financing, subsidies, or investing activities.

**Revenue recognition:** Intergovernmental revenues, consisting primarily of Federal (with PRTC as grantee) and Commonwealth of Virginia (with NVTC as grantee) 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 other contributions are included in the Statements of Revenues, Expenses and Changes in Net Position when expended. Any excess of grant revenues or expenses at year end are recorded as unearned revenue or accounts receivable, respectively.

**Cash and investments:** VRE considers all highly liquid investments with maturities of three months or less to be cash equivalents. Investments in U.S. government securities and commercial paper are carried at fair value based on quoted market prices. The investment in the Local Government Investment Pool (LGIP or Pool), is reported at amortized cost.

**Restricted cash and cash equivalents:** Restricted cash, cash equivalents and investments of \$145,841,404 and \$14,781,469 at June 30, 2022 and 2021, respectively, are comprised of funds related to the balance in the Liability Insurance Plan; a small liability claims account; a debt service reserve fund for the VRA 2018 financing; a debt service reserve fund, cost of issuance (COI) fund and revenue stabilization fund for the Series 2022 Bonds; a project fund for the net proceeds from sale of the Series 2022 bonds, to be requisitioned by the Virginia Passenger Rail Authority in fiscal year 2023; funds from the refund of the credit risk premium related to the retired RRIF loan; and funds related to a property transfer with restricted future uses.

**Allowance for uncollectible accounts:** VRE calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The allowance was \$53,000 and \$36,000 at June 30, 2022 and 2021, respectively.

**Inventory:** VRE has purchased an inventory of spare parts for rolling stock that is maintained and managed at the Commission’s 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.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting (Continued)

**Capital assets:** For constructed assets, all costs necessary to bring assets to the condition and location necessary for the intended use are capitalized. Asset costs include allocation of certain common construction costs based on the relationship of associated direct costs. Assets constructed directly by jurisdictions in satisfaction of system financial responsibilities have been capitalized at the acquisition value as of the date of donation.

When assets are substantially complete and ready for use, these costs are transferred from construction in progress to property and equipment and depreciated or amortized. Major improvements and replacements of property are capitalized. Maintenance, repairs and minor improvements and replacements are expensed.

Costs of improvements to track, stations and signal facilities owned by the railroads have been capitalized in recognition of the increased efficiency afforded VRE operations over their useful lives. The Commissions retain a residual interest in these assets such that net salvage value will be reimbursed by the railroads upon cessation of commuter rail service. Similarly, shared investment in jurisdictional facilities (“equity in property of others”) recognizes the right of access for commuter rail patrons granted to the Commissions. This category also represents investment in Amtrak infrastructure and facilities that provides primary benefit to the commuter rail service and for which VRE has an expectation of continued use.

VRE 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, buildings and intangibles including leased assets, is charged as an expense against operations using the straight-line method over the following estimated useful lives:

Rolling stock	8-25 years
Vehicles	5 years
Facilities	30-40 years
Track and signal improvements	5-30 years
Equipment and software	3-5 years
Equity in property of others	3-35 years
Furniture, equipment and software	3-10 years

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2022 and 2021.

**Lessee:** For new or modified contracts, VRE 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), VRE 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, VRE will use the applicable incremental borrowing rate in the calculation of the present value of the lease payments.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting (Continued)

**Lessee (continued):** 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, VRE 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.

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, VRE uses the interest rate charged by the lessor. If not readily available or easily determinable, VRE 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 VRE is reasonably certain to exercise.

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

**Lessor:** For new or modified contracts, VRE 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), VRE 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, VRE may apply the guidance for imputation of interest as a means of determining the interest rate.

VRE 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 incurred.

At the commencement of a lease, VRE 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.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting (Continued)

**Lessor (continued):** Key estimates and judgements related to leases include the determination of a discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

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

**Compensated absences:** VRE employees are granted vacation leave based on length of employment. Employees with less than ten years of service may carry over a total of 225 hours of leave from year to year, while those with more than ten years may carry over 300 hours. Excess leave may convert to sick leave or may be paid out with the approval of the Chief Executive Officer. Employees may accumulate sick leave without limitation. Employees who separate in good standing after five or more years of service will be paid for 25 percent of their sick leave credit in excess of 450 hours. Certain employees may accumulate compensatory leave for overtime worked. Compensated absences are accrued when incurred.

**Deferred outflows/inflows of resources:** In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. VRE has several items that qualify for reporting in this category. The first item relates to the deferred loss on refinancing. The remaining items relate to the pension plan and group life insurance program (GLI) other postemployment benefits (OPEB) plan. See Notes 6 and 7 for details regarding these items.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. VRE has several items that qualify for reporting in this category. See Notes 5, 6 and 7 for details regarding these items.

**Pensions:** The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (the VRE's retirement plan) is a multi-employer, agent plan. For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) VRE's Retirement Plan and the additions to/deductions from the VRS VRE'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. Since VRE is combined with PRTC for reporting purposes to VRS, amounts and disclosures included in this report are for PRTC as a whole unless otherwise indicated.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting (Continued)

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

**Net position flow assumption:** Sometimes the VRE will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

**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 and disclosure of contingent 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.

**Subsequent events:** VRE has evaluated subsequent events through November 7, 2022, which was the date the financial statements were available to be issued.

### Note 2. Cash, Cash Equivalents 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 percent to 130 percent of excess deposits. Accordingly, all deposits are considered fully collateralized.

**Investments:** Statutes authorize local governments and other public bodies to invest in obligations of the United States or 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 State Treasurer’s Local Government Investment Pool (LGIP).

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Cash, Cash Equivalents and Investments (Continued)

The VRE Operations Board has adopted a formal investment policy. The goal of the policy is to minimize risk and to ensure the availability of cash to meet VRE’s expenditures, while generating revenue from the use of funds which might otherwise remain idle. The primary objectives of VRE’s investment activities, in priority order, are: safety, liquidity and yield. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities.

**Credit risk:** The investment policy specifies credit quality for certain types of investments, as described below, in accordance with the *Code of Virginia*, and the policy specifies the qualifications for institutions providing depository and investment services. In addition, the Chief Financial Officer must conduct a quarterly review of the condition of each authorized financial institution and broker/dealer.

Investment	Credit Quality
Savings account or CD’s of any bank or savings and loan association within the Commonwealth of Virginia	Bank or savings and loan association must be a “qualified public depository”
Bankers’ acceptances	Institution must be “prime quality” as determined by one or more recognized rating services
Commercial paper	Must be “prime quality” as rated by two of the following: Moody’s (prime 1): S&P (A-1); Fitch (F-1); Duff and Phelps (D-1)
Corporate notes	Must be “high quality” as defined by ratings of at least AA by S&P and Aa by Moody’s
Negotiable certificates of deposit and negotiable bank deposit notes	Must have ratings of at least A-1 by S&P and P-1 by Moody’s for short term instruments and AA by S&P and Aa by Moody’s for long-term instruments

**Custodial credit risk:** For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, VRE may not recover its deposits. All cash of VRE is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similarly to depository insurance. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act. At June 30, 2022 and 2021, the book balance of VRE’s deposits with banks was \$4,399,846 and \$13,884,441, respectively.

**Interest rate risk:** In accordance with its investment policy, VRE manages its exposure to declines in fair values by limiting the maturity of various investment vehicles, as indicated in the chart below. Interest rate risk does not apply to LGIP since it is an external investment pool classified in accordance with GASB Statement No. 79.



# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Cash, Cash Equivalents and Investments (Continued)

**Concentration of credit risk:** VRE'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 percentage of the portfolio for each category of investment, 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%

At June 30, 2022 and 2021, VRE had investments of \$90,541,767 and \$101,919,252, respectively, in the LGIP. The LGIP is a professionally managed money market fund that invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *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 the Treasury Board's regularly scheduled monthly meetings. VRE'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.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### **Note 2. Cash, Cash Equivalents and Investments (Continued)**

The Commonwealth of Virginia Department of Treasury manages the VRE Insurance Trust. State statutes govern the portion of assets invested in the Commonwealth's pooled accounts, while the remainder is invested by an external portfolio manager. At June 30, 2022 and 2021, VRE had \$9,966,010 and \$10,196,192, respectively, invested in the Insurance Trust. In fiscal years 2022 and 2021, earnings on the Insurance Trust in the amount of \$19,451 and \$67,921, respectively, were credited to VRE. The Insurance Trust Fund has not been assigned a rating.

In accordance with the requirements of the Financing Agreement between the Virginia Resources Authority (VRA) and NVTC, a debt service reserve fund (DSRF) was established for the benefit of VRA. On the closing date of the VRA financing, VRE transferred \$2 million into the DSRF from its existing cash reserves. The funds in the DSRF shall be used solely to cure any deficiencies in the payment by VRE of any principal, premium, or interest associated with the VRA financing. The funds in the DSRF are held in custody at U.S. Bank and are managed by PFM Asset Management LLC through the Virginia State Non-Arbitrage Program (SNAP). The Virginia Treasury Board sponsors SNAP to provide comprehensive investment management, accounting and arbitrage rebate calculation services for the proceeds of tax-exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code. The funds in the DSRF are invested in U.S. Treasury notes rated AA+ by Standard and Poor's maturing in under two (2) years and in the SNAP Fund, a AAAM rated local government investment pool that complies with GASB Statement 79. At June 30, 2022 and 2021, VRE had \$1,985,231 and \$1,998,519, respectively, invested in the VRA Debt Service Reserve Fund.

