



# ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the years ended June 30, 2023 and 2022

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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.



Government Finance Officers Association

Certificate of  
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Reporting

Presented to

**Virginia Railway Express**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morrill*

Executive Director/CEO

# **VIRGINIA RAILWAY EXPRESS**

**Annual Comprehensive Financial Report**

**YEARS ENDED JUNE 30, 2023 AND 2022**



Prepared by:

Department of Finance

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## 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 – 65
Required Supplementary Information	
Schedule of Contributions – Virginia Retirement System.....	66
Schedule of Changes in Net Pension (Asset) Liability and Related Ratios – Virginia Retirement System.....	67
Notes to Required Supplementary Information – Virginia Retirement System.....	68
Schedule of the VRE’s Share of Net OPEB Liability – Group Life Insurance Program.....	69
Schedule of the VRE’s Contributions – OPEB – Group Life Insurance Program.....	70
Notes to Required Supplementary Information – Other Postemployment Benefits.....	71

**Statistical Section**

Introduction to Statistical Section.....	72
Schedule of Change in Net Position.....	73
Schedule of Components of Net Position.....	74
Schedule of Outstanding Debt.....	75
Schedule of Jurisdictional Contributions.....	76
Schedule of Miscellaneous Statistics.....	77
VRE System Map.....	78
Principal Employers of Participating Jurisdictions.....	79
Demographics and Economic Statistics of Participating Jurisdictions.....	80 and 81
Debt Service Requirements.....	82 and 83

**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> .....	84 and 85
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## **Introductory Section**





VIRGINIA RAILWAY EXPRESS

November 7, 2023

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, 2023, 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 2023, VRE operated 32 daily trains in revenue service and carried an average daily ridership of 5,866 over 250 service days. VRE ridership throughout fiscal year 2023 continued to be materially affected by changes to employment and travel patterns resulting from the COVID-19 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 2023, VRE focused on improving its facilities, rolling stock, and systems to ensure the financial health and operational safety of the current rail service and to allow for future system expansion.

- **Facilities:** In fiscal year 2023, VRE completed work on the Rolling Road Station Improvements project, the construction of the L’Enfant South Storage Track, and the Headquarters office renovation. Construction was also substantially completed on the Lifecycle Overhaul and Upgrade (LOU) Facility at Crossroads Yard, and an opening ceremony was held on June 28, 2023. However, the facility did not officially enter service until August 2023. Major construction work continued as well on the Quantico and Fredericksburg station improvement projects, and construction kicked off on the new parking garage and pedestrian bridge at the Manassas Park station. Development efforts continued on several VRE expansion projects that will allow for future system growth, including the Broad Run, Crystal City, Alexandria, and L’Enfant station projects.
- **Rolling Stock:** In fiscal year 2023, progress continued towards the delivery of twenty-one new passenger railcars from Alstom Transportation Inc. Once in service, the expanded railcar fleet will provide VRE with operational flexibility and the opportunity for longer trains and/or additional service frequency. The cars are expected to be completed and ready for revenue service by fiscal year 2027.
- **Systems:** In fiscal year 2023, VRE began using the Automated Passenger Counter (APC) system for certain ridership tracking and planning purposes, although the system has not yet undergone Federal Transit Administration validation for use in reporting to the National Transit Database (NTD). That validation has been delayed by the pandemic and low ridership but is expected soon. VRE also completed installation of certain station lighting upgrades. VRE is continuing the deployment of a system-wide upgrade to the Variable Message Sign (VMS) network. Additional development and implementation work on the Tyler “Enterprise ERP” system (previously known as Munis) also continued this year, with a successful July 1, 2023, go live date for the inventory module.

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.” \$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.

December 2019 saw the announcement of 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 as well as the Track 22 rehabilitation project at Union Station in conjunction with Amtrak. In March 2021, VRE entered into a Funding Agreement with the Virginia Passenger Rail Authority (VPRA) that commits VRE to use C-ROC funds to support the TRV program both through the issuance of debt and through pay-as-you-go (PAYGO) capital contributions.

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 transferred to VPRA in July 2022. VRE continues to make PAYGO capital contributions in accordance with the Funding Agreement that are supporting the engineering and design efforts on the Long Bridge project.

### ***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.

The TRV program of projects will address many of the needs identified in VRE’s System Plan 2040, and VRE is contributing 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 essentially 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 18-24 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 impact of the COVID-19 pandemic on employment and travel patterns. As of October 2023, midweek ridership on VRE remains down approximately 60 percent from pre-pandemic levels. Ridership grew steadily in fiscal year 2023 as more employees returned to working in offices, and ridership is expected to continue to grow in fiscal year 2024. 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, 2022 and 2021.

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 VRE Accounting and 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.

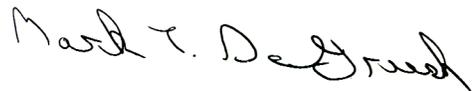
Respectfully submitted,



Rich Dalton  
Chief Executive Officer



Mark Schofield  
Chief Financial Officer



Mark T. DeGrush  
Comptroller

**DIRECTORY OF PRINCIPAL OFFICIALS AND KEY PERSONNEL  
2023 VRE Operations Board**

Officers

Chair	Hon. James Walkinshaw, Fairfax County
Vice - Chair	Hon. Meg Bohmke, Stafford County
Secretary	Hon. Ralph Smith, City of Manassas
Treasurer	Hon. Sarah Bagley, City of Alexandria

Members

Hon. Andrea Bailey, Prince William County  
Margaret Franklin, Prince William County  
Hon. Monica Gary, Stafford County  
Hon. Lori Hayes, Spotsylvania County  
Hon. Takis Karantonis, Arlington County  
Hon. Matthew Kelly, City of Fredericksburg  
Hon. Jeanine Lawson, Prince William County  
Michael McLaughlin, Commonwealth of Virginia  
Hon. Alanna Mensing, City of Manassas Park  
Hon. Daniel Storck, Fairfax County

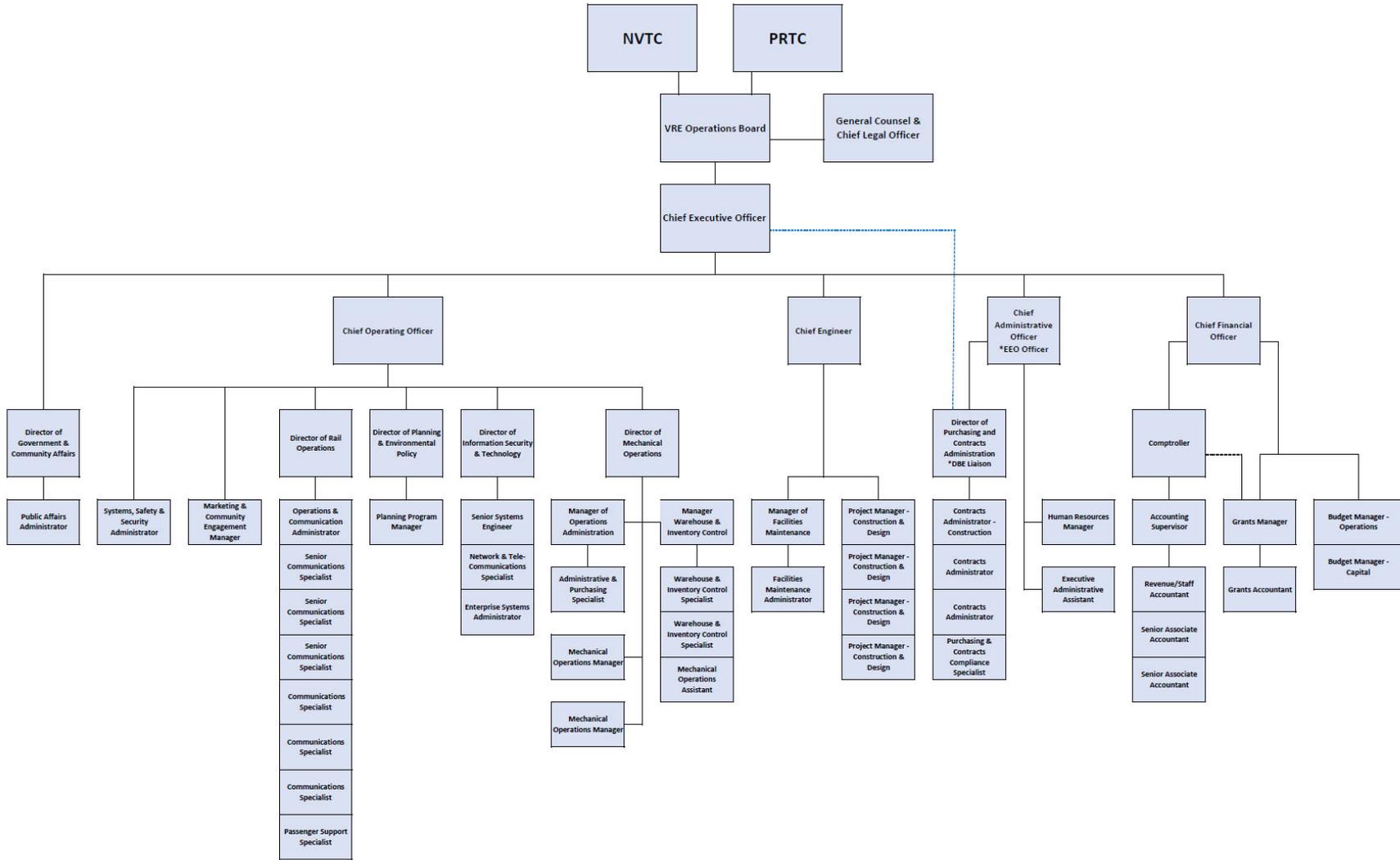
Alternates

Hon. Canek Aguirre, City of Alexandria  
Hon. Victor Angry, Prince William County  
Hon. Deborah Frazier, Spotsylvania County  
Hon. Libby Garvey, Arlington 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	Anaya Farah
Chief Legal Officer	Stephen A. MacIsaac
Comptroller	Mark T. DeGrush
Director, Government and Community Affairs	Joseph Swartz
Director, Rail Operations	Chris Henry

Virginia Railway Express  
 Organizational Chart  
 As of June 30, 2023



\* 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

VRE General Counsel & Chief Legal Officer reports to the Operations Board and also assists the NVTC Commission with legal matters

## **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, 2023 and 2022, 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, 2023 and 2022, 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 66-71, 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, 2023 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, 2023



## 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, 2023. 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 34 percent compared to the prior year, from \$10,634,078 to \$14,250,860. Ridership increased 78.4 percent from 821,828 to 1,466,480, reflecting the return of ridership following the COVID-19 Coronavirus pandemic throughout fiscal year 2022 and 2023. Average daily ridership was 5,866 in fiscal year 2023 compared to 3,314 in fiscal year 2022. 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 11.9 percent from \$82,329,324 to \$92,086,157. Primary drivers of increased costs include salaries and benefits, professional/administrative services, access fees, diesel fuel, and contract & grant funded operations/maintenance.
- Non-operating revenue increased 7 percent from \$97,311,179 to \$103,932,325, primarily as the result of increased funds from the Commonwealth of Virginia to support access fee payments, increased jurisdictional subsidy contributions to meet fiscal year budgetary needs, offset by reduction of operating support related to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- Capital grants and assistance increased by 13.2 percent from \$44,146,486 to \$49,988,142 because 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 2023.
- The operating loss before depreciation and amortization was \$77,835,297, an increase from the previous year of 8.6 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 \$46,319,525 from \$466,483,469 to \$512,802,994, or 9.9 percent, primarily due to an increase in passenger revenue, jurisdictional subsidies, state, and federal grants including operating support related to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, as well as investment revenue related to the LGIP CROC fund and the various funds supporting the Series 2022 bond issuance. At the end of the fiscal year, unrestricted net position was \$154,596,921, an increase of \$6,089,442, 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 41.9 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 24-65 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, 2023, 2022, and 2021 is shown below.

### Condensed Statements of Net Position

	2023	2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>			
Current and other assets	\$ 199,840,804	\$ 305,953,698	\$ 155,541,220
Capital assets, net	502,695,977	354,171,361	326,005,769
<b>Total assets</b>	<b>702,536,781</b>	660,125,059	481,546,989
Deferred outflows of resources	1,084,713	1,455,938	1,718,418
<b>Total assets and deferred outflows of resources</b>	<b>703,621,494</b>	661,580,997	483,265,407
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>			
Current portion of long-term debt	6,720,018	6,819,694	4,104,230
Other current liabilities	18,372,265	14,241,895	8,215,879
Noncurrent liabilities	164,030,549	170,730,321	49,715,447
<b>Total liabilities</b>	<b>189,122,832</b>	191,791,910	62,035,556
Deferred inflows of resources	1,695,668	3,305,618	47,629
<b>Total liabilities and deferred inflows of resources</b>	<b>190,818,500</b>	195,097,528	62,083,185
<b>NET POSITION:</b>			
Net investment in capital assets	322,715,330	290,402,387	274,934,995
Restricted	35,490,743	27,573,603	14,781,470
Unrestricted	154,596,921	148,507,479	131,465,757
<b>Total net position, as restated</b>	<b>\$ 512,802,994</b>	\$ 466,483,469	\$ 421,182,222

## **Current Year**

Net position increased by approximately \$46.3 million, or 9.9 percent during the current fiscal year, due mainly to an increase in passenger revenue, jurisdictional subsidies, state, and federal grants including operating support related to the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, as well as investment revenue related to the LGIP CROC fund and the various funds supporting the Series 2022 bond issuance.

The largest portion of VRE's net position, \$322.7 million or 62.9 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 \$7.9 million or 28.7 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, \$35.5 million, represents resources that are restricted bond proceeds and for debt service.

Capital assets, net of accumulated depreciation and amortization, increased approximately \$148.5 million or 41.9 percent as the result of increased construction in progress (CIP) project expenditures, a contribution to the VPRA for the CSX right of way project, and the implementation of GASB 96 (Subscription-Based Information Technology Arrangements) creating a right-to-use subscription asset.

Current liabilities increased approximately \$4.0 million or 19.1 percent because of increases in accounts payable and accrued expenses.

Noncurrent liabilities and deferred inflows of resources decreased approximately \$8.3 million or 4.8 percent primarily because of scheduled bond and capital lease repayments during the year and the reduction of the pension liability.

## **Prior 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 \$12.8 million or 86.5 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 10.8 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.

## 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.

	2023	2022	2021
Operating revenues:			
Passenger revenue	\$ 13,940,102	\$ 10,517,221	\$ 7,251,796
Equipment rentals and other	310,758	116,857	165,478
<b>Total operating revenues</b>	<b>14,250,860</b>	<b>10,634,078</b>	<b>7,417,274</b>
Nonoperating revenues:			
Subsidies:			
Commonwealth of Virginia	42,011,586	21,975,609	14,110,733
Federal – with PRTC as grantee	9,289,764	8,070,012	21,741,238
Federal – CARES Act	20,267,695	47,232,405	28,305,131
Jurisdictional contributions	13,544,122	4,756,658	18,300,780
Commuter Rail Operating and Capital Fund	15,000,000	15,000,000	15,000,000
Interest income	3,803,323	276,495	213,894
Increase in fair value of investments	15,835	-	-
<b>Total nonoperating revenues, net</b>	<b>103,932,325</b>	<b>97,311,179</b>	<b>97,671,776</b>
<b>Total revenues</b>	<b>118,183,185</b>	<b>107,945,257</b>	<b>105,089,050</b>
Operating expenses:			
Contract operations and maintenance	30,866,478	28,495,740	28,125,410
Other operations and maintenance	20,661,998	17,763,617	15,603,856
Property leases and access fees	18,436,123	17,283,411	17,354,979
Insurance	7,732,360	7,431,921	7,100,216
Marketing and sales	1,175,036	795,787	979,335
General and administrative	13,214,162	10,558,848	12,659,432
<b>Total operating expenses</b>	<b>92,086,157</b>	<b>82,329,324</b>	<b>81,823,228</b>
Other expenses:			
Depreciation and amortization	22,480,189	21,552,764	21,118,165
Interest, financing costs and other	7,285,456	2,908,408	1,904,569
<b>Total other expenses</b>	<b>29,765,645</b>	<b>24,461,172</b>	<b>23,022,734</b>
<b>Total expenses</b>	<b>121,851,802</b>	<b>106,790,496</b>	<b>104,845,962</b>
Surplus (deficit) before capital contributions and extraordinary item	(3,668,617)	1,154,761	243,088
Capital grants and assistance:			
Commonwealth of Virginia grants	27,879,245	25,604,500	2,339,034
Federal grants – with PRTC as grantee	20,406,397	17,603,912	8,738,493
Regional transportation funding (NVTa)	1,702,500	875,805	528,067
In-kind and other local contributions	-	62,269	518,086
<b>Total capital grants and assistance</b>	<b>49,988,142</b>	<b>44,146,486</b>	<b>12,123,680</b>
<b>Change in net position</b>	<b>46,319,525</b>	<b>45,301,247</b>	<b>12,366,768</b>
Net position - beginning of year	466,483,469	421,182,222	408,815,454
Net position - end of year	<b>\$ 512,802,994</b>	<b>\$ 466,483,469</b>	<b>\$ 421,182,222</b>

## Revenues

### Current Year

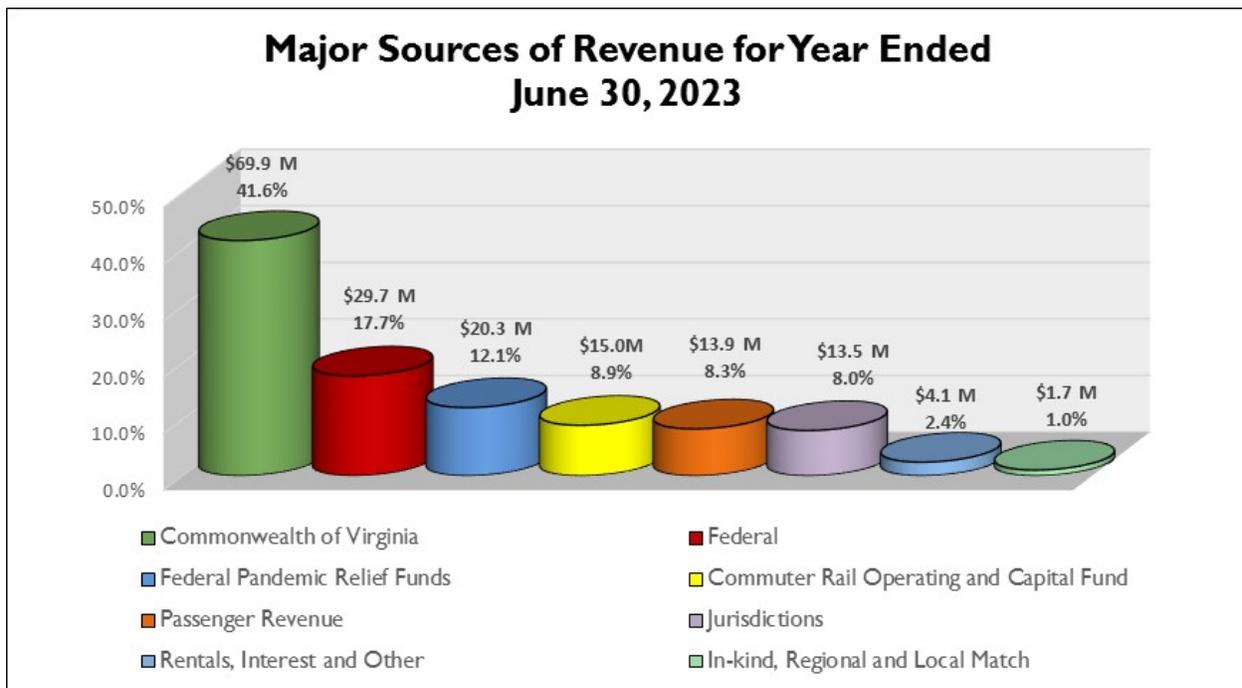
Total revenues for the current fiscal year increased approximately \$10.2 million or 9.5 percent. Operating revenues totaled approximately \$14.3 million, an increase of 34.0 percent from the prior year. Jurisdictional subsidies and contributions to project operating costs increased by approximately \$8.8 million. State, federal, and regional subsidies decreased by \$5.7 million, primarily as the result of a reduction of \$27.0 million in CARES Act funding related to the COVID-19 pandemic, \$15.9 million increase from return of federal and state operating support for railroad access fees and an additional \$4.1 million in state operating subsidy. Fiscal year 2023 is the fifth year of the Commuter Rail Operating and Capital (C-ROC) Fund, with \$15.0 million contributed to VRE each year.

Passenger revenue increased approximately \$3.4 million or 32.5 percent, reflecting the effects of the return of ridership in the early period following the COVID-19 pandemic. Total ridership increased by 78.4 percent as the result of the same factor. Average daily ridership was 5,866 in fiscal year 2023 compared to 3,314 in fiscal year 2022 and 1,389 in fiscal year 2021.

	June 30,		
	2023	2022	2021
Ridership	1,466,480	821,828	341,662
% Increase (Decrease)	78.4%	140.5%	(89.6%)

Capital grants and assistance increased approximately \$5.8 million or 13.2 percent; this increase is attributed to increases in capital project spending in fiscal year 2023. VRE continues to have many capital projects in various stages of development, several of which are in the major construction phase in fiscal year 2023.