In accordance with the issuance of the Northern Virginia Transportation Commission (NVTC) Transportation District Special Obligation Revenue Bonds (Transforming Rail in Virginia Program) Series 2022 (Green Bonds), a Debt Service Reserve Fund (DSRF), Revenue Stabilization fund (RS) and Cost of Issuance (COI) fund were established for the benefit of NVTC. On the closing date of the bond issuance, VRE transferred \$7.5 million into the DSRF from the proceeds of the bond issuance. The funds in the DSRF and RS shall be used solely to cure any deficiencies in the payment by NVTC of any principal, premium, or interest associated with the NVTC financing. The funds held in COI are for payment of issuance costs incurred. At June 30, 2022, VRE had \$7,500,000 invested in the Debt Service Reserve Fund, \$3,750,000 in the Revenue Stabilization Fund and \$887,500 in the Cost of Issuance Fund. The funds in the DSRF, RS, and COI were held in custody by U.S. Bank and were invested in a JP Morgan US Government Money Market Fund.

Subsequent to year-end in July, the DSRF, RS, and COI funds were transferred to the Virginia State Non-Arbitrage Program (SNAP), with management of the funds provided by PFM Asset Management LLC. The Virginia Treasury Board sponsors SNAP to provide comprehensive investment management, accounting and arbitrage rebate calculation services for the proceeds of tax-exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code. The funds in the DSRF are invested in U.S. Treasury notes rated AA+ by Standard and Poor's maturing in under two (2) years and in the SNAP Fund, a AAAM rated local government investment pool that complies with GASB Statement 79.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Cash, Cash Equivalents and Investments (Continued)

As of June 30, 2022 and 2021, the carrying values and maturity of VRE's investments were as follows:

Investment Type	2022	
	Fair Value	Maturities Less than 1 Year
LGIP	\$ 90,541,767	\$ 90,541,767
Insurance trust fund - pooled funds	9,966,010	9,966,010
Series 2022 bond proceeds	119,159,195	119,159,195
Series 2022 debt service reserve fund	7,500,000	7,500,000
Series 2022 revenue stabilization fund	3,750,000	3,750,000
Series 2022 certificate of indebtedness fund	887,500	887,500
VRA debt service reserve fund	1,985,231	1,985,231
<b>Total investments</b>	<b>\$ 233,789,703</b>	<b>\$ 233,789,703</b>

Investment Type	2021	
	Fair Value	Maturities Less than 1 Year
LGIP	\$ 101,919,252	\$ 101,919,252
Insurance trust fund - pooled funds	10,196,192	10,196,192
VRA debt service reserve fund	1,998,519	1,998,519
<b>Total investments</b>	<b>\$ 114,113,963</b>	<b>\$ 114,113,963</b>

When applicable, VRE categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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.

VRE has the following investment subject to fair value measurements:

- U.S. Treasury securities of \$133,281,926 as of June 30, 2022, which are valued using quoted prices in an active market for identical assets (Level 1 inputs).

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance *	Increases	Deletions	Transfers/ Adjustments	Ending
Capital assets not being depreciated or amortized:					
Construction in progress	\$ 33,184,419	\$ 47,793,430	\$ (132,169)	\$ (504,895)	\$ 80,340,785
Capital assets being depreciated or amortized:					
Right-to-use leased buildings	1,385,031	-	-	-	1,385,031
Right-to-use leased parking lots	579,328	-	-	-	579,328
Right-to-use leased tower	99,581	-	-	-	99,581
Rolling stock	285,279,918	-	-	23,157	285,303,075
Vehicles	145,560	-	-	-	145,560
Facilities	112,809,451	-	(18,000)	187,727	112,979,178
Track and signal improvements	100,108,269	-	-	-	100,108,269
Equipment and software	13,031,118	11,100	-	328,072	13,370,290
Equity in property of others	5,787,287	-	-	-	5,787,287
Furniture, equipment and software	6,258,646	-	-	1,192	6,259,838
<b>Total capital assets being depreciated or amortized</b>	<b>525,484,189</b>	<b>11,100</b>	<b>(18,000)</b>	<b>540,148</b>	<b>526,017,437</b>
Less accumulated depreciation or amortization for:					
Right-to-use leased buildings	-	135,275	-	-	135,275
Right-to-use leased parking lots	-	292,986	-	-	292,986
Right-to-use leased tower	-	38,547	-	-	38,547
Rolling stock	116,737,972	11,600,883	-	23,157	128,362,012
Vehicles	119,903	14,272	-	-	134,175
Facilities	51,443,376	3,076,532	-	10,849	54,530,757
Track and signal improvements	41,946,828	5,575,952	-	-	47,522,780
Equipment and software	10,921,450	502,718	-	-	11,424,168
Equity in property of others	4,297,692	164,593	-	-	4,462,285
Furniture, equipment and software	5,131,678	151,096	-	1,192	5,283,966
<b>Total accumulated depreciation or amortization</b>	<b>230,598,899</b>	<b>21,552,854</b>	<b>-</b>	<b>35,198</b>	<b>252,186,951</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>294,885,290</b>	<b>(21,541,754)</b>	<b>(18,000)</b>	<b>504,950</b>	<b>273,830,486</b>
<b>Total capital assets</b>	<b>\$ 328,069,709</b>	<b>\$ 26,251,676</b>	<b>\$ (150,169)</b>	<b>\$ 55</b>	<b>\$ 354,171,271</b>

\*The beginning balance was restated for the implementation of GASB 87. Lease assets at June 30, 2022 consists of two building leases, two parking lot leases and one tower lease in the amount of \$1,385,031, \$579,327, and \$99,581 respectively.

Note: The chart above reflects the purchase of several S&B fare collection system ticket validator units at a value of \$0.3 million, the completion of the Broad Run and Crossroads LED Yard Lighting Replacement project at a value of \$0.2 million, and work on the Variable Message System (VMS) Proof of Concept project at a value of \$15,272. The chart also reflects the direct purchase of \$11,100 in rolling stock maintenance tools.

The chart also represents the sale to the United States Department of the Navy of a small parcel (0.12 acre) of Commission-owned land for construction of a new Base facility adjacent to the VRE Quantico Station for \$18,000.

Finally, the chart also reflects several asset-related adjustments completed as part of VRE's transition of financial systems in fiscal year 2022.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Capital assets not being depreciated or amortized:					
Construction in progress	\$ 24,003,731	\$ 14,164,735	\$ (2,129,654)	\$ (2,854,393)	\$ 33,184,419
Capital assets being depreciated or amortized:					
Rolling stock	285,279,918	-	-	-	285,279,918
Vehicles	145,560	-	-	-	145,560
Facilities	112,809,451	-	-	-	112,809,451
Track and signal improvements	99,528,959	-	-	579,310	100,108,269
Equipment and software	12,126,666	69,003	(1,439,634)	2,275,083	13,031,118
Equity in property of others	5,787,287	-	-	-	5,787,287
Furniture, equipment and software	6,389,452	-	(130,806)	-	6,258,646
Total capital assets being depreciated or amortized	522,067,293	69,003	(1,570,440)	2,854,393	523,420,249
Less accumulated depreciation or amortization for:					
Rolling stock	105,137,089	11,600,883	-	-	116,737,972
Vehicles	99,609	20,294	-	-	119,903
Facilities	48,099,756	3,343,620	-	-	51,443,376
Track and signal improvements	36,380,806	5,566,022	-	-	41,946,828
Equipment and software	12,120,667	240,417	(1,439,634)	-	10,921,450
Equity in property of others	4,133,099	164,593	-	-	4,297,692
Furniture, equipment and software	5,080,148	182,336	(130,806)	-	5,131,678
Total accumulated depreciation or amortization	211,051,174	21,118,165	(1,570,440)	-	230,598,899
Total capital assets being depreciated or amortized, net	311,016,119	(21,049,162)	-	2,854,393	292,821,350
Total capital assets	\$ 335,019,850	\$ (6,884,427)	\$ (2,129,654)	\$ -	\$ 326,005,769

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Long-Term Obligations

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

	Beginning Balance *	Increases	Decreases	Ending Balance	Due Within One Year
Private placement note payable	\$ 6,984,969	\$ -	\$ (1,629,230)	\$ 5,355,739	\$ 1,704,870
Bonds payable	39,770,000	115,670,000	(2,475,000)	152,965,000	4,755,000
Premiums	4,678,371	12,136,265	(398,159)	16,416,477	470,476
Leases payable	2,063,940	-	(423,322)	1,640,618	359,824
	53,497,280	127,806,265	(4,925,711)	176,377,834	7,290,170
Compensated absences	831,971	457,769	(291,368)	998,372	131,776
	\$ 54,329,251	\$ 128,264,034	\$ (5,217,079)	\$ 177,376,206	\$ 7,421,946

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

Federal arbitrage regulations apply to the Gallery IV private payment placement note payable.

#### Private Payment Placement Note Payable – Gallery IV (11 cars)

\$25,100,000 private payment placement note payable; \$965,679 due semi-annually, including interest at 4.59%, maturing in 2025, collateralized with Gallery IV railcars with a carrying value of \$10,694,992.