The following chart shows the major sources of revenue for the year ended June 30, 2023:



## **Prior 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.

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.

## **Expenses**

### **Current Year**

Total operating and other expenses, including depreciation and amortization, increased by approximately \$15.1 million or 14.1 percent. Operating expenses increased by approximately \$9.8 million or 11.9 percent. Total operating expenses were approximately \$92.1 million compared to \$82.3 million for the prior fiscal year.

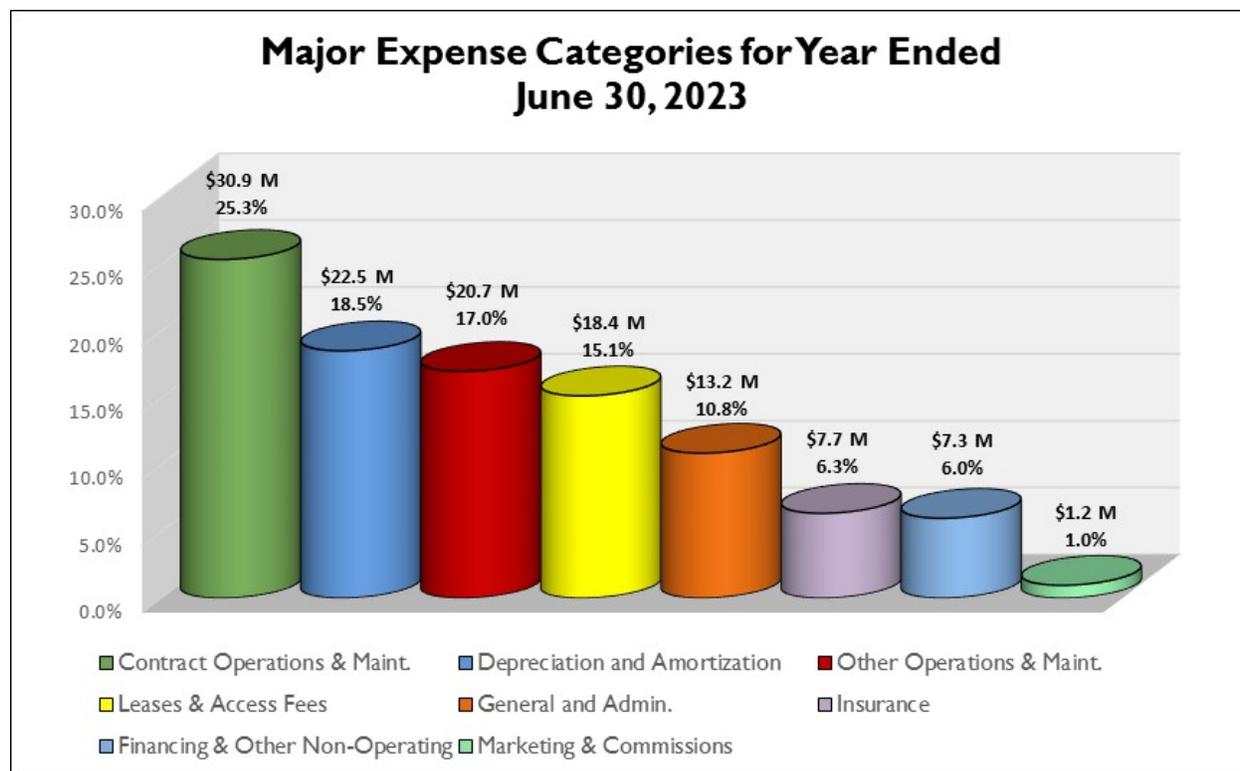
Insurance costs increased by \$0.3 million or 4.0 percent due to ongoing changes in the global insurance market for commuter railroads. General and administrative costs increased by \$2.7 million or 25.1 percent, primarily due to increases in salaries, consulting services, and new major CIP projects, offset by the effects of the implementation of the GASB 96 SBITA standard related to software costs.

Contract operations and maintenance increased by approximately \$2.4 million or 8.3 percent, primarily due to increased costs for train operations.

Marketing and sales costs increased by \$0.4 million or 47.7 percent, primarily due to ramped up post-pandemic marketing production efforts.

Depreciation and amortization increased by approximately \$0.9 million or 4.3 percent, primarily due to the implementation of the GASB 96 standard. Net interest and financing costs increased by approximately \$4.4 million or 150.5 percent, related to the bond interest related to the Series 2022 Bond, offset by the Series 2022 Bond issuance costs primarily being incurred in the prior fiscal year.

The following chart shows the major expense categories for the year ended June 30, 2023:



### **Prior 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.

## Capital Assets and Debt Administration

### Capital Assets

VRE's investment in capital assets as of June 30, 2023 totals approximately \$502.7 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.

	2023	2022	2021
Construction in progress	\$ 121,202,856	\$ 80,340,785	\$ 33,184,419
Intangible right-to-use lease buildings	1,463,568	1,385,031	-
Intangible right-to-use lease parking lots	273,503	579,328	-
Intangible right-to-use lease tower	99,581	99,581	-
Right-to-use subscription asset	1,534,524	-	-
Rolling stock	286,777,390	285,303,075	285,279,918
Vehicles	151,340	145,560	145,560
Facilities	119,028,802	112,979,178	112,809,451
Track and signal improvements	100,108,269	100,108,269	100,108,269
Equipment and software	13,917,147	13,370,290	13,031,118
Equity in property of others	124,946,482	5,787,287	5,787,287
Furniture, equipment and building improvements	7,532,000	6,259,838	6,258,646
	<u>777,035,462</u>	<u>606,358,222</u>	<u>556,604,668</u>
Less accumulated depreciation and amortization	(274,339,485)	(252,186,861)	(230,598,899)
<b>Total capital assets, net</b>	<b><u>\$ 502,695,977</u></b>	<b><u>\$ 354,171,361</u></b>	<b><u>\$ 326,005,769</u></b>

### Current Year

During fiscal year 2023, capital assets increased approximately \$148.5 million or 41.9 percent as the result of new project construction, a contribution to the VPRA for the CSX right of way project, and the implementation of the GASB 96 Subscription-Based Information Technology Arrangements standard. This increase was offset by the recognition of annual depreciation and amortization, the write-off of GASB 87 Leased assets (\$0.3 million), and the write-off of station platform construction in progress amounts (\$0.7 million). Completed projects totaling approximately \$10.2 million were transferred from construction in progress to their respective capital accounts and an additional \$119.4 million was charged directly to the capital accounts.

The major completed projects during the fiscal year were the contribution to the VPRA for the CSX right of way project (\$119.2 million), the Rolling Road Station improvements (\$3.8 million), the L'Enfant Storage South project (\$1.7 million), the Automated Passenger Counters in railcars project (\$1.5 million), the HQ renovation project (\$1.2 million), the second portion of the Lighting Replacements project (\$0.5 million), and improvements to the VMS Proof of Concept project (\$0.4 million).

The major additions to construction in progress during the fiscal year were costs related to the Crossroads LOU project (\$21.2 million), the Quantico Platform project (\$10.2 million), the contribution to the VPRA Long Bridge project (\$7.5 million), the twenty-one New Railcars project (\$4.3 million), the Fredericksburg Station rehab project (\$2.9 million), the Broad Run station & platform project (\$2.7 million), the Manassas Park parking expansion project (\$0.7 million), and the Crossroads MSF expansion project (\$0.5 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 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.

## **Debt Administration**

At June 30, 2023, VRE had total debt outstanding of \$153,544,036.

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 were 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 (VPRA) to assist with VPRA’s purchase of rail right-of-way from CSX Transportation.

	<b>2023</b>	2022	2021
Bonds payable	<b>\$ 148,210,000</b>	\$ 152,965,000	\$ 39,770,000
Private placement note payable	<b>3,650,870</b>	5,355,739	6,984,969
Leases payable	<b>1,381,122</b>	1,640,618	-
Subscription liability	<b>302,044</b>	-	-
<b>Total</b>	<b>\$ 153,544,036</b>	\$ 159,961,357	\$ 46,754,969

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

The local subsidy for fiscal year 2024 increased by \$2,455,878 or 18.1 percent to \$16,000,000. 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 2024. Additional sources of funding will be available in fiscal year 2024 from federal, state and regional sources, although the amounts received will continue to vary from year to year.

### **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, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2023	2022
Current Assets:		
Cash and cash equivalents	\$ 80,010,886	\$ 92,348,142
Accounts receivable:		
Federal Due from PRTC	32,091,015	22,615,359
Federal CARES Act	3,264,673	4,637,278
Commonwealth of Virginia grants	37,323,122	30,021,278
Commonwealth Rail Operating and Capital (C-ROC) Fund	2,500,000	2,500,000
Trade receivables, net of allowance for doubtful accounts	373,999	469,433
Other receivables	3,987,992	1,603,242
Inventory	3,165,942	3,148,774
Prepaid expenses and other	572,705	474,445
Restricted cash, cash equivalents and investments	35,423,290	145,841,405
<b>Total current assets</b>	<b>198,713,624</b>	<b>303,659,356</b>
Noncurrent Assets:		
Capital assets:		
Construction in progress	121,202,856	80,340,785
Intangible right-to-use lease buildings	1,463,568	1,385,031
Intangible right-to-use lease parking lots	273,503	579,328
Intangible right-to-use lease tower	99,581	99,581
Right-to-use subscription assets	1,534,524	-
Rolling stock	286,777,390	285,303,075
Vehicles	151,340	145,560
Facilities	119,028,802	112,979,178
Track and signal improvements	100,108,269	100,108,269
Equipment and software	13,917,147	13,370,290
Equity in property of others	124,946,482	5,787,287
Furniture, equipment and building improvements	7,532,000	6,259,838
	777,035,462	606,358,222
Less accumulated depreciation and amortization	(274,339,485)	(252,186,861)
<b>Total capital assets, net</b>	<b>502,695,977</b>	<b>354,171,361</b>
Leases receivable, noncurrent portion	1,059,727	1,402,949
Net pension asset	67,453	891,393
<b>Total noncurrent assets</b>	<b>503,823,157</b>	<b>356,465,703</b>
<b>Total assets</b>	<b>702,536,781</b>	<b>660,125,059</b>
Deferred Outflows of Resources:		
Loss on refunding	300,853	331,710
Pension plan	694,950	1,032,127
Other postemployment benefits	88,910	92,101
<b>Total deferred outflows of resources</b>	<b>1,084,713</b>	<b>1,455,938</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 703,621,494</b>	<b>\$ 661,580,997</b>

# VIRGINIA RAILWAY EXPRESS

## STATEMENTS OF NET POSITION (Continued) June 30, 2023 and 2022

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

	2023	2022
Current Liabilities:		
Accounts payable	\$ 9,045,422	\$ 7,370,602
Payable to the Commissions	1,937,977	1,687,982
Compensated absences	52,732	131,776
Accrued expenses	3,682,809	1,801,975
Accrued interest	913,781	482,987
Unearned revenue	1,266,371	1,202,584
Contract retainage	1,473,173	1,563,989
Current portion of bonds payable	4,565,000	4,755,000
Subscription liability	195,558	-
Lease liability	175,438	359,824
Current portion of private placement note payable	1,784,022	1,704,870
<b>Total current liabilities</b>	<b>25,092,283</b>	<b>21,061,589</b>
Noncurrent Liabilities:		
Other postemployment benefits	328,073	305,585
Bonds payable	159,591,000	164,626,477
Private placement note payable	1,866,848	3,650,869
Subscription liability	106,486	-
Lease liability	1,205,684	1,280,794
Compensated absences	932,458	866,596
<b>Total noncurrent liabilities</b>	<b>164,030,549</b>	<b>170,730,321</b>
<b>Total liabilities</b>	<b>189,122,832</b>	<b>191,791,910</b>
Deferred Inflows of Resources:		
Leases	1,029,445	1,402,949
Pension plan	582,225	1,761,605
Other postemployment benefits	83,998	141,064
<b>Total deferred inflows of resources</b>	<b>1,695,668</b>	<b>3,305,618</b>
Net Position:		
Net investment in capital assets	322,715,330	290,402,387
Restricted for liability insurance plan	10,147,403	10,022,903
Restricted for debt service	22,521,722	14,122,731
Restricted grants or contributions	2,754,165	2,536,576
Restricted pension asset	67,453	891,393
Unrestricted net position	154,596,921	148,507,479
<b>Total net position</b>	<b>512,802,994</b>	<b>466,483,469</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 703,621,494</b>	<b>\$ 661,580,997</b>

# VIRGINIA RAILWAY EXPRESS

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues:		
Passenger revenue	\$ 13,940,102	\$ 10,517,221
Equipment rentals and other	310,758	116,857
<b>Total operating revenues</b>	<b>14,250,860</b>	10,634,078
Operating Expenses:		
Contract operations and maintenance	30,866,478	28,495,740
Other operations and maintenance	20,661,998	17,763,617
Property leases and access fees	18,436,123	17,283,411
Insurance	7,732,360	7,431,921
Marketing and sales	1,175,036	795,787
General and administrative	13,214,162	10,558,848
<b>Total operating expenses</b>	<b>92,086,157</b>	82,329,324
<b>Operating loss before depreciation and amortization</b>	<b>(77,835,297)</b>	(71,695,246)
Depreciation and Amortization	(22,480,189)	(21,552,764)
<b>Operating loss</b>	<b>(100,315,486)</b>	(93,248,010)
Nonoperating Revenues (Expenses):		
Subsidies:		
Commonwealth of Virginia grants	42,011,586	21,975,609
Federal grants – with PRTC as grantee	9,289,764	8,070,012
Federal CARES Act	20,267,695	47,232,405
Jurisdictional contributions	13,544,122	4,756,658
Commuter Rail Operating and Capital (C-ROC) Fund	15,000,000	15,000,000
Interest income:		
Operating funds	1,069,411	101,474
Insurance trust	183,169	19,451
Commonwealth Rail Operating and Capital (C-ROC) Fund	1,894,380	139,208
Leases	19,778	29,174
Other restricted funds	636,585	(12,812)
Interest, amortization and other nonoperating expenses, net	(7,285,456)	(2,908,408)
Increase in fair value of investments	15,835	-
<b>Total nonoperating revenues, net</b>	<b>96,646,869</b>	94,402,771
Capital Grants and Assistance:		
Commonwealth of Virginia grants	27,879,245	25,604,500
Federal grants – with PRTC as grantee	20,406,397	17,603,912
Regional transportation funding (NVT A)	1,702,500	875,805
Local contributions	-	62,269
<b>Total capital grants and assistance</b>	<b>49,988,142</b>	44,146,486
<b>Change in net position</b>	<b>46,319,525</b>	45,301,247
Net Position, beginning of year	466,483,469	421,182,222
Net Position, ending	<b>\$ 512,802,994</b>	<b>\$ 466,483,469</b>

# VIRGINIA RAILWAY EXPRESS

## STATEMENTS OF CASH FLOWS Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Receipts from customers	\$ 14,252,225	\$ 10,054,329
Payments to suppliers	(82,754,681)	(73,135,971)
Payments to employees	(9,019,027)	(8,496,495)
<b>Net cash used in operating activities</b>	<b>(77,521,483)</b>	<b>(71,578,137)</b>
Cash Flows from Noncapital Financing Activities:		
Governmental subsidies	81,116,539	83,196,830
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(166,991,329)	(43,893,625)
Capital grants and assistance	51,183,285	20,423,389
Proceeds from bond issuance	-	129,521,695
Proceeds from sale of capital assets	-	18,000
Private placement note payable	(1,704,869)	(1,629,230)
Principal paid on bonds	(4,755,000)	(2,475,000)
Lease liability	(359,710)	(423,322)
Subscription liability	(197,809)	-
Interest paid on private placement note payable	(211,845)	(302,128)
Interest paid on bonds and notes	(7,095,831)	(1,716,641)
Interest paid on leases	(44,234)	(50,937)
Interest paid on subscription liability	(4,084)	-
Bond issuance cost	-	(1,147,071)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(130,181,426)</b>	<b>98,325,130</b>
Cash Flows from Investing Activities:		
Interest received on investments	3,830,999	247,321
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(122,755,371)</b>	<b>110,191,144</b>
Cash and Cash Equivalents, beginning	238,189,547	127,998,403
Cash and Cash Equivalents, ending	\$ 115,434,176	\$ 238,189,547
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating loss	\$ (100,315,486)	\$ (93,248,010)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	22,480,189	21,552,764
Write-off of construction in progress to expense	704,293	-
(Increase) decrease in:		
Accounts receivable	95,434	(182,244)
Inventory	(17,168)	(265,305)
Prepaid expenses and other	(98,260)	110,680
Lease receivable	(30,282)	
Deferred outflows of resources – pension	337,177	218,309
Deferred outflows of resources – other postemployment benefits	3,192	13,316
Deferred inflows of resources - pension	(1,179,380)	1,750,193
Deferred inflows of resources - other postemployment benefits	(57,066)	104,847
Pension asset	823,940	(2,120,377)
Other postemployment benefits	22,488	(130,428)
Increase (decrease) in:		
Accounts payable and accrued expenses	(225,767)	1,015,623
Unearned revenue	(64,787)	(397,505)
<b>Net cash used in operating activities</b>	<b>(77,521,483)</b>	<b>(71,578,137)</b>
Schedule of Noncash Capital Activities:		
Capital assets acquired through accounts payable	\$ 6,157,795	\$ 4,755,232
Capital assets acquired through accrued liabilities	3,160,495	562,821
Right-to-use assets acquired through subscriptions	583,559	-
Intangible right-to-use assets acquired through leases	100,277	2,063,940
Premium on bond acquired via debt issuance	-	12,136,265

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### 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

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### 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 \$35,423,290 and \$145,841,405 at June 30, 2023 and 2022, respectively, are comprised of funds related to a property transfer with restricted future uses; a refund of the credit risk premium of a retired Railroad Rehabilitation & Improvement Financing (RRIF) loan; a small liability claims account; a debt service reserve fund for the Virginia Resources Authority (VRA) 2018A financing; a Liability Insurance Plan; a revenue fund, bond debt service fund, net proceeds project fund, debt service reserve fund, revenue stabilization fund, and cost of issuance (COI) fund related to the Series 2022 bond issuance; and a residual fund containing excess funds from the Series 2022 bond revenue fund that are restricted in use in accordance with the Funding Agreement between VRE and the Virginia Passenger Rail Authority (VPRA).

**Allowance for uncollectible accounts:** VRE calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The allowance was \$70,000 and \$53,000 at June 30, 2023 and 2022, 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

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### 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 investments in jurisdictional facilities and other infrastructure (“equity in property of others”) recognizes the right of access for commuter rail patrons granted to the Commissions. This category represents investments in Amtrak infrastructure and facilities, as well as the recent contributions to the Virginia Passenger Rail Authority (VPRA) for the CSX right-of-way purchase and Long Bridge project, all which provide primary benefit to the commuter rail service and an expectation of continued use by the VRE.

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 lease and subscription 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 building improvements	3-10 years
Intangible right-to-use lease assets and subscription assets	2-15 years

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2023 and 2022.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

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

**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.

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.

Lease assets are reported with other capital assets as intangible right-to-use lease 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

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### 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.

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

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

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

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

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

**Compensated absences:** 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.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

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

**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, represent a consumption of net assets that applies to future periods 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, represent an acquisition of net assets that applies to future periods 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.

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

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

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

**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, 2023, 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).

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.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

**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, 2023 and 2022, the book balance of VRE's deposits with banks was \$16,958,351 and \$4,399,846, 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, 2023 and 2022, VRE had investments of \$65,865,854 and \$90,541,767, 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.

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, 2023 and 2022, VRE had \$10,088,248 and \$9,966,010, respectively, invested in the Insurance Trust. In fiscal years 2023 and 2022, earnings on the Insurance Trust in the amount of \$183,169 and \$19,451, respectively, were credited to VRE. The Insurance Trust Fund has not been assigned a rating.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

**Concentration of credit risk (continued):** 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, 2023 and 2022, VRE had \$2,012,087 and \$1,985,231, 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. The DSRF and RS are held in custody by U.S. Bank as the Trustee for the Series 2022 bonds. On the closing date of the bond transaction, 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, 2023 and 2022, VRE had \$7,445,493 and \$7,500,000 invested in the Debt Service Reserve Fund, \$3,884,111 and \$3,750,000 in the Revenue Stabilization Fund, and \$0 and \$887,500 in the Cost of Issuance Fund.