\$ 5,355,739

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

Year Ending June 30,	Principal	Interest
2023	\$ 1,704,870	\$ 226,487
2024	1,784,022	147,356
2025	1,866,847	64,506
	\$ 5,355,739	\$ 438,349

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Long-Term Obligations (Continued)

#### Note Payable – Gallery IV (60 cars)/VRA Bond Payable

In fiscal year 2008, VRE entered into an agreement with the Federal Railroad Administration (FRA) for a loan of up to \$72.5 million to purchase 50 Gallery railcars; in fiscal year 2009 the terms were amended to include ten additional Gallery railcars. A series of sixteen promissory notes were originally authorized and during fiscal year 2012 the balances on the individual notes were combined into a consolidated note. The note was secured by the revenues of VRE and the railcars.

In fiscal year 2018, VRE entered into a financing agreement with the Virginia Resources Authority (VRA) for the purposes of refunding the FRA consolidated promissory note and reducing VRE’s debt service costs. As required by the authorizing resolutions of the Commissions and jurisdictions, the VRA refunding loan did not extend the term of the original borrowing and achieved net present value debt service savings of not less than three percent. The FRA note was refunded in full with the proceeds from the VRA financing, and VRE has pledged its revenues to the repayment of the principal, premium, and interest on the local bond purchased by VRA.

VRA Bond payable, \$46,640,000 Bond, due in variable bi-annual amounts, plus a bi-annual variable interest rate of 3.13% to 5.13% through October 1, 2032. The carrying value of the railcars was \$51,534,250 at June 30, 2022. \$ 37,295,000

NVTC Bond payable, \$115,670,000 Bond, due in variable annual amounts, plus a bi-annual interest rate of 5.00% through June 1, 2052. \$ 115,670,000

Mandatory debt service on Bonds payable requirements as of June 30, 2022 are as follows:

Years Ending June 30,	NVTC Bond		VRA Bond		Total Required	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 2,150,000	\$ 5,349,738	\$ 2,605,000	\$ 1,685,666	\$ 4,755,000	\$ 7,035,404
2024	1,820,000	5,676,000	2,745,000	1,548,572	4,565,000	7,224,572
2025	1,910,000	5,585,000	2,885,000	1,404,303	4,795,000	6,989,303
2026	2,010,000	5,489,500	3,040,000	1,252,475	5,050,000	6,741,975
2027	2,110,000	5,389,000	3,200,000	1,092,575	5,310,000	6,481,575
2028-2032	12,235,000	25,253,500	18,610,000	2,845,200	30,845,000	28,098,700
2033-2037	15,610,000	21,874,000	4,210,000	80,531	19,820,000	21,954,531
2038-2042	19,925,000	17,561,250	-	-	19,925,000	17,561,250
2043-2047	25,440,000	12,054,750	-	-	25,440,000	12,054,750
2048-2052	32,460,000	5,027,000	-	-	32,460,000	5,027,000
Subtotal	115,670,000	109,259,738	37,295,000	9,909,322	152,965,000	119,169,060
Unamortized premium	4,280,212	-	12,136,265	-	16,416,477	-
<b>Total</b>	<b>\$ 119,950,212</b>	<b>\$ 109,259,738</b>	<b>\$ 49,431,265</b>	<b>\$ 9,909,322</b>	<b>\$ 169,381,477</b>	<b>\$ 229,209,950</b>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 5. Leases

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

Lease obligation for a building. VRE is required to make monthly principal and interest payments of \$1,697 through July 2022. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$21,740 during the current fiscal year. The building has an estimated one year useful life. The value of the right-to-use leased asset as of the end of the current fiscal year was \$1,673 and had accumulated amortization of \$20,067.	\$ 1,693
Lease obligation for a tower. VRE is required to make monthly principal and interest payments ranging from \$3,222 to \$3,418 through January 2024. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$99,581 during the current fiscal year. The tower has an estimated useful life of thirty-one months. The value of the right-to-use leased asset as of the end of the current fiscal year was \$61,034 and had accumulated amortization of \$38,547.	62,665
Lease obligation for a building. VRE is required to make monthly principal and interest payments ranging from \$9,708 to \$13,438 through April 2033. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$1,363,291 during the current fiscal year. The building has an estimated twelve year useful life. The value of the right-to-use leased asset as of the end of the current fiscal year was \$1,248,083 and had accumulated amortization of \$115,208.	1,282,558
Lease obligation for a parking lot. VRE is required to make monthly principal and interest payments of ranging from \$9,070 to \$9,717 through December 2023. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$273,503 during the current fiscal year. The parking lot has an estimated thirty month useful life. The value of the right-to-use leased asset as of the end of the current fiscal year was \$164,102 and had accumulated amortization of \$109,401.	168,852
Lease obligation for a parking lot. VRE is required to make monthly principal and interest payments of ranging from \$15,473 to \$15,782 through February 2023. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$305,825 during the current fiscal year. The parking lot has an estimated thirty month useful life. The value of the right-to-use leased asset as of the end of the current fiscal year was \$122,330 and had accumulated amortization of \$183,495.	124,850
	<u>\$ 1,640,618</u>



# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Leases (Continued)

The following table summarized the total minimum lease payments due:

Years Ending June 30,	Principal	Interest
2023	\$ 359,824	\$ 43,671
2024	170,928	35,508
2025	95,944	31,992
2026	102,753	29,021
2027	109,887	25,841
2028-2032	668,729	73,484
2033	132,553	1,829
<b>Total minimum lease payments</b>	<b>\$ 1,640,618</b>	<b>\$ 241,346</b>

VRE is a lessor for a lease related to a communication tower. The lease term is for 55 years. The exercise of lease renewal options is at VRE's discretion. VRE 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. VRE will receive monthly payments of \$34,218 through October 2062. An initial lease receivable was recorded in the amount of \$1,437,167.

VRE has a deferred inflow of resources associated with its lease that will be recognized as revenue over the term of the lease. As of June 30, 2022, the balance of the deferred inflow was \$1,402,949. Lease revenue for the year ended June 30, 2022 was \$34,218 and lease interest income for the same year was \$29,174.

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

Years Ending June 30,	Principal	Interest
2023	\$ (6,844)	\$ 42,088
2024	(5,992)	42,294
2025	(5,082)	42,474
2026	(4,133)	42,626
2027	(3,081)	42,749
2028-2032	2,479	214,443
2033-2037	39,497	211,976
2038-2042	88,243	203,283
2043-2047	151,515	186,444
2048-2052	232,703	159,083
2053-2057	335,911	118,277
2058-2062	466,092	60,437
2063	111,641	3,351
<b>Total minimum lease payments</b>	<b>\$ 1,402,949</b>	<b>\$ 1,369,525</b>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 6. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

#### A. Plan Description

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

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

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	<b>About Plan 2</b> Same as Plan 1	<b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"><li>• The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</li><li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li><li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li></ul>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 6. Pension Plan (Continued)

#### A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Eligible Members</b> Members are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund.</p> <p><i>Hybrid Opt-In Election</i> VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 1 or ORP.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Eligible Members</b> Members are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><i>Hybrid Opt-In Election</i> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>Eligible Members</b> Members are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"><li>• Political subdivision employees.*</li><li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li></ul> <p><i>*Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"><li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li></ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 6. Pension Plan (Continued)

#### A. Plan Description (Continued)

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 6. Pension Plan (Continued)

#### A. Plan Description (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contribution Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"><li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li><li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li><li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li></ul> <p>Distribution is not required, except as governed by law.</p>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 6. Pension Plan (Continued)

#### A. Plan Description (Continued)

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

**VIRGINIA RAILWAY EXPRESS**

**NOTES TO FINANCIAL STATEMENTS**

---

**Note 6. Pension Plan (Continued)**

A. Plan Description (Continued)

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Normal Retirement Age</b> <i>VRS:</i> Age 65.</p>	<p><b>Normal Retirement Age</b> <i>VRS:</i> Normal Social Security retirement age.</p>	<p><b>Normal Retirement Age</b> <i>Defined Benefit Component:</i> <i>VRS:</i> Same as Plan 2.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> <i>VRS:</i> Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <i>VRS:</i> Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service credit equals 90.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <i>Defined Benefit Component:</i> <i>VRS:</i> Normal Social Security retirement age and have at least 5 years (60 months) of service credit or when their age plus service credit equals 90.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> <i>VRS:</i> Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <i>VRS:</i> Age 60 with at least five years (60 months) of service credit.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <i>Defined Benefit Component:</i> <i>VRS:</i> Age 60 with at least five years (60 months) of service credit.</p>

**VIRGINIA RAILWAY EXPRESS**

**NOTES TO FINANCIAL STATEMENTS**

---

**Note 6. Pension Plan (Continued)**

A. Plan Description (Continued)

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>                      The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><i>Eligibility:</i>                      For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><i>Exceptions to COLA Effective Dates:</i>                      The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>                      The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.</p> <p><i>Eligibility:</i>                      Same as Plan 1.</p> <p><i>Exceptions to COLA Effective Dates:</i>                      Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <i>Defined Benefit Component:</i>                      Same as Plan 2.</p> <p><i>Defined Contribution Component:</i>                      Not applicable.</p> <p><i>Eligibility:</i>                      Same as Plan 1 and Plan 2.</p> <p><i>Exceptions to COLA Effective Dates:</i>                      Same as Plan 1 and Plan 2.</p>



**VIRGINIA RAILWAY EXPRESS**

**NOTES TO FINANCIAL STATEMENTS**

---

**Note 6. Pension Plan (Continued)**

A. Plan Description (Continued)

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>  <b><u>Exceptions to COLA Effective Dates (continued):</u></b></p> <ul style="list-style-type: none"> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit.</li> <li>• The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>		
<p><b>Disability Coverage</b>                      Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b>                      Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.</p>	<p><b>Disability Coverage</b>                      Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>

**VIRGINIA RAILWAY EXPRESS**

**NOTES TO FINANCIAL STATEMENTS**

---

**Note 6. Pension Plan (Continued)**

A. Plan Description (Continued)

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

B. Employees Covered by Benefit Terms

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

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 6. Pension Plan (Continued)

#### 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.

VRE's contractually required contribution rate for the year ended June 30, 2021 was 6.23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 VRE were \$272,381 and \$245,700 for the years ended June 30, 2022 and 2021, respectively.