At June 30, 2022, the funds in the DSRF and RS were invested in a JP Morgan US Government Money Market Fund. In July 2022, the DSRF and RS were re-invested in the Virginia State Non-Arbitrage Program (SNAP), with management of the funds provided by PFM Asset Management LLC. The COI funds were invested in SNAP as of the closing of the bond transaction. 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, 2023 and 2022, the carrying values and maturity of VRE's investments were as follows:

Investment Type	2023	
	Fair Value	Maturities Less than 1 Year
LGIP	\$ 65,865,854	\$ 65,865,854
Insurance trust fund - pooled funds	10,088,248	10,088,248
Series 2022 debt service fund	913,493	913,493
Series 2022 debt service reserve fund	7,445,493	7,445,493
Series 2022 revenue stabilization fund	3,884,111	3,884,111
Series 2022 revenue fund	8,266,539	8,266,539
VRA debt service reserve fund	2,012,087	2,012,087
<b>Total investments</b>	<b>\$ 98,475,825</b>	<b>\$ 98,475,825</b>

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 cost of issuance 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>

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:

- Securities issued or guaranteed by the U.S. government and other commercial instruments of \$22,521,723 as of June 30, 2023, 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, 2023 was as follows:

	* Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Capital assets not being depreciated or amortized:					
Construction in progress	\$ 80,340,785	\$ 51,856,763	\$ (835,464)	\$ (10,159,228)	\$ 121,202,856
Capital assets being depreciated or amortized:					
Intangible right-to-use lease buildings	1,385,031	100,277	(21,740)	-	1,463,568
Intangible right-to-use lease parking lots	579,328	-	(305,825)	-	273,503
Intangible right-to-use lease tower	99,581	-	-	-	99,581
Right-to-use subscription assets	583,559	-	-	950,965	1,534,524
Rolling stock	285,303,075	-	-	1,474,315	286,777,390
Vehicles	145,560	5,780	-	-	151,340
Facilities	112,979,178	-	-	6,049,624	119,028,802
Track and signal improvements	100,108,269	-	-	-	100,108,269
Equipment and software	13,370,290	107,327	-	439,530	13,917,147
Equity in property of others	5,787,287	119,159,195	-	-	124,946,482
Furniture, equipment and building improvements	6,259,838	27,368	-	1,244,794	7,532,000
<b>Total capital assets being depreciated or amortized</b>	<b>526,600,996</b>	<b>119,399,947</b>	<b>(327,565)</b>	<b>10,159,228</b>	<b>655,832,606</b>
Less accumulated depreciation or amortization for:					
Intangible right-to-use lease buildings	135,275	118,551	(21,740)	-	232,086
Intangible right-to-use lease parking lots	292,896	231,732	(305,825)	-	218,803
Intangible right-to-use lease tower	38,547	38,548	-	-	77,095
Right-to-use subscription assets	-	498,284	-	-	498,284
Rolling stock	128,362,012	11,674,598	-	-	140,036,610
Vehicles	134,175	9,110	-	-	143,285
Facilities	54,530,757	3,238,435	-	-	57,769,192
Track and signal improvements	47,522,780	5,575,677	-	-	53,098,457
Equipment and software	11,424,168	654,618	-	-	12,078,786
Equity in property of others	4,462,285	164,593	-	-	4,626,878
Furniture, equipment and building improvements	5,283,966	276,043	-	-	5,560,009
<b>Total accumulated depreciation or amortization</b>	<b>252,186,861</b>	<b>22,480,189</b>	<b>(327,565)</b>	<b>-</b>	<b>274,339,485</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>274,414,135</b>	<b>96,919,758</b>	<b>-</b>	<b>10,159,228</b>	<b>381,493,121</b>
<b>Total capital assets</b>	<b>\$ 354,754,920</b>	<b>\$ 148,776,521</b>	<b>\$ (835,464)</b>	<b>\$ -</b>	<b>\$ 502,695,977</b>

\*The beginning balance was restated for recording of right-to-use subscription assets as of July 1 in accordance with GASB 96.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Capital Assets (Continued)

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

	*Beginning Balance	Increases	Deletions	Transfers	Ending Balance
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:					
Intangible right-to-use lease buildings	1,385,031	-	-	-	1,385,031
Intangible right-to-use lease parking lots	579,328	-	-	-	579,328
Intangible right-to-use lease 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 building improvements	6,258,646	-	-	1,192	6,259,838
Total capital assets being depreciated or amortized	525,484,189	11,100	(18,000)	540,148	526,017,437
Less accumulated depreciation or amortization for:					
Capital assets being depreciated or amortized:					
Intangible right-to-use lease buildings	-	135,275	-	-	135,275
Intangible right-to-use lease parking lots	-	292,896	-	-	292,896
Right-to-use lease 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 building improvements	5,131,678	151,096	-	1,192	5,283,966
Total accumulated depreciation or amortization	230,598,899	21,552,764	-	35,198	252,186,861
Total capital assets being depreciated or amortized, net	294,885,290	(21,541,664)	(18,000)	504,950	273,830,576
Total capital assets	\$ 328,069,709	\$ 26,251,766	\$ (150,169)	\$ 55	\$ 354,171,361

\* The beginning balance was restated for recording of intangible right-to-use lease assets as of July 1 in accordance with GASB 87.

The chart 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 4. Long-Term Obligations

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

	* Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Private placement note payable	\$ 5,355,739	\$ -	\$ (1,704,869)	\$ 3,650,870	\$ 1,784,022
Bonds payable	152,965,000	-	(4,755,000)	148,210,000	4,565,000
Premiums	16,416,477	-	(470,477)	15,946,000	-
Subscription liability	499,853	-	(197,809)	302,044	195,558
Lease liability	1,640,618	100,214	(359,710)	1,381,122	175,438
	176,877,687	100,214	(7,487,865)	169,490,036	6,720,018
Compensated absences	998,372	542,400	(555,582)	985,190	52,732
	\$ 177,876,059	\$ 642,614	\$ (8,043,447)	\$ 170,475,226	\$ 6,772,750

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

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 \$9,569,200.

\$ 3,650,870

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

Year Ending June 30,	Principal	Interest
2024	\$ 1,784,022	\$ 147,336
2025	1,866,848	64,509
	<u>\$ 3,650,870</u>	<u>\$ 211,845</u>

#### 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.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

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 \$46,910,034 at June 30, 2023.

\$ 34,690,000

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.

\$ 113,520,000

Mandatory debt service on Bonds payable requirements as of June 30, 2023 are as follows:

Years Ending June 30,	NVTC Bond		VRA Bond		Total Required	
	Principal	Interest	Principal	Interest	Principal	Interest
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	2,215,000	5,283,500	3,365,000	924,347	5,580,000	6,207,847
2029-2033	12,845,000	24,641,750	19,455,000	2,001,384	32,300,000	26,643,134
2034-2038	16,390,000	21,093,500	-	-	16,390,000	21,093,500
2039-2043	20,925,000	16,565,000	-	-	20,925,000	16,565,000
2044-2048	26,710,000	10,782,750	-	-	26,710,000	10,782,750
2049-2052	26,585,000	3,404,000	-	-	26,585,000	3,404,000
Subtotal	113,520,000	103,910,000	34,690,000	8,223,656	148,210,000	112,133,656
Unamortized premium	12,063,949	-	3,882,051	-	15,946,000	-
<b>Total</b>	<b>\$ 125,583,949</b>	<b>\$ 103,910,000</b>	<b>\$ 38,572,051</b>	<b>\$ 8,223,656</b>	<b>\$ 164,156,000</b>	<b>\$ 112,133,656</b>

### Subscriptions Liability

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

VRE is required to make annual principal and interest payments ranging from \$1,458 to \$106,762. The subscriptions have an interest rate ranging from 2.35% to 2.8%. The value of the intangible right-to-use subscription assets as of the end of the current fiscal year was \$1,534,525 and had accumulated amortization of \$498,284.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

Annual requirements to amortize subscription obligations are as follows:

Subscription liability for an enterprise resource planning (ERP) system. VRE is required to make annual principal and interest payments in the amount of \$106,762 through August 2025. The subscription has an interest rate of 2.35%. An initial subscription liability was recorded in the amount of \$311,754. The ERP system has an estimated thirty-eight month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was \$1,284,748 and had accumulated amortization of \$405,710. \$ 206,214

Subscription liability for an ERP module. VRE is required to make annual principal and interest payments of \$2,240 through August 2025. The subscription has an interest rate of 2.80%. An initial subscription liability was recorded in the amount of \$5,823. The ERP module has an estimated thirty-one month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was \$5,823 and had accumulated amortization of \$1,092. 4,338

Subscription liability for Microsoft. VRE is required to make annual principal and interest payments in the amount of \$93,645 through February 2025. The subscription has an interest rate of 2.35%. An initial subscription liability was recorded in the amount of \$182,276. The subscription has an estimated thirty-one month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was \$243,953 and had accumulated amortization of \$91,482. 91,492

\$ 302,044

The following table summarized the total minimum subscription payments due:

Year Ending June 30,	Principal	Interest
2024	\$ 195,558	\$ 7,089
2025	106,486	2,516
<b>Total minimum subscription payments</b>	<u>\$ 302,044</u>	<u>\$ 9,605</u>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Leases

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

	<u>2023</u>	<u>2022</u>
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. The building has an estimated one year useful life. The intangible-right-to-use asset had an ending lease date in July 2022, and therefore as of the end of the current fiscal year had a value of \$0.	\$ -	\$ 1,693
Lease liability for a tower. VRE is required to make monthly principal and interest payments of \$3,418 through January 2024. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$99,581. The tower has an estimated useful life of thirty-one months. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$99,581 and had accumulated amortization of \$77,095.	<b>23,692</b>	62,665
Lease liability for a building. VRE is required to make monthly principal and interest payments ranging from \$10,299 to \$13,438 through April 2033. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$1,363,291. The building has an estimated 141 month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$1,363,291 and had accumulated amortization of \$230,415.	<b>1,200,812</b>	1,282,558
Lease liability for a parking lot. VRE is required to make monthly principal and interest payments of \$9,717 through December 2023. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$273,503. The parking lot has an estimated thirty month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$273,503 and had accumulated amortization of \$218,803.	<b>57,791</b>	168,852
Lease obligation for a parking lot. VRE is required to make monthly principal and interest payments of \$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. The parking lot has an estimated nineteen month useful life. The intangible-right-to-use asset had an ending lease date in February 2023, and therefore as of the end of the current fiscal year had a value of \$0.	-	124,850
Lease liability for a building roof. VRE is required to make monthly principal and interest payments of \$650 through March 2038. The lease has an interest rate of 3.40%. An initial lease liability was recorded in the amount of \$100,214 during the current fiscal year. The building roof has an estimated 180 month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$100,277 and had accumulated amortization of \$1,671.	<b>98,827</b>	-
	<b>\$ 1,381,122</b>	<b>\$ 1,640,618</b>

# 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
2024	\$ 175,438	\$ 38,798
2025	100,610	35,126
2026	107,580	31,994
2027	114,880	28,647
2028	122,718	25,076
2029-2033	717,052	62,859
2034-2038	42,844	3,487
<b>Total minimum lease payments</b>	<b>\$ 1,381,122</b>	<b>\$ 225,987</b>

VRE is a lessor for a lease related to a communication tower. The lease term is for 43.5 years. The exercise of lease renewal options is at 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 annual payments ranging from \$26,222 to \$86,843 through December 2064. An initial lease receivable was recorded in the amount of \$1,437,167. During fiscal year 2023, there was a remeasurement of the lease receivable due to a contract amendment that resulted in a lease receivable of \$1,088,174.