#### D. Net Pension Asset/Liability

VRE's net pension asset/liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2020 rolled forward to the measurement date of June 30, 2021.

#### E. Actuarial Assumptions

The total pension liability for VRE's retirement plan was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 6. Pension Plan (Continued)

#### E. Actuarial Assumptions (Continued)

##### *Mortality Rates*

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, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Pension Plan (Continued)

#### F. Actuarial Assumptions (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

\*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

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

#### G. Discount Rate

The discount rate used to measure the total pension asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2018 actuarial valuations, whichever was greater. From July 1, 2021 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**VIRGINIA RAILWAY EXPRESS**

**NOTES TO FINANCIAL STATEMENTS**

**Note 6. Pension Plan (Continued)**

H. Changes in the Net Pension (Assets)/Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension (Asset) Liability
Balances at June 30, 2020	\$ 22,360,057	\$ 20,252,417	\$ 2,107,640
Changes for the Year:			
Service cost	718,141	-	718,141
Interest	1,481,325	-	1,481,325
Changes of assumptions	803,822	-	803,822
Difference between expected and actual experience	(221,363)	-	(221,363)
Contributions – employer	-	421,362	(421,362)
Contributions – employee	-	399,479	(399,479)
Net investment income	-	5,570,288	(5,570,288)
Benefit payments, including refunds of employee contributions	(829,005)	(829,005)	-
Administrative expense	-	(13,494)	13,494
Other changes	-	530	(530)
<b>Net changes</b>	<b>1,952,920</b>	<b>5,549,160</b>	<b>(3,596,240)</b>
Balances at June 30, 2021	<u>\$ 24,312,977</u>	<u>\$ 25,801,577</u>	<u>\$ (1,488,600)</u>

The information above is derived from the actuarial valuation report for the Potomac and Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE. VRE has recorded a net pension asset of \$891,393 on its Statements of Net Position based on a percentage of contributions to the plan for fiscal year 2022. VRE's percentage of total contributions to the plan was 59.88 percent. This percentage was used to allocate a portion of the net pension asset to VRE.

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

The following presents VRE's portion of the net pension asset/liability, using the discount rate of 6.75 percent, as well as what VRE's net pension asset/liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	Current		
	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
VRE's net pension liability (asset)	\$ 1,102,939	\$ (891,393)	\$ (2,527,544)

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Pension Plan (Continued)

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

For the year ended June 30, 2022, VRE recognized pension expense of \$120,773. At June 30, 2022, VRE 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	\$ 293,458	\$ (96,436)
Change in assumptions	466,288	-
Net difference between projected and actual earnings on pension plan investments	-	(1,665,169)
Employer contributions subsequent to the measurement date	272,381	-
<b>Total</b>	<b>\$ 1,032,127</b>	<b>\$ (1,761,605)</b>

The \$272,381 reported as deferred outflows of resources related to pensions resulting from VRE's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2023	\$ (49,510)
2024	(136,111)
2025	(312,762)
2026	(503,476)
	<u>\$ (1,001,859)</u>

#### K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 Annual Comprehensive Financial Report (Annual Report). A copy of the 2021 VRS Annual Report is publicly available through the About VRS link on the VRS website at [www.varetire.org](http://www.varetire.org), or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 7. Other Postemployment Benefits – Group Life Insurance Program

#### A. Plan Description

The VRS Group Life Insurance Program (GLI) is another postemployment benefits (OPEB) plan. All full-time, salaried permanent employees of VRE are automatically covered by the 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. 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 OPEB.

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

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>
<p><b><i>Eligible Employees</i></b></p> <p>The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.</p> <p>Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p><b><i>Benefit Amounts</i></b></p> <p>The benefits payable under the GLI have several components.</p> <ul style="list-style-type: none"><li>• Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li><li>• Accidental Death Benefit – The accidental death benefit is double the natural death benefit.</li><li>• Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none"><li>○ Accidental dismemberment benefit</li><li>○ Seat belt benefit</li><li>○ Repatriation benefit</li><li>○ Felonious assault benefit</li><li>○ Accelerated death benefit option</li></ul></li></ul>
<p><b><i>Reduction in Benefit Amounts</i></b></p> <p>The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b><i>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</i></b></p> <p>For covered members with at least 30 years of service credit, there is a minimum benefit payable under GLI. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,722 as of June 30, 2022.</p>



# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Group Life Insurance Program (Continued)

#### B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2020. 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 VRE were \$32,036 and \$28,691 for the years ended June 30, 2022 and June 30, 2021, respectively.

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

At June 30, 2022, VRE reported a liability of \$305,585 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was \$32,036 or 0.04294% as compared to \$28,691 or 0.04360% at June 30, 2020.

For the year ended June 30, 2022, VRE recognized GLI OPEB expense of \$12,497. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 34,853	\$ (2,328)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(72,937)
Change in assumptions	16,847	(41,810)
Changes in proportionate share	8,365	(23,989)
Employer contributions subsequent to the measurement date	32,036	-
<b>Total</b>	<b>\$ 92,101</b>	<b>\$ (141,064)</b>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 7. Group Life Insurance Program (Continued)

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

The information above is derived from the actuarial valuation report for the Potomac and Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE. VRE has recorded a net GLI OPEB liability of \$305,585 on its Statements of Net Position based on a percentage of contributions to the plan for fiscal year 2021. VRE's percentage of total contributions to the plan was 61.12 percent. This percentage was used to allocate a portion of the net GLI OPEB liability to VRE.

The \$32,036 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB Liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ (15,075)
2024	(14,856)
2025	(17,302)
2026	(27,635)
2027	(6,131)
<b>Total</b>	<u><u>\$ (80,999)</u></u>

#### D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2020, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2021.

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 7. Group Life Insurance Program (Continued)

#### D. Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study 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 year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 7. 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, 2021, NOL amounts for the GLI are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,577,346
Plan fiduciary net position	2,413,074
<b>GLI net OPEB liability</b>	<b>\$ 1,164,272</b>
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.45%

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

#### 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:

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

\* Expected arithmetic nominal return

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 7. Group Life Insurance Program (Continued)

\* The above allocation provides a one-year return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

#### 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 and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2020, the rate contributed by employers for the VRS GLI OPEB Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined rate. From July 1, 2021, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB 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 GLI OPEB liability.

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

The following presents VRE's proportionate share of the net GLI OPEB Liability using the discount rate of 6.75%, as well as what VRE'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%)
VRE	\$ 446,292	\$ 305,585	\$ 191,736

#### I. Group Life Insurance Program Fiduciary Net Position

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### **Note 8. Operating Leases and Agreements**

Operating Access Agreements with 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 years ended June 30, 2022 and 2021, annual track usage fees totaled approximately \$11,207,000 and \$10,830,000, respectively, and facility and other identified costs totaled approximately \$443,000 and \$583,000, respectively. The increase in track usage fees primarily reflects normal annual increases to the base fees. The decrease in facility and other costs is primarily due to changes in station lease agreements with CSX and VPRA.

The agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and midday services and electrical power became effective on July 1, 2015. For the years ended June 30, 2022 and 2021, costs for track access and equipment storage totaled approximately \$6,060,000 and \$6,349,000, respectively, and midday maintenance, utility and other services totaled approximately \$4,095,000 and \$3,868,000, respectively. Cost adjustments will be made in fiscal year 2023 to reflect changes to various published cost indices and the number of trains that have access to and are stored and serviced at the terminal. After October 1, 2015, charges for terminal access are determined in accordance with the cost-sharing arrangement for the Northeast Corridor passenger rail infrastructure mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA).

The Commissions signed a contract with Keolis Rail Services Virginia, LLC, for train operations and maintenance for a five-year period beginning July 1, 2015. Separate contracts for maintenance of equipment and facilities became effective for the period beginning July 1, 2016. In May 2020, the Commissions authorized the Chief Executive Officer to amend the contract for Operating Services for Commuter Rail with Keolis Rail Services Virginia, LLC (KRSV) 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 (KRSV) 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 years ended June 30, 2022 and 2021 totaled approximately \$24,450,000 and \$24,375,000, respectively. Costs are based on an annual budget prepared in advance. Costs for fiscal year 2023 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 9. Related Party Transactions

VRE reimburses the Commissions for expenses made on behalf of VRE. During 2022 and 2021, these payments included \$8,182,937 and \$7,445,930 of salary-related costs and \$10,826 and \$19,667 of administrative costs, respectively, which are functionally classified with similar payments made directly to vendors and contractors. In addition, VRE pays the Commissions for direct labor and associated indirect costs incurred for services rendered under budgeted activities for VRE. These staff support payments totaled \$80,000 to NVTC for both periods, and \$74,034 and \$103,451 to PRTC during 2022 and 2021, respectively.

VRE also contracts with PRTC for connecting bus service to selected stations on an as needed basis. PRTC bus service costs amounted to approximately \$1,397 and \$1,886 in 2022 and 2021, respectively. Amounts payable to NVTC and PRTC were \$14,187 and \$1,673,796, respectively, at June 30, 2022 and \$6,918 and \$2,100,989, respectively, at June 30, 2021

### Note 10. Liability Insurance Plan

VRE is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. 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 VRE's own need for liability and property coverage. The Commissions indemnify each of the railroads in an amount up to the passenger rail liability cap (currently approximately \$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 \$65,300 at June 30, 2022 and \$123,000 at June 30, 2021.

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 Treasury common pool. Activity in the Insurance Trust Fund for the years ended June 30, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Beginning balance, July 1	\$ 10,196,192	\$ 10,263,540
Contribution to reserves	-	6,781,555
Insurance premiums paid	(6,950)	(6,788,505)
Claims mitigation and losses incurred	(216,187)	(92,862)
Investment income	19,451	67,921
Actuarial and administrative charges	(26,496)	(35,457)
	<u>\$ 9,966,010</u>	<u>\$ 10,196,192</u>
Ending balance, June 30		

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.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 11. Contingencies and Contractual Commitments

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

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

Stations and Parking Lots	\$ 24,789,712
Rolling Stock	72,667,523
Maintenance and Layover Yards	18,428,988
Other Administrative	<u>688,236</u>
<b>Total</b>	<b><u>\$ 116,574,459</u></b>

The Commissions have received proceeds from several federal and state grant programs. In the event of an audit of these grants, certain costs may be questioned as not being appropriate expenses under the grant agreements. Such findings may result in the refund of grant monies to the grantor agencies. Based on VRE's policies and past experience, management believes that no refunds would be due in the case of an audit and, accordingly, 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.

### Note 12. Pending GASB Statements

At June 30, 2022, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the VRE reporting entity. The statements which might impact VRE are as follows:

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



# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### Note 12. Pending GASB Statements (Continued)

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, will address accounting and financial reporting implications that result from the replacement of an interbank offered rate—most notably, the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Portions of Statement No. 93 will be effective for fiscal years beginning after June 15, 2020, June 15, 2021, and December 31, 2021.

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

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

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

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

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

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

---

### **Note 13. Subsequent Events**

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

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

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

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

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

## **Required Supplementary Information**

## VIRGINIA RAILWAY EXPRESS

### SCHEDULE OF CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

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

#### 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 for which information is available.
- (2) The information on this schedule is derived from the actuarial valuation report for the Potomac & Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE.

# VIRGINIA RAILWAY EXPRESS

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

	Fiscal Year June 30,							
	2014	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability								
Service cost	\$ 722,134	\$ 743,258	\$ 778,686	\$ 756,831	\$ 796,518	\$ 747,243	\$ 766,964	\$ 718,141
Interest	763,704	850,266	942,652	1,051,830	1,132,348	1,233,409	1,339,757	1,481,325
Changes of assumptions	-	-	-	(243,263)	108,387	631,239	-	803,822
Differences between expected and actual experience	-	92,275	284,843	38,724	-	312,560	743,287	(221,363)
Benefit payments, including refunds of employee contributions	(222,525)	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)	(676,419)	(829,005)
<b>Net change in total pension liability</b>	<b>1,263,313</b>	<b>1,409,867</b>	<b>1,550,103</b>	<b>1,167,210</b>	<b>1,566,424</b>	<b>2,208,235</b>	<b>2,173,589</b>	<b>1,952,920</b>
Total pension liability - beginning	11,021,316	12,284,629	13,694,496	15,244,599	16,411,809	17,978,233	20,186,468	22,360,057
Total pension liability - ending (a)	<b>\$ 12,284,629</b>	<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>
Plan Fiduciary Net Position								
Contributions - employer	\$ 528,296	\$ 460,763	\$ 478,465	\$ 419,283	\$ 413,760	\$ 354,543	\$ 323,989	\$ 421,362
Contributions - employee	414,844	494,240	375,574	407,825	411,106	414,063	419,869	399,479
Net investment income	1,697,173	603,590	259,738	1,829,732	1,265,980	1,249,744	378,372	5,570,288
Benefit payments, including refunds of employee contributions	(222,525)	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)	(676,419)	(829,005)
Administrative expense	(8,482)	(7,442)	(8,396)	(9,970)	(10,415)	(11,937)	(12,621)	(13,494)
Other	89	(131)	(107)	(1,654)	(1,150)	(791)	(457)	530
<b>Net change in plan fiduciary net position</b>	<b>2,409,395</b>	<b>1,275,088</b>	<b>649,196</b>	<b>2,208,304</b>	<b>1,608,452</b>	<b>1,289,406</b>	<b>432,733</b>	<b>5,549,160</b>
Plan fiduciary net position - beginning	10,379,843	12,789,238	14,064,326	14,713,522	16,921,826	18,530,278	19,819,684	20,252,417
Plan fiduciary net position - ending (b)	<b>12,789,238</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>
PRTC's net pension (asset) liability - ending (a) - (b)	<b>\$ (504,609)</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>
Plan fiduciary net position as a percentage of the total pension liability	104.11%	102.70%	96.52%	103.11%	103.07%	98.18%	90.57%	106.12%
Covered payroll	\$ 6,582,460	\$ 7,265,941	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,619	\$ 8,866,711
PRTC's net pension (asset) liability as a percentage of covered payroll	-7.67%	-5.09%	6.82%	-5.91%	-6.22%	4.04%	23.49%	-16.79%

### 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 for which information is available.
- (2) The information on this schedule is derived from the actuarial valuation report for the Potomac & Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE.

## VIRGINIA RAILWAY EXPRESS

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

---

#### Note 1. Changes of Benefit Terms

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

#### Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except that change in the discount rate, which was VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

#### Non-Hazardous Duty

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

# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF THE VRE'S SHARE OF NET OPEB LIABILITY – GROUP LIFE INSURANCE PROGRAM

	Fiscal Year June 30,				
	2017	2018	2019	2020	2021
<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%
The Commission's Proportionate Share of the Net GLI OPEB Liability	\$ 703,000	\$ 709,000	\$ 752,773	\$ 727,613	\$ 499,938
The Commission's Covered Payroll	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,619	\$ 8,866,711
The Commission's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.15%	7.99%	8.29%	8.11%	5.64%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%	52.00%	52.64%	52.64%

### 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 for which information is available.
- (2) The information on this schedule is derived from the actuarial valuation report for the Potomac & Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE.

## VIRGINIA RAILWAY EXPRESS

### SCHEDULE OF THE VRE'S CONTRIBUTIONS – OPEB GROUP LIFE INSURANCE PROGRAM

#### Last Ten Fiscal Years

	Fiscal Year June 30,									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution (CRC)	\$ 34,313	\$ 34,887	\$ 38,509	\$ 41,266	\$ 44,865	\$ 46,151	\$ 47,196	\$ 46,660	\$ 47,879	\$ 52,410
Contributions in relation to the CRC	34,313	34,887	38,509	41,266	44,865	46,151	47,196	46,660	47,879	52,410
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 6,474,129	\$ 6,582,460	\$ 7,265,941	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,619	\$ 8,866,711	\$ 9,705,606
Contributions as a percentage of covered payroll	0.48%	0.48%	0.48%	0.48%	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%

#### Note to Schedule:

- (1) The information on this schedule is derived from the actuarial valuation report for the Potomac & Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE.