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, 2023, the balance of the deferred inflow was \$1,029,445. Lease revenue for the year ended June 30, 2023 was \$24,511 and lease interest income for the same year was \$19,778.

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

Years Ending June 30,	Principal	Interest
2024	\$ (5,169)	\$ 31,792
2025	(4,526)	31,947
2026	(3,839)	32,083
2027	(3,107)	32,198
2028	(2,327)	32,291
2029-2033	1,873	161,981
2034-2038	29,834	160,118
2039-2043	66,655	153,552
2044-2048	114,448	140,832
2049-2053	175,774	120,165
2054-2058	253,733	89,342
2059-2063	352,066	45,651
2064	84,312	2,529
<b>Total minimum lease payments</b>	<b>\$ 1,059,727</b>	<b>\$ 1,034,481</b>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### 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 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

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### Note 6. Pension Plan (Continued)

#### A. Plan Description (Continued)

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<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**

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**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

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### 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**

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

A. Plan Description (Continued)

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><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.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <i>Defined Benefit Component:</i> See definition under Plan 1.</p> <p><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.</p>
<p><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.</p>	<p><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.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><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%.</p>	<p><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.</p>	<p><b>Service Retirement Multiplier</b> <i>Defined Benefit Component:</i> <i>VRS:</i> The retirement multiplier for the defined benefit component is 1.0%.</p> <p>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.</p>

**VIRGINIA RAILWAY EXPRESS**

**NOTES TO FINANCIAL STATEMENTS**

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**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**

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**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**

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**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**

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**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:  <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <i>Defined Contribution Component:</i> Not applicable.</p>

B. Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>38</u>
Inactive members:	
Vested	28
Non-vested	25
Active elsewhere in VRS	<u>8</u>
<b>Total inactive members</b>	<u>61</u>
Active members	<u>92</u>
<b>Total covered employees</b>	<u><u>191</u></u>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

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 \$313,029 and \$272,381 for the years ended June 30, 2023 and 2022, 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, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022.

#### E. Actuarial Assumptions

The total pension liability for VRE's retirement plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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

# 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%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
<b>Total</b>	<b>100.00%</b>		<b>5.33%</b>
	Inflation		2.50%
	* Expected arithmetic nominal return		7.83%

\* The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

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

#### G. Discount Rate

The discount rate used to measure the total pension 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, 2023, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021 actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**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, 2021	\$ 24,312,977	\$ 25,801,577	\$ (1,488,600)
Changes for the Year:			
Service cost	781,338	-	781,338
Interest	1,668,067	-	1,668,067
Difference between expected and actual experience	(239,320)	-	(239,320)
Contributions – employer	-	454,868	(454,868)
Contributions – employee	-	435,662	(435,662)
Net investment income	-	(41,059)	41,059
Benefit payments, including refunds of employee contributions	(764,428)	(764,428)	-
Administrative expense	-	(15,836)	15,836
Other changes	-	608	(608)
<b>Net changes</b>	<b>1,445,657</b>	<b>69,815</b>	<b>1,375,842</b>
Balances at June 30, 2022	\$ 25,758,634	\$ 25,871,392	\$ (112,758)

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 \$67,453 on its Statements of Net Position based on a percentage of contributions to the plan for fiscal year 2023. VRE's percentage of total contributions to the plan was 59.82 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:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
	VRE's net pension liability (asset)	\$ 2,144,828	\$ (67,453)

# 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, 2023, VRE recognized pension expense of \$294,600. At June 30, 2023, 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	\$ 134,336	\$ (164,089)
Change in assumptions	247,585	-
Net difference between projected and actual earnings on pension plan investments	-	(418,136)
Employer contributions subsequent to the measurement date	313,029	-
<b>Total</b>	<b>\$ 694,950</b>	<b>\$ (582,225)</b>

The \$313,029 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, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2024	\$ 38,425
2025	(138,048)
2026	(314,411)
2027	213,730
	<u>\$ (200,304)</u>

#### K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report 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

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### 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 \$8,984 as of June 30, 2023.</p>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

#### B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from VRE were \$36,026 and \$32,036 for the years ended June 30, 2023 and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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

At June 30, 2023, VRE reported a liability of \$328,073 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the participating employer's proportion was \$32,002 or 0.04462% as compared to \$32,036 or 0.04294% at June 30, 2021.

For the year ended June 30, 2023, VRE recognized GLI OPEB expense of \$13,289. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,980	\$ (13,162)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(20,500)
Change in assumptions	12,236	(31,956)
Changes in proportionate share	14,668	(18,380)
Employer contributions subsequent to the measurement date	36,026	-
<b>Total</b>	<b>\$ 88,910</b>	<b>\$ (83,998)</b>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Other Postemployment Benefits – 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 \$328,073 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 61.06 percent. This percentage was used to allocate a portion of the net GLI OPEB liability to VRE.

The \$36,026 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ (6,107)
2025	(8,544)
2026	(19,291)
2027	2,907
2028	(79)
<b>Total</b>	<u><u>\$ (31,114)</u></u>

#### D. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Other Postemployment Benefits – 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, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study 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. Other Postemployment Benefits – 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, 2022, NOL amounts for the GLI are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,672,085
Plan fiduciary net position	2,467,989
<b>GLI net OPEB liability</b>	<b>\$ 1,204,096</b>

Plan fiduciary net position as a percentage of the total GLI OPEB liability 67.21%

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

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

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

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

\* Expected arithmetic nominal return

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

\* The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

\*\* On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> 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 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, 2022, 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, 2022, 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	\$ 477,383	\$ 328,073	\$ 207,408

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

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### **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, 2023 and 2022, annual track usage fees totaled approximately \$11,923,000 and \$11,207,000, respectively, and facility and other identified costs totaled approximately \$465,000 and \$443,000, 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, 2023 and 2022, costs for track access and equipment storage totaled approximately \$6,513,000 and \$6,060,000, respectively, and midday maintenance, utility and other services totaled approximately \$4,326,000 and \$4,095,000, respectively. Cost adjustments will be made in fiscal year 2024 to reflect changes to various published cost indices and the number of trains that have access to and are stored and serviced at the terminal. After October 1, 2015, charges for terminal access are determined in accordance with the cost-sharing arrangement for the Northeast Corridor passenger rail infrastructure mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA).

The Commissions signed a contract with Keolis Rail Services Virginia, LLC, for train operations and maintenance for a five-year period beginning July 1, 2015. Separate contracts for maintenance of equipment and facilities became effective for the period beginning July 1, 2016. In May 2020, the Commissions authorized the Chief Executive Officer to amend the contract for Operating Services for Commuter Rail with Keolis Rail Services Virginia, LLC (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, 2023 and 2022 totaled approximately \$26,586,000 and \$24,450,000, respectively. Costs are based on an annual budget prepared in advance. Costs for fiscal year 2024 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

### **Note 9. Related Party Transactions**

VRE reimburses the Commissions for expenses made on behalf of VRE. During 2023 and 2022, these payments included \$9,254,014 and \$8,235,703 of salary-related costs and \$31,828 and \$10,513 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 \$90,179 and \$74,034 to PRTC during 2023 and 2022, 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 \$3,259 and \$1,397 in 2023 and 2022, respectively. Amounts payable to NVTC and PRTC were \$7,720 and \$1,930,257, respectively, at June 30, 2023, and \$14,186 and \$1,673,796, respectively, at June 30, 2022.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### 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 \$56,300 at June 30, 2023 and \$65,300 at June 30, 2022.

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, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Beginning balance, July 1	\$ 9,966,010	\$ 10,196,192
Insurance premiums paid	(7,100)	(6,950)
Claims mitigation and losses incurred	(19,392)	(216,187)
Investment income	183,169	19,451
Actuarial and administrative charges	(34,439)	(26,496)
	<u>                    </u>	<u>                    </u>
Ending balance, June 30	<u>\$ 10,088,248</u>	<u>\$ 9,966,010</u>

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

### Note 11. Contingencies and Contractual Commitments

At June 30, 2023, 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, 2023:

Stations and Parking Lots	\$ 46,672,740
Rolling Stock	71,696,725
Maintenance and Layover Yards	3,199,049
Other Administrative	324,352
	<u>                    </u>
<b>Total</b>	<u><u>\$ 121,892,866</u></u>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### **Note 11. Contingencies and Contractual Commitments (Continued)**

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, 2023, 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. 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 VRE 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.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

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

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

### **Note 13. Reclassification of Prior Year Presentation**

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to the Statement of Net Position for fiscal year ended June 30, 2022, to restrict Net Pension Asset in the amount of \$891,393 and decrease Unrestricted Net Position. This change in classification does not affect previously reported net position within the Statement of Net Position.

### **Note 14. Subsequent Events**

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

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

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

## **Required Supplementary Information**

**VIRGINIA RAILWAY EXPRESS**

**SCHEDULE OF CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM**

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Contractually required contribution (CRC)	\$ 460,763	\$ 478,465	\$ 419,283	\$ 413,760	\$ 354,543	\$ 323,989	\$ 421,362	\$ 454,868	\$ 523,279	
Contributions in relation to the CRC	460,763	478,465	419,283	413,760	354,543	323,989	421,362	454,868	523,279	
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	\$ 10,928,358	
Contributions as a percentage of covered payroll	6.34%	6.15%	4.86%	4.66%	3.91%	3.61%	4.75%	4.69%	4.79%	