# VIRGINIA RAILWAY EXPRESS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS

Year Ended June 30, 2022

---

### Note 1. Group Life Insurance Program

#### A. Changes of Benefit Terms

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

#### B. Changes of Assumptions

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except that change in the discount rate, which was VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

#### Non-Largest Ten 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 year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

THIS PAGE NOT USED

## Statistical Section



## STATISTICAL SECTION

This portion of Virginia Railway Express' Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about VRE's overall financial health. Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how VRE's financial performance has changed over time.	72– 75
<b>Other Statistical Information</b> These schedules and service area map provide other information useful to certain readers of VRE's financial statements.	76 – 77
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to assist the reader understand the environment within which VRE's financial activities take place.	78 – 80
<b>Debt Service Requirements</b> These schedules provide information regarding the VRE's debt service requirements related to the 2018 Virginia Resource Authority Bonds.	81 – 82

# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF CHANGE IN NET POSITION

### Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Operating Revenues:</b>										
Passenger revenue	\$ 10,517,221	\$ 7,251,796	\$ 34,701,955	\$ 41,990,599	\$ 42,221,002	\$ 42,280,669	\$ 37,696,913	\$ 36,700,191	\$ 37,093,476	\$ 34,733,106
Equipment rentals and other	116,857	165,478	267,816	314,236	269,168	301,621	240,052	418,569	197,915	239,381
<b>Total operating revenues</b>	<b>10,634,078</b>	<b>7,417,274</b>	<b>34,969,771</b>	<b>42,304,835</b>	<b>42,490,170</b>	<b>42,582,290</b>	<b>37,936,965</b>	<b>37,118,760</b>	<b>37,291,391</b>	<b>34,972,487</b>
<b>Nonoperating Revenues:</b>										
<b>Subsidies:</b>										
Commonwealth of Virginia grants	21,975,609	14,110,733	18,712,734	17,447,509	17,145,270	18,265,581	16,572,077	14,401,957	19,330,105	14,967,197
Federal grants - with PRTC as grantee	8,070,012	21,741,238	15,271,669	15,229,460	15,362,802	15,937,225	13,917,534	13,688,723	15,931,876	18,559,490
CARES Act Federal Aid	47,232,405	28,305,131	2,688,095	-	-	-	-	-	-	-
Jurisdictional contributions	4,756,658	18,300,780	17,767,748	17,767,748	17,250,240	17,250,240	16,428,800	16,456,986	16,428,800	16,428,800
Commuter Rail Operating and Capital (C-ROC) Fund	15,000,000	15,000,000	15,000,000	15,000,000	-	-	-	-	-	-
Regional transportation funding (NVTVA)	-	-	-	194,506	766,586	461,889	542,671	-	-	-
<b>Capital Grants and Assistance:</b>										
Commonwealth of Virginia grants	25,604,500	2,339,034	2,110,561	1,417,527	13,010,326	3,033,657	9,826,429	14,694,277	-	-
Federal grants - with PRTC as grantee	17,603,912	8,738,493	3,696,057	3,541,398	9,559,056	15,204,474	22,125,460	17,764,759	5,420,552	1,269,732
Regional transportation funding (NVTVA)	875,805	528,067	1,758,116	2,304,206	615,190	651,163	-	-	-	-
In-kind and other local contributions	62,269	518,086	-	-	12,842	162,839	851,659	1,079,885	2,637,809	328,031
<b>Interest income:</b>										
Operating funds	101,474	89,187	1,009,626	1,360,241	616,228	285,495	93,677	34,337	27,860	18,573
Insurance trust	19,451	67,921	218,621	221,184	132,037	98,560	69,444	-	-	-
Commuter Rail Operating and Capital (C-ROC) Fund	139,208	50,085	294,176	117,075	-	-	-	-	-	-
Lease	29,174	-	-	-	-	-	-	-	-	-
Other restricted funds	(12,812)	6,701	48,899	63,483	797	402	197	59	196	772
Gain (loss) on sale of assets	-	-	-	-	(551,457)	3,500	-	(60,293)	1,500	(769,042)
<b>Total nonoperating revenues</b>	<b>141,457,665</b>	<b>109,795,456</b>	<b>78,576,302</b>	<b>74,664,337</b>	<b>73,919,917</b>	<b>71,355,025</b>	<b>80,427,948</b>	<b>78,060,690</b>	<b>59,778,698</b>	<b>50,803,553</b>
<b>Total revenues</b>	<b>152,091,743</b>	<b>117,212,730</b>	<b>113,546,073</b>	<b>116,969,172</b>	<b>116,410,087</b>	<b>113,937,315</b>	<b>118,364,913</b>	<b>115,179,450</b>	<b>97,070,089</b>	<b>85,776,040</b>
<b>Operating Expenses:</b>										
Contract operations and maintenance	28,495,740	28,125,410	28,076,445	26,946,284	26,917,081	25,873,933	24,082,615	22,782,752	23,151,332	21,751,488
Other operations and maintenance	17,763,617	15,603,856	15,446,821	16,579,038	17,492,047	14,461,209	13,662,606	14,334,954	14,891,502	12,785,223
Property leases and access fees	17,283,411	17,354,979	17,425,916	16,698,897	16,693,442	16,236,606	15,175,732	14,318,788	13,924,017	13,504,023
Insurance	7,431,921	7,100,216	4,370,863	3,945,668	3,766,321	3,970,753	4,046,198	3,964,673	3,991,969	4,022,072
Marketing and sales	795,787	979,335	2,189,698	2,574,583	2,529,388	2,532,214	2,393,332	2,267,729	2,012,321	1,872,343
General and administrative	10,558,848	12,659,432	11,015,700	10,937,062	11,651,412	10,904,945	10,514,343	7,968,298	7,793,040	6,784,379
Depreciation and amortization	21,552,764	21,118,165	19,690,320	18,542,805	18,201,071	17,737,170	16,953,565	15,391,195	14,706,458	14,465,445
<b>Total operating expenses</b>	<b>103,882,088</b>	<b>102,941,393</b>	<b>98,215,763</b>	<b>96,224,337</b>	<b>97,250,762</b>	<b>91,716,830</b>	<b>86,828,391</b>	<b>81,028,389</b>	<b>80,470,639</b>	<b>75,184,973</b>
<b>Nonoperating (Revenues) Expenses:</b>										
Interest and amortization	2,908,408	1,904,569	2,089,883	2,188,383	3,147,164	3,217,756	3,384,762	3,534,644	4,026,724	4,683,094
<b>Total nonoperating expenses, net</b>	<b>2,908,408</b>	<b>1,904,569</b>	<b>2,089,883</b>	<b>2,188,383</b>	<b>3,147,164</b>	<b>3,217,756</b>	<b>3,384,762</b>	<b>3,534,644</b>	<b>4,026,724</b>	<b>4,683,094</b>
<b>Special items</b>	<b>-</b>	<b>-</b>	<b>(1,372,379)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,882,945</b>	<b>-</b>	<b>3,660,786</b>	<b>-</b>
<b>Total expenses</b>	<b>106,790,496</b>	<b>104,845,962</b>	<b>98,933,267</b>	<b>98,412,720</b>	<b>100,397,926</b>	<b>94,934,586</b>	<b>92,096,098</b>	<b>84,563,033</b>	<b>88,158,149</b>	<b>79,868,067</b>
<b>Change in net assets</b>										<b>\$ 5,907,973</b>
<b>Change in net position</b>	<b>\$ 45,301,247</b>	<b>\$ 12,366,768</b>	<b>\$ 14,612,806</b>	<b>\$ 18,556,452</b>	<b>\$ 16,012,161</b>	<b>\$ 19,002,729</b>	<b>\$ 26,268,815</b>	<b>\$ 30,616,417</b>	<b>\$ 8,911,940</b>	

Note: Interest costs in fiscal year 2012 restated to comply with GASB 65.

Source: VRE's Audited Financial Statements.

# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF COMPONENTS OF NET POSITION Last Ten Fiscal Years (Unaudited)

	June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net investment in capital assets	\$ 290,402,387	\$ 274,934,995	\$ 279,674,828	\$ 282,554,207	\$ 289,271,966	\$ 279,920,481	\$ 274,136,653	\$ 254,085,092	\$ 220,069,396	\$ 220,007,440
Restricted for liability insurance plan	10,022,903	10,252,938	10,320,199	10,527,621	10,536,336	10,470,506	10,439,990	10,487,532	10,454,171	10,294,874
Restricted for debt service	133,281,926	1,998,519	2,016,642	2,029,382	1,996,544	-	-	-	6,731,166	6,563,328
Restricted grants or contributions	2,536,576	2,530,013	2,526,137	1,120,762	1,094,246	779,223	779,223	-	-	140,270
Unrestricted assets	30,239,677	131,465,757	114,277,648	97,970,676	72,747,104	68,885,778	55,697,393	50,211,820	46,973,386	35,845,639
<b>Total net assets</b>										<u>\$ 272,851,551</u>
<b>Total net position</b>	<u>\$ 466,483,469</u>	<u>\$ 421,182,222</u>	<u>\$ 408,815,454</u>	<u>\$ 394,202,648</u>	<u>\$ 375,646,196</u>	<u>\$ 360,055,988</u>	<u>\$ 341,053,259</u>	<u>\$ 314,784,444</u>	<u>\$ 284,228,119</u>	

Note: Fiscal year 2012 balance restated to comply with GASB 63.

Source: VRE's Audited Financial Statements.

# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF OUTSTANDING DEBT Last Ten Fiscal Years (Unaudited)

	June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenue Bonds:										
\$31,700,000 Commuter Rail Revenue Bond, Series 1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,555,000	\$ 12,775,000
Bonds Payable:										
\$46,640,000 Virginia Resources Authority (VRA) Bond 2018	37,295,000	39,770,000	42,120,000	44,360,000	46,640,000	-	-	-	-	-
\$5,972,388 Unamortized Premium on VRA Bond 2018	4,280,212	4,678,371	5,076,530	5,474,689	5,872,848	-	-	-	-	-
\$115,670,000 Transportation District Special Obligation Revenue Bonds (Transforming Rail in Virginia) Series 2022 (Green Bonds)										
\$12,136,265 Unamortized Premium on Series 2022 Bonds	115,670,000	-	-	-	-	-	-	-	-	-
\$12,136,265 Unamortized Premium on Series 2022 Bonds	12,136,265	-	-	-	-	-	-	-	-	-
Private Placement Notes Payable:										
\$25,100,000 Private Placement Note - Gallery IV Cars	5,355,739	6,984,969	8,541,916	10,029,785	11,451,643	12,810,417	14,108,906	15,349,786	16,535,611	17,668,825
\$74,425 Private Placement Note - Equipment	-	-	-	2,628	17,559	34,287	50,048	64,331	-	-
Leases Payable:										
\$1,385,031 Right-to-use asset - buildings	1,284,251	-	-	-	-	-	-	-	-	-
\$579,327 Right-to-use asset - parking lots	293,702	-	-	-	-	-	-	-	-	-
\$99,581 Right-to-use asset - tower	62,665	-	-	-	-	-	-	-	-	-
Notes Payable:										
\$900,000 SunTrust Bank	-	-	-	-	-	-	-	-	-	-
\$63,844,842 FRA Notes	-	-	-	-	-	53,440,159	55,628,942	57,709,856	59,698,580	61,595,765
<b>Outstanding as of June 30</b>	<b>\$ 176,377,834</b>	<b>\$ 51,433,340</b>	<b>\$ 55,738,446</b>	<b>\$ 59,867,102</b>	<b>\$ 63,982,050</b>	<b>\$ 66,284,863</b>	<b>\$ 69,787,896</b>	<b>\$ 73,123,973</b>	<b>\$ 82,789,191</b>	<b>\$ 92,039,590</b>
Debt per Capita:										
Outstanding as of June 30	\$ 176,377,834	\$ 51,433,340	\$ 55,738,446	\$ 59,867,102	\$ 63,982,050	\$ 66,284,863	\$ 69,787,896	\$ 73,123,973	\$ 82,789,191	\$ 92,039,590
Total Participating Jurisdictional Population	N/A	N/A	2,408,454	2,386,893	2,358,778	2,337,754	2,317,876	2,306,060	2,291,535	2,272,215
Debt per Capita	N/A	N/A	\$ 23.14	\$ 25.08	\$ 27.13	\$ 28.35	\$ 30.11	\$ 31.71	\$ 36.13	\$ 40.51
Outstanding Debt as a Percentage of Personal Income:										
Outstanding as of June 30	\$ 176,377,834	\$ 51,433,340	\$ 55,738,446	\$ 59,867,102	\$ 63,982,050	\$ 66,284,863	\$ 69,787,896	\$ 73,123,973	\$ 82,789,191	\$ 92,039,590
Total Personal Income	N/A	N/A	183,648,652,000	175,406,597,000	168,531,401,000	163,383,278,000	158,911,737,000	157,776,294,309	152,996,485,000	150,795,929,000
Total Outstanding Debt as a Percentage of Personal Income	N/A	N/A	0.03%	0.03%	0.04%	0.04%	0.04%	0.05%	0.05%	0.06%

The population data for each participating jurisdiction can be found in the following reports.

- (1) County of Fairfax fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table 4.2, page 306
- (2) County of Arlington fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table L, page 283
- (3) County of Prince William fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table 17, page 277
- (4) County of Stafford fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table S-17, page 220
- (5) County of Spotsylvania fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table S-14, page 213
- (6) City of Alexandria fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table XIX, page 233
- (7) City of Manassas fiscal year 2020 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 199
- (8) City of Manassas Park fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table 14, page 198
- (9) City of Fredericksburg fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table 16, page 202

# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF JURISDICTIONAL CONTRIBUTIONS Last Ten Fiscal Years (Unaudited)

	June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fairfax County	\$ 1,658,006	\$ 6,379,017	\$ 6,253,022	\$ 5,385,794	\$ 6,099,300	\$ 5,160,910	\$ 4,847,284	\$ 4,852,953	\$ 4,747,684	\$ 4,511,265
City of Fredericksburg	95,412	367,089	321,028	436,568	417,278	483,524	439,366	581,244	427,728	339,064
City of Manassas	209,813	807,234	694,742	785,898	684,586	749,372	766,491	686,944	757,804	642,662
City of Manassas Park	121,735	468,364	405,485	511,311	474,718	511,777	576,699	401,762	574,709	441,702
Prince William County	1,541,501	5,930,777	6,098,311	6,183,745	5,363,372	5,968,406	5,309,674	5,485,333	5,748,203	4,761,324
Stafford County	643,856	2,477,175	2,352,820	2,475,127	2,344,514	2,647,221	2,855,607	2,689,391	2,529,281	1,892,640
Spotsylvania County	390,849	1,503,754	1,285,670	1,632,635	1,520,191	1,382,749	1,303,888	1,401,382	1,313,600	3,510,352
City of Alexandria	38,767	149,151	144,807	144,807	140,589	140,589	133,894	133,894	133,894	133,894
Arlington County	56,719	218,219	211,863	211,863	205,692	205,692	195,897	195,897	195,897	195,897
<b>Total contributions</b>	<b>\$ 4,756,658</b>	<b>\$ 18,300,780</b>	<b>\$ 17,767,748</b>	<b>\$ 17,767,748</b>	<b>\$ 17,250,240</b>	<b>\$ 17,250,240</b>	<b>\$ 16,428,800</b>	<b>\$ 16,428,800</b>	<b>\$ 16,428,800</b>	<b>\$ 16,428,800</b>

Source: VRE's Department of Finance



# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF MISCELLANEOUS STATISTICS

### Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Rolling Stock (Owned or Leased)										
Locomotives	20	20	20	20	20	20	20	20	20	20
Railcars	100	100	100	100	100	98	100	93	91	91
<b>Total rolling stock</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>118</b>	<b>120</b>	<b>113</b>	<b>111</b>	<b>111</b>
Stations	19	19	19	19	19	19	19	18	18	18
Parking Spaces (1)	10,842	10,763	10,763	10,795	10,796	10,796	10,743	9,243	9,030	9,030
Employees	56	55	50	50	50	49	45	39	37	37
Ridership and Fare Revenue Data (2):										
Total Ridership	821,828	341,662	3,273,884	4,477,266	4,705,529	4,761,035	4,441,858	4,618,169	4,547,911	4,643,898
Average Daily Ridership	3,314	1,389	12,922	18,053	18,974	18,968	17,767	18,547	18,119	18,878
Average Fare Per Trip	\$ 12.82	\$ 21.23	\$ 10.60	\$ 9.38	\$ 8.97	\$ 8.88	\$ 8.49	\$ 7.95	\$ 8.16	\$ 7.48

(1) In fiscal year 2021, VRE performed a full survey of parking facilities including space counts, resulting in minor changes to multiple station counts.

(2) Ridership in the fourth quarter of fiscal year 2020 was negatively affected by the COVID-19 Novel Coronavirus pandemic. Ridership continued to be impacted by the COVID-19 Novel Coronavirus pandemic in fiscal year 2021 and 2022.

Source: VRE staff



# VIRGINIA RAILWAY EXPRESS

## PRINCIPAL EMPLOYERS OF PARTICIPATING JURISDICTIONS Current Year and Nine Years Ago (Unaudited)

Employers	2021			2012		
	Rank	Employees	Percentage of Total Jurisdictional Employment	Rank	Employees	Percentage of Total Jurisdictional Employment
Federal Government (1) (3) (4) (6)	1	53,043	N/A	1	29,361-30,359	N/A
Fairfax County Public Schools (1)	2	25,389	N/A	2	23,534	N/A
Fairfax County Government (1)	3	12,128	N/A	3	12,070	N/A
Inova Health System (1)	4	10,000-12,000	N/A	5	7,000-10,000	N/A
Amazon (1)	5	5,000-9,999	N/A	-	-	N/A
Booz-Allen Hamilton (1)	6	5,000-9,999	N/A	4	7,000-10,000	N/A
Capital One (1)	7	5,000-9,999	N/A	-	-	N/A
Federal Home Loan Mortgage (1)	8	5,000-9,999	N/A	7	4,000-6,999	N/A
George Mason University (1)	9	5,000-9,999	N/A	8	4,000-6,999	N/A
Science Applications International Corp. (1)	10	5,000-9,999	N/A	10	4,000-6,999	N/A
Mary Washington Healthcare (9)	-	-	N/A	6	4,250	N/A
Northrop Grumman (1)	-	-	N/A	9	4,000-6,999	N/A

### Sources:

(1) through (9) extracted and combined from the following sources:

- (1) County of Fairfax fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table 4.2, page 306
- (2) County of Arlington fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table L, page 283 - Number of Employees not Included
- (3) County of Prince William fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table 17, page 277
- (4) County of Stafford fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table S-17, page 220
- (5) County of Spotsylvania fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table S-14, page 213
- (6) City of Alexandria fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table XIX, page 233
- (7) City of Manassas fiscal year 2020 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 199
- (8) City of Manassas Park fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table 14, page 198
- (9) City of Fredericksburg fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table 16, page 202

**DEMOGRAPHICS AND ECONOMIC STATISTICS OF PARTICIPATING JURISDICTIONS**  
**Fiscal Years 2012 to 2021**  
**(Unaudited)**