**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	2022	
<b>Total Pension Liability</b>										
Service cost	\$ 722,134	\$ 743,258	\$ 778,686	\$ 756,831	\$ 796,518	\$ 747,243	\$ 766,964	\$ 718,141	\$ 781,338	
Interest	763,704	850,266	942,652	1,051,830	1,132,348	1,233,409	1,339,757	1,481,325	1,668,067	
Changes of assumptions	-	-	-	(243,263)	108,387	631,239	-	803,822	-	
Differences between expected and actual experience	-	92,275	284,843	38,724	-	312,560	743,287	(221,363)	(239,320)	
Benefit payments, including refunds of employee contributions	(222,525)	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)	(676,419)	(829,005)	(764,428)	
<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>	<b>1,445,657</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	24,312,977	
Total pension liability - ending (a)	<u>\$ 12,284,629</u>	<u>\$ 13,694,496</u>	<u>\$ 15,244,599</u>	<u>\$ 16,411,809</u>	<u>\$ 17,978,233</u>	<u>\$ 20,186,468</u>	<u>\$ 22,360,057</u>	<u>\$ 24,312,977</u>	<u>\$ 25,758,634</u>	
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	\$ 528,296	\$ 460,763	\$ 478,465	\$ 419,283	\$ 413,760	\$ 354,543	\$ 323,989	\$ 421,362	\$ 454,868	
Contributions - employee	414,844	494,240	375,574	407,825	411,106	414,063	419,869	399,479	435,662	
Net investment income	1,697,173	603,590	259,738	1,829,732	1,265,980	1,249,744	378,372	5,570,288	(41,059)	
Benefit payments, including refunds of employee contributions	(222,525)	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)	(676,419)	(829,005)	(764,428)	
Administrative expense	(8,482)	(7,442)	(8,396)	(9,970)	(10,415)	(11,937)	(12,621)	(13,494)	(15,836)	
Other	89	(131)	(107)	(1,654)	(1,150)	(791)	(457)	530	608	
<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>	<b>69,815</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	25,801,577	
Plan fiduciary net position - ending (b)	<u>12,789,238</u>	<u>14,064,326</u>	<u>14,713,522</u>	<u>16,921,826</u>	<u>18,530,278</u>	<u>19,819,684</u>	<u>20,252,417</u>	<u>25,801,577</u>	<u>25,871,392</u>	
PRTC's net pension (asset) liability - ending (a) - (b)	<u>\$ (504,609)</u>	<u>\$ (369,830)</u>	<u>\$ 531,077</u>	<u>\$ (510,017)</u>	<u>\$ (552,045)</u>	<u>\$ 366,784</u>	<u>\$ 2,107,640</u>	<u>\$ (1,488,600)</u>	<u>\$ (112,758)</u>	
Plan fiduciary net position as a percentage of the total pension liability	104.11%	102.70%	96.52%	103.11%	103.07%	98.18%	90.57%	106.12%	100.44%	
Covered payroll	\$ 6,582,460	\$ 7,265,941	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,619	\$ 8,866,711	\$ 9,705,606	
PRTC's net pension (asset) liability as a percentage of covered payroll	-7.67%	-5.09%	6.82%	-5.91%	-6.22%	4.04%	23.49%	-16.79%	-1.16%	

### 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.

See Notes to Required Supplementary Information – Virginia Retirement System

## VIRGINIA RAILWAY EXPRESS

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

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#### Note 1. Changes of Benefit Terms

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

#### Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2021 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	2022
<b>Total Group Life Insurance OPEB Liability</b>						
The Commission's Portion of the Net GLI OPEB Liability	0.04678%	0.04670%	0.04626%	0.04360%	0.04294%	0.04462%
The Commission's Proportionate Share of the Net GLI OPEB Liability	\$ 703,000	\$ 709,000	\$ 752,773	\$ 727,613	\$ 499,938	\$ 537,268
The Commission's Covered Payroll	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,619	\$ 8,866,711	\$ 9,705,606
The Commission's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.15%	7.99%	8.29%	8.11%	5.64%	5.54%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%	52.00%	52.64%	52.64%	67.21%

### 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,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution (CRC)	\$ 34,887	\$ 38,509	\$ 41,266	\$ 44,865	\$ 46,151	\$ 47,196	\$ 46,660	\$ 47,879	\$ 52,410	\$ 58,998
Contributions in relation to the CRC	34,887	38,509	41,266	44,865	46,151	47,196	46,660	47,879	52,410	58,998
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 6,582,460	\$ 7,265,941	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,619	\$ 8,866,711	\$ 9,705,606	\$ 10,928,358
Contributions as a percentage of covered payroll	0.48%	0.48%	0.48%	0.52%	0.52%	0.52%	0.52%	0.54%	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, 2023

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### Note 1. Group Life Insurance Program

#### A. Changes of Benefit Terms

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

#### B. Changes of Assumptions

The actuarial assumptions used in the June 30, 2021 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

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## 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.	73– 76
<b>Other Statistical Information</b>	
These schedules and service area map provide other information useful to certain readers of VRE's financial statements.	77 – 78
<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.	79 – 81
<b>Debt Service Requirements</b>	
These schedules provide information regarding the VRE's debt service requirements related to the 2018 Virginia Resource Authority Bonds.	82 – 83

# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF CHANGE IN NET POSITION

### Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Operating Revenues:</b>										
Passenger revenue	\$ 13,940,102	\$ 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
Equipment rentals and other	310,758	116,857	165,478	267,816	314,236	269,168	301,621	240,052	418,569	197,915
<b>Total operating revenues</b>	<b>14,250,860</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>Nonoperating Revenues:</b>										
<b>Subsidies:</b>										
Commonwealth of Virginia grants	42,011,586	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
Federal grants - with PRTC as grantee	9,289,764	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
CARES Act Federal Aid	20,267,695	47,232,405	28,305,131	2,688,095	-	-	-	-	-	-
Jurisdictional contributions	13,544,122	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
Commuter Rail Operating and Capital (C-ROC) Fund	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	-	-	-	-	-
Regional transportation funding (NVTA)	-	-	-	-	194,506	766,586	461,889	542,671	-	-
<b>Capital Grants and Assistance:</b>										
Commonwealth of Virginia grants	27,879,245	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	20,406,397	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
Regional transportation funding (NVTA)	1,702,500	875,805	528,067	1,758,116	2,304,206	615,190	651,163	-	-	-
In-kind and other local contributions	-	62,269	518,086	-	-	-	162,839	851,659	1,079,885	2,637,809
<b>Interest income:</b>										
Operating funds	1,069,411	101,474	89,187	1,009,626	1,360,241	616,228	285,495	93,677	34,337	27,860
Insurance trust	183,169	19,451	67,921	218,621	221,184	132,037	98,560	69,444	-	-
Commuter Rail Operating and Capital (C-ROC) Fund	1,894,380	139,208	50,085	294,176	117,075	-	-	-	-	-
Lease	19,778	29,174	-	-	-	-	-	-	-	-
Other restricted funds	636,585	(12,812)	6,701	48,899	63,483	797	402	197	59	196
Increase in fair value of investments	15,835	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets	-	-	-	-	-	(551,457)	3,500	-	(60,293)	1,500
<b>Total nonoperating revenues</b>	<b>153,920,467</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>Total revenues</b>	<b>168,171,327</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>Operating Expenses:</b>										
Contract operations and maintenance	30,866,478	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
Other operations and maintenance	20,661,998	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
Property leases and access fees	18,436,123	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
Insurance	7,732,360	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
Marketing and sales	1,175,036	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
General and administrative	13,214,162	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
Depreciation and amortization	22,480,189	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
<b>Total operating expenses</b>	<b>114,566,346</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>Nonoperating (Revenues) Expenses:</b>										
Interest and amortization	7,285,456	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
<b>Total nonoperating expenses</b>	<b>7,285,456</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>Special items</b>	-	-	-	(1,372,379)	-	-	-	1,882,945	-	3,660,786
<b>Total expenses</b>	<b>121,851,802</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>Change in net position</b>	<b>\$ 46,319,525</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>

Source: VRE's Audited Financial Statements.

# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF COMPONENTS OF NET POSITION

### Last Ten Fiscal Years

### (Unaudited)

	June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net investment in capital assets	\$ 322,715,330	\$ 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
Restricted for liability insurance plan	10,147,403	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
Restricted for debt service	22,521,722	14,122,731	1,998,519	2,016,642	2,029,382	1,996,544	-	-	-	6,731,166
Restricted grants or contributions	2,754,165	2,536,576	2,530,013	2,526,137	1,120,762	1,094,246	779,223	779,223	-	-
Restricted pension asset	67,453	891,393	-	-	-	-	-	-	-	-
Unrestricted net position	154,596,921	148,507,479	131,465,757	114,277,648	97,970,676	72,747,104	68,885,778	55,697,393	50,211,820	46,973,386
<b>Total net assets</b>										
<b>Total net position</b>	<b>\$ 512,802,994</b>	<b>\$ 466,483,469</b>	<b>\$ 421,182,222</b>	<b>\$ 408,815,454</b>	<b>\$ 394,202,648</b>	<b>\$ 375,646,196</b>	<b>\$ 360,055,988</b>	<b>\$ 341,053,259</b>	<b>\$ 314,784,444</b>	<b>\$ 284,228,119</b>

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,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenue Bonds:										
\$31,700,000 Commuter Rail Revenue Bond, Series 1998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,555,000
Bonds Payable:										
\$46,640,000 Virginia Resources Authority (VRA) Bond 2018	34,690,000	37,295,000	39,770,000	42,120,000	44,360,000	46,640,000	-	-	-	-
\$5,972,388 Unamortized Premium on VRA Bond 2018	3,882,052	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)	113,520,000	115,670,000	-	-	-	-	-	-	-	-
\$12,136,265 Unamortized Premium on Series 2022 Bonds	12,063,948	12,136,265	-	-	-	-	-	-	-	-
Private Placement Notes Payable:										
\$25,100,000 Private Placement Note - Gallery IV Cars	3,650,870	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
\$74,425 Prive Placement Note - Equipment	-	-	-	-	2,628	17,559	34,287	50,048	64,331	-
Leases Payable:										
\$1,385,031 Intangible right-to-use asset - buildings	1,200,812	1,284,251	-	-	-	-	-	-	-	-
\$579,328 Intangible right-to-use asset - parking lots	57,791	293,702	-	-	-	-	-	-	-	-
\$99,581 Intangible right-to-use asset - tower	23,692	62,665	-	-	-	-	-	-	-	-
\$100,277 Intangible right-to-use asset -roof	98,827	-	-	-	-	-	-	-	-	-
Subscription Payable:										
\$311,753 Intangible right-to-use ERP system	206,214	-	-	-	-	-	-	-	-	-
\$5,823 Intangible right-to-use ERP module	4,338	-	-	-	-	-	-	-	-	-
\$182,276 Intangible right-to-use Microsoft office	91,492	-	-	-	-	-	-	-	-	-
Notes Payable:										
\$63,844,842 FRA Notes	-	-	-	-	-	-	53,440,159	55,628,942	57,709,856	59,698,580
<b>Outstanding as of June 30</b>	<b>\$ 169,490,036</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>
Debt per Capita:										
Outstanding as of June 30	\$ 169,490,036	\$ 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
Total Participating Jurisdictional Population	N/A	1,231,993	2,437,252	2,416,813	2,387,125	2,358,994	2,337,904	2,318,025	2,306,154	2,282,668
Debt per Capita	N/A	\$ 143.16	\$ 21.10	\$ 23.06	\$ 25.08	\$ 27.12	\$ 28.35	\$ 30.11	\$ 31.71	\$ 36.13
Outstanding Debt as a Percentage of Personal Income:										
Outstanding as of June 30	\$ 169,490,036	\$ 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
Total Personal Income	N/A	92,522,314,000	196,809,487,000	188,053,401,000	178,301,505,000	169,718,231,000	163,990,714,000	158,645,003,000	158,047,748,309	152,421,795,000
Total Outstanding Debt as a Percentage of Personal Income	N/A	0.19%	0.03%	0.03%	0.03%	0.04%	0.04%	0.04%	0.05%	0.05%