	Fairfax County (1)	Prince William County (2)	City of Manassas (3)	City of Manassas Park (4)	Stafford County (5)	City of Fredericksburg (6)	Spotsylvania County (7)	City of Alexandria (8)	Arlington County (9)
<b>2021</b>									
Population	N/A	488,629	N/A	17,219	153,392	28,500	139,971	164,650	240,200
Personal Income (in thousands)	N/A	\$33,168,415	N/A	\$591,059	\$6,779,926	\$1,569,964	\$7,300,517	14,665,740	23,877,561
Per Capita Personal Income	N/A	\$58,765	N/A	\$34,326	\$44,200	\$55,077	\$52,157	N/A	99,407
Unemployment Rate	N/A	4.5%	4.4%	4.3%	4.3%	5.3%	4.4%	4.3%	4.3%
<b>2020</b>									
Population	1,171,848	467,935	42,772	17,478	151,689	28,532	137,200	159,200	231,800
Personal Income (in thousands)	\$100,944,159	\$31,075,084	2,558,279	\$549,159	\$7,410,183	\$1,449,140	\$6,968,418	10,627,334	22,066,896
Per Capita Personal Income	\$86,141	\$56,238	59,812	\$31,420	\$48,851	\$50,790	\$50,790	N/A	95,198
Unemployment Rate	5.6%	8.9%	8.8%	9.9%	7.5%	9.4%	8.1%	7.8%	1.9%
<b>2019</b>									
Population	1,166,965	463,867	41,085	17,307	149,110	29,144	136,215	156,800	226,400
Personal Income (in thousands)	\$96,205,762	\$29,870,606	\$2,315,797	\$512,997	\$7,141,369	\$1,422,897	\$6,918,390	\$10,758,922	\$20,259,857
Per Capita Personal Income	\$82,441	\$55,356	\$56,366	\$29,641	\$47,893	\$48,823	\$50,790	N/A	\$89,487
Unemployment Rate	2.3%	2.6%	2.6%	2.1%	2.7%	3.5%	3.1%	2.2%	2.0%
<b>2018</b>									
Population	1,152,873	459,966	41,641	16,528	145,699	28,360	134,011	154,500	225,200
Personal Income (in thousands)	\$90,357,574	\$28,845,521	\$2,276,430	\$489,907	\$6,841,181	\$1,339,443	\$6,806,448	\$11,760,450	\$19,814,447
Per Capita Personal Income	\$78,376	\$54,740	\$54,668	\$29,641	\$46,954	\$47,230	\$50,790	\$88,088	\$87,986
Unemployment Rate	2.4%	3.0%	2.8%	2.7%	3.3%	4.3%	3.2%	2.4%	2.5%
<b>2017</b>									
Population	1,142,888	456,126	41,501	16,591	144,612	28,297	132,739	152,200	222,800
Personal Income (in thousands)	\$86,834,344	\$27,420,200	\$2,196,606	\$478,667	\$6,657,002	\$1,313,009	\$6,472,198	\$12,115,212	\$19,896,040
Per Capita Personal Income	\$75,978	\$52,555	\$52,929	\$28,851	\$46,034	\$46,401	\$48,759	\$84,079	\$89,300
Unemployment Rate	3.0%	3.5%	3.4%	3.4%	3.6%	4.6%	3.8%	2.6%	2.6%
<b>2016</b>									
Population	1,138,652	449,864	41,483	15,827	142,380	28,118	131,252	149,900	220,400
Personal Income (in thousands)	\$85,311,224	\$26,426,685	\$2,128,617	\$456,625	\$6,425,740	\$1,256,818	\$6,232,417	\$12,071,851	\$18,601,760
Per Capita Personal Income	\$74,923	\$51,354	\$51,313	\$28,851	\$45,131	\$44,698	\$47,484	\$83,167	\$84,400
Unemployment Rate	3.2%	3.7%	3.4%	3.9%	4.0%	4.8%	4.3%	2.9%	2.9%

**DEMOGRAPHICS AND ECONOMIC STATISTICS OF PARTICIPATING JURISDICTIONS**  
**Fiscal Years 2012 to 2021**  
**(Unaudited)**

	County (1)	County (2)	Manassas (3)	Park (4)	County (5)	Fredericksburg (6)	County (7)	Alexandria (7)	County (8)
<b>2015</b>									
Population	1,142,234	441,627	41,764	15,625	142,299	28,213	129,948	147,650	216,700
Personal Income (in thousands)	\$85,675,546	\$25,621,570	\$2,101,356	\$440,063	\$6,296,162	\$1,201,676	\$6,035,568	\$11,789,823	\$18,614,530
Per Capita Personal Income	\$75,007	\$50,355	\$50,315	\$28,164	\$44,246	\$42,593	\$46,446	\$82,253	\$85,900
Unemployment Rate	3.1%	4.4%	4.1%	4.4%	5.2%	6.2%	4.8%	3.5%	3.4%
<b>2014</b>									
Population	1,137,538	433,621	42,081	14,992	138,423	28,132	128,804	144,000	215,000
Personal Income (in thousands)	\$81,620,627	\$24,587,457	\$2,042,822	\$420,586	\$6,091,966	\$1,215,809	\$5,769,970	\$12,692,748	\$18,554,500
Per Capita Personal Income	\$71,752	\$48,962	\$48,545	\$28,054	\$44,010	\$43,218	\$44,797	\$80,506	\$86,300
Unemployment Rate	3.5%	4.8%	5.0%	4.5%	5.2%	5.9%	5.5%	4.6%	3.5%
<b>2013</b>									
Population	1,130,924	425,681	41,725	15,125	135,311	27,307	127,385	142,000	221,045
Personal Income (in thousands)	\$80,982,075	\$23,468,904	\$1,973,426	\$407,528	\$5,900,913	\$1,116,665	\$5,551,815	N/A	\$18,234,223
Per Capita Personal Income	\$71,607	\$47,296	\$47,296	\$26,944	\$43,610	\$40,893	\$43,583	\$77,419	\$82,491
Unemployment Rate	3.7%	5.2%	5.4%	5.0%	5.1%	8.2%	6.2%	4.7%	4.0%
<b>2012</b>									
Population	1,118,602	418,107	40,742	14,409	132,719	26,024	125,808	140,800	216,004
Personal Income (in thousands)	\$77,012,392	\$23,464,178	\$1,965,150	\$393,452	\$5,674,401	\$1,064,199	\$5,543,858	N/A	\$17,273,192
Per Capita Personal Income	\$68,847	\$48,234	\$48,234	\$27,306	\$42,755	\$40,893	\$44,066	\$81,896	\$79,967
Unemployment Rate	4.4%	5.3%	5.6%	4.7%	4.9%	8.8%	6.5%	4.6%	3.5%

Note: Data for participating jurisdictions not available for 2021.

Sources:

- (1) Fairfax County fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table 4.0-D, page 305
- (2) Prince William County fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table 16, page 276
- (3) City of Manassas fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table 14, page 198
- (4) City of Manassas Park fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table 13, page 197
- (5) Stafford County fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table S-15; page 218
- (6) City of Fredericksburg fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 201
- (7) Spotsylvania County fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table S-13, page 212
- (8) City of Alexandria fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table XI and Table XIV, page 226 and Page 228
- (9) Arlington County fiscal year 2021 Annual Comprehensive Financial Report, Statistical Section, Table K, page 282

## VIRGINIA RAILWAY EXPRESS

### PLEDGED REVENUE COVERAGE

Beginning Fiscal Year 2018

(Unaudited)

Fiscal Year Ended June 30,	Revenues <sup>(1)</sup>	Less: Operating Expenses <sup>(2)</sup>	Net Revenues Available for Debt Service	Annual VRA Debt Service	Coverage
2022	\$ 105,036,849	\$ (82,329,324)	\$ 22,707,525	\$ 4,290,841	5.29
2021	103,184,481	(81,823,229)	21,361,252	4,289,481	4.98
2020	103,891,456	(78,525,443)	25,366,013	4,290,400	5.91
2019	107,517,658	(77,681,532)	29,836,126	4,290,993	6.95
2018	90,065,509	(79,049,691)	11,015,818	N/A	N/A

Notes:

(1) Includes operating and net non-operating revenues (subsidies and interest income)

(2) Net of depreciation and amortization

**VIRGINIA RAILWAY EXPRESS**

**WORKING CAPITAL RESERVE FUND**

**Beginning Fiscal Year 2018**

**(Unaudited)**

Fiscal Year Ended June 30,	Cash & Cash Equivalents	Operating Expenses	Less:		90 Days of Cash Expenses (25%)	Ratio
			Depreciation/ Amortization	Cash Expenses		
2022	\$ 92,348,143	\$ 103,882,088	\$ (21,552,764)	\$ 82,329,324	\$ 20,582,331	4.5x
2021	113,216,934	102,941,394	(21,118,165)	81,823,229	20,455,807	5.5x
2020	97,142,781	98,215,763	(19,690,320)	78,525,443	19,631,361	4.9x
2019	75,278,280	96,224,337	(18,542,805)	77,681,532	19,420,383	3.9x
2018	51,186,348	97,250,762	(18,201,071)	79,049,691	19,762,423	2.6x

**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 Operations Board Members and Commissioners  
The Northern Virginia Transportation Commission  
The Potomac and Rappahannock Transportation Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Virginia Railway Express (VRE), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise VRE's basic financial statements, and have issued our report thereon dated November 7, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered VRE's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VRE's internal control. Accordingly, we do not express an opinion on the effectiveness of VRE'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 that a material misstatement of VRE'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 that is 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 VRE'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 that are 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 VRE's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VRE's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PBMares, LLP*

Harrisonburg, Virginia  
November 7, 2022



A TRANSPORTATION PARTNERSHIP