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

- (1) Fairfax County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 4.0-D, page 305
- (2) Prince William County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 16, page 283
- (3) City of Manassas fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 14, page 200
- (4) City of Manassas Park fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 13, page 199
- (5) Stafford County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table S-15; page 180
- (6) City of Fredericksburg fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 203
- (7) Spotsylvania County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table S-13, page 190
- (8) City of Alexandria fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table XI and Table XIV, page 234 and Page 236
- (9) Arlington County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table K, page 290

# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF JURISDICTIONAL CONTRIBUTIONS

### Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fairfax County	\$ 4,721,011	\$ 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
City of Fredericksburg	271,677	95,412	367,089	321,028	436,568	417,278	483,524	439,366	581,244	427,728
City of Manassas	597,421	209,813	807,234	694,742	785,898	684,586	749,372	766,491	686,944	757,804
City of Manassas Park	346,629	121,735	468,364	405,485	511,311	474,718	511,777	576,699	401,762	574,709
Prince William County	4,389,276	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
Stafford County	1,833,319	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
Spotsylvania County	1,112,905	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
City of Alexandria	110,384	38,767	149,151	144,807	144,807	140,589	140,589	133,894	133,894	133,894
Arlington County	161,500	56,719	218,219	211,863	211,863	205,692	205,692	195,897	195,897	195,897
<b>Total contributions</b>	<b>\$ 13,544,122</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>

Source: VRE's Department of Finance

# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF MISCELLANEOUS STATISTICS

### Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Rolling Stock (Owned or Leased)										
Locomotives	20	20	20	20	20	20	20	20	20	20
Railcars	100	100	100	100	100	100	98	100	93	91
<b>Total rolling stock</b>	<b>120</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>
Stations	19	19	19	19	19	19	19	19	18	18
Parking Spaces (1)	10,842	10,842	10,763	10,763	10,795	10,796	10,796	10,743	9,243	9,030
Employees	56	56	55	50	50	50	49	45	39	37
Ridership and Fare Revenue Data (2):										
Total Ridership	1,466,480	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
Average Daily Ridership	5,866	3,314	1,389	12,922	18,053	18,974	18,968	17,767	18,547	18,119
Average Fare Per Trip	\$ 9.51	\$ 12.82	\$ 21.23	\$ 10.60	\$ 9.38	\$ 8.97	\$ 8.88	\$ 8.49	\$ 7.95	\$ 8.16

(1) 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, 2022, and 2023.

(2) VRE conducted fare free Fridays from June 2nd to September 1st.

Source: VRE staff



# VIRGINIA RAILWAY EXPRESS

## PRINCIPAL EMPLOYERS OF PARTICIPATING JURISDICTIONS

Current Year and Nine Years Ago

(Unaudited)

Employers	2022			2013		
	Rank	Employees	Percentage of Total Jurisdictional Employment	Rank	Employees	Percentage of Total Jurisdictional Employment
Federal Government (1) (3) (4) (6)	1	43,764	N/A	1	30,921-31,420	N/A
Fairfax County Public Schools (1)	2	25,570	N/A	2	24,232	N/A
Fairfax County Government (1)	3	11,984	N/A	3	12,302	N/A
Inova Health System (1) (6)	4	11,700-13,700	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	7,000-10,00	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	8	4,000-6,999	N/A
George Mason University (1)	9	5,000-9,999	N/A	-	-	N/A
Science Applications International Corp. (1)	10	5,000-9,999	N/A	10	4,000-6,999	N/A
Lockheed Martin (1) (7)	-	-	N/A	6	5,100-8,099	N/A
Mary Washington Healthcare (9)	-	-	N/A	7	4,335	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 2022 Annual Comprehensive Financial Report, Statistical Section, Table 4.2, page 306
- (2) County of Arlington fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table L, page 291 - Number of Employees not Included
- (3) County of Prince William fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 17, page 284
- (4) County of Stafford fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table S-17, page 182
- (5) County of Spotsylvania fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table S-14, page 191
- (6) City of Alexandria fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table XIX, page 241
- (7) City of Manassas fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 201
- (8) City of Manassas Park fiscal year 2022 and 2013 Annual Comprehensive Financial Report, Statistical Section, Table 14, page 201 and 120 respectively
- (9) City of Fredericksburg fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 16, page 204

**DEMOGRAPHICS AND ECONOMIC STATISTICS OF PARTICIPATING JURISDICTIONS**

**Fiscal Years 2013 to 2022**

**(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>2022</b>									
Population	N/A	484,472	N/A	17,002	156,927	27,596	144,796	163,400	237,800
Personal Income (in thousands)	N/A	\$35,456,728	N/A	\$605,577	\$7,975,775	\$1,639,588	\$7,974,904	\$14,894,033	\$23,975,709
Per Capita Personal Income	N/A	\$59,812	N/A	\$35,618	\$50,825	\$59,414	\$55,077	N/A	100,823
Unemployment Rate	N/A	2.8%	2.7%	2.4%	2.8%	3.5%	3.0%	2.4%	2.3%
<b>2021</b>									
Population	1,170,033	488,629	42,708	17,219	153,392	28,500	139,971	161,300	235,500
Personal Income (in thousands)	\$105,777,709	\$33,168,415	\$2,682,489	\$591,059	\$7,643,245	\$1,569,964	\$7,300,517	14,665,740	23,410,349
Per Capita Personal Income	\$88,971	\$58,765	\$62,810	\$34,326	\$49,828	\$55,077	\$52,157	N/A	99,407
Unemployment Rate	3.5%	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	138,449	159,467	238,643
Personal Income (in thousands)	\$100,944,159	\$31,075,084	2,558,279	\$549,159	\$7,410,183	\$1,449,140	7,221,134	14,127,927	22,718,336
Per Capita Personal Income	\$86,141	\$56,238	59,812	\$31,420	\$48,851	\$50,790	55,077	93,835	95,198
Unemployment Rate	5.6%	8.9%	8.8%	9.9%	7.5%	9.4%	8.6%	8.3%	1.9%
<b>2019</b>									
Population	1,166,965	463,867	41,085	17,307	149,110	29,144	136,447	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	7,116,715	13,455,505	\$20,259,857
Per Capita Personal Income	\$82,441	\$55,356	\$56,366	\$29,641	\$47,893	\$48,823	52,157	\$89,884	\$89,487
Unemployment Rate	2.3%	2.6%	2.6%	2.1%	2.7%	3.5%	2.9%	2.2%	2.0%
<b>2018</b>									
Population	1,152,873	459,966	41,641	16,528	145,699	28,360	134,227	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	6,795,518	12,958,210	\$19,814,447
Per Capita Personal Income	\$78,376	\$54,740	\$54,668	\$29,641	\$46,954	\$47,230	50,627	\$87,761	\$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	132,889	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	6,505,098	12,692,748	\$19,896,040
Per Capita Personal Income	\$75,978	\$52,555	\$52,929	\$28,851	\$46,034	\$46,401	48,951	\$83,477	\$89,300
Unemployment Rate	3.0%	3.5%	3.4%	3.4%	3.6%	4.6%	3.7%	2.8%	2.6%

**DEMOGRAPHICS AND ECONOMIC STATISTICS OF PARTICIPATING JURISDICTIONS**

**Fiscal Years 2013 to 2022**

**(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 (7)	Arlington County (8)
<b>2016</b>									
Population	1,138,652	449,864	41,483	15,827	142,380	28,118	131,401	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	\$6,247,711	\$11,789,823	\$18,601,760
Per Capita Personal Income	\$74,923	\$51,354	\$51,313	\$28,851	\$45,131	\$44,698	\$47,547	\$81,887	\$84,400
Unemployment Rate	3.2%	3.7%	3.4%	3.9%	4.0%	4.8%	4.1%	2.9%	2.9%
<b>2015</b>									
Population	1,142,234	441,627	41,764	15,625	142,299	28,213	130,042	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	\$6,024,994	\$12,071,851	\$18,614,530
Per Capita Personal Income	\$75,007	\$50,355	\$50,315	\$28,164	\$44,246	\$42,593	\$46,331	\$82,253	\$85,900
Unemployment Rate	3.1%	4.4%	4.1%	4.4%	5.2%	6.2%	4.7%	3.5%	3.4%
<b>2014</b>									
Population	1,137,538	433,621	42,081	14,992	138,423	28,132	128,881	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	\$5,772,816	\$12,115,212	\$18,554,500
Per Capita Personal Income	\$71,752	\$48,962	\$48,545	\$28,054	\$44,010	\$43,218	\$44,792	\$80,506	\$86,300
Unemployment Rate	3.5%	4.8%	5.0%	4.5%	5.2%	5.9%	5.4%	4.6%	3.5%
<b>2013</b>									
Population	1,130,924	425,681	41,725	15,125	135,311	27,307	127,449	142,200	221,045
Personal Income (in thousands)	\$80,982,075	\$23,468,904	\$1,973,426	\$407,528	\$5,900,913	\$1,116,665	\$5,566,129	\$11,760,450	\$18,234,223
Per Capita Personal Income	\$71,607	\$47,296	\$47,296	\$26,944	\$43,610	\$40,893	\$43,673	\$77,419	\$82,491
Unemployment Rate	3.7%	5.2%	5.4%	5.0%	5.1%	8.2%	6.1%	4.7%	4.0%

Note: Data for participating jurisdictions not available for 2022.

Sources:

- (1) Fairfax County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 4.0-D, page 305
- (2) Prince William County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 16, page 283
- (3) City of Manassas fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 14, page 200
- (4) City of Manassas Park fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 13, page 199
- (5) Stafford County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table S-15; page 180
- (6) City of Fredericksburg fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 203
- (7) Spotsylvania County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table S-13, page 190
- (8) City of Alexandria fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table XI and Table XIV, page 234 and Page 236
- (9) Arlington County fiscal year 2022 Annual Comprehensive Financial Report, Statistical Section, Table K, page 290

## VIRGINIA RAILWAY EXPRESS

### PLEGGED 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
<b>2023</b>	<b>\$ 110,897,729</b>	<b>\$ (92,086,157)</b>	<b>\$ 18,811,572</b>	<b>\$ 4,293,572</b>	<b>4.38</b>
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		
<b>2023</b>	<b>\$ 80,010,886</b>	<b>\$ 114,566,346</b>	<b>\$ (22,480,189)</b>	<b>\$ 92,086,157</b>	<b>\$ 23,021,539</b>	<b>3.5x</b>
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, 2023, 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, 2023.

**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, 2023

