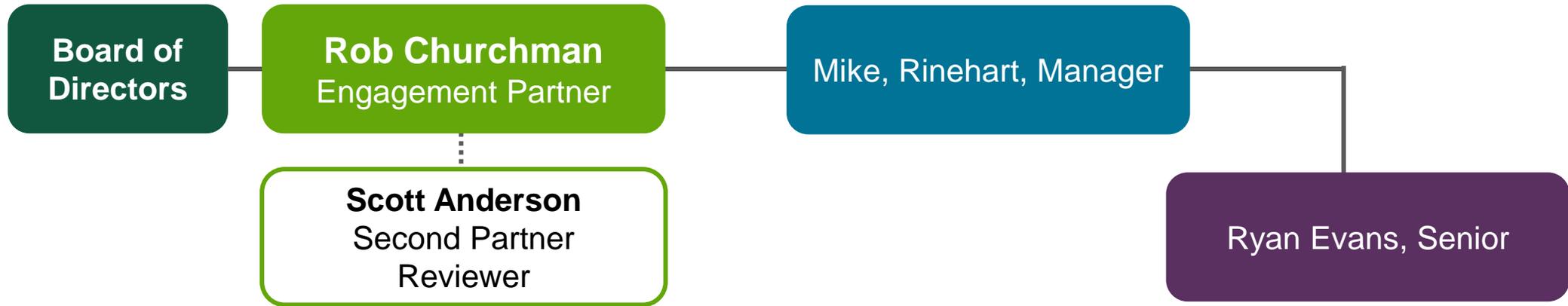


Virginia Passenger Rail Authority Audit Executive Summary

December 22, 2022

Client Service Team





Agenda

- ▶ Results of the Audit
- ▶ Significant Audit Matters
- ▶ Internal Controls
- ▶ Corrected and Uncorrected Misstatements
- ▶ Required Communications
- ▶ Other Matters
- ▶ Reporting Changes

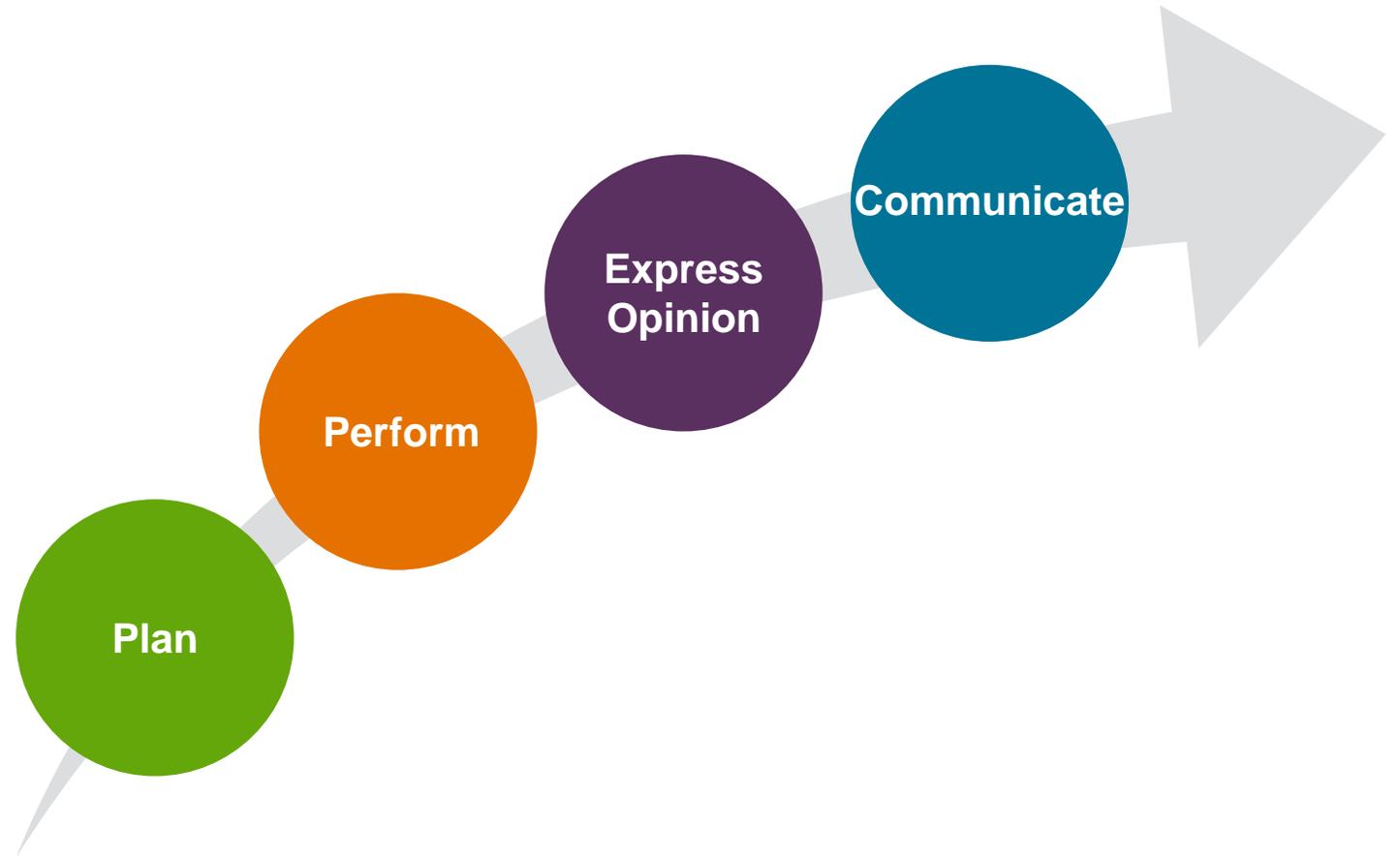
This information is intended solely for the use of the Board of Directors of the Virginia Passenger Rail Authority and is not intended to be, and should not be, used by anyone other than these specified parties.



Results of the Audit

We have audited the financial statements of the Virginia Passenger Rail Authority (the “Authority”), as of and for the fiscal year ended June 30, 2022 and have issued our unmodified report thereon dated November 17, 2022.

We have audited the financial statements in accordance with the *Government Auditing Standards* and noted no instances of noncompliance or other matters.



Significant Audit Matter

Management override of controls

- Exercised professional judgment
- Obtained adequate supporting documentation
- Performed a test for suspicious activity
- Evaluated the validity of journal entries
- Considered possibility of bias in management estimates



Internal Control Communication

In planning and performing our audit, we considered internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.



Internal Control Communication

Material Weakness

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 the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant Deficiency

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.

We noted no deficiencies that we believe to be material weaknesses.



Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Corrected Misstatements

▶ None noted.

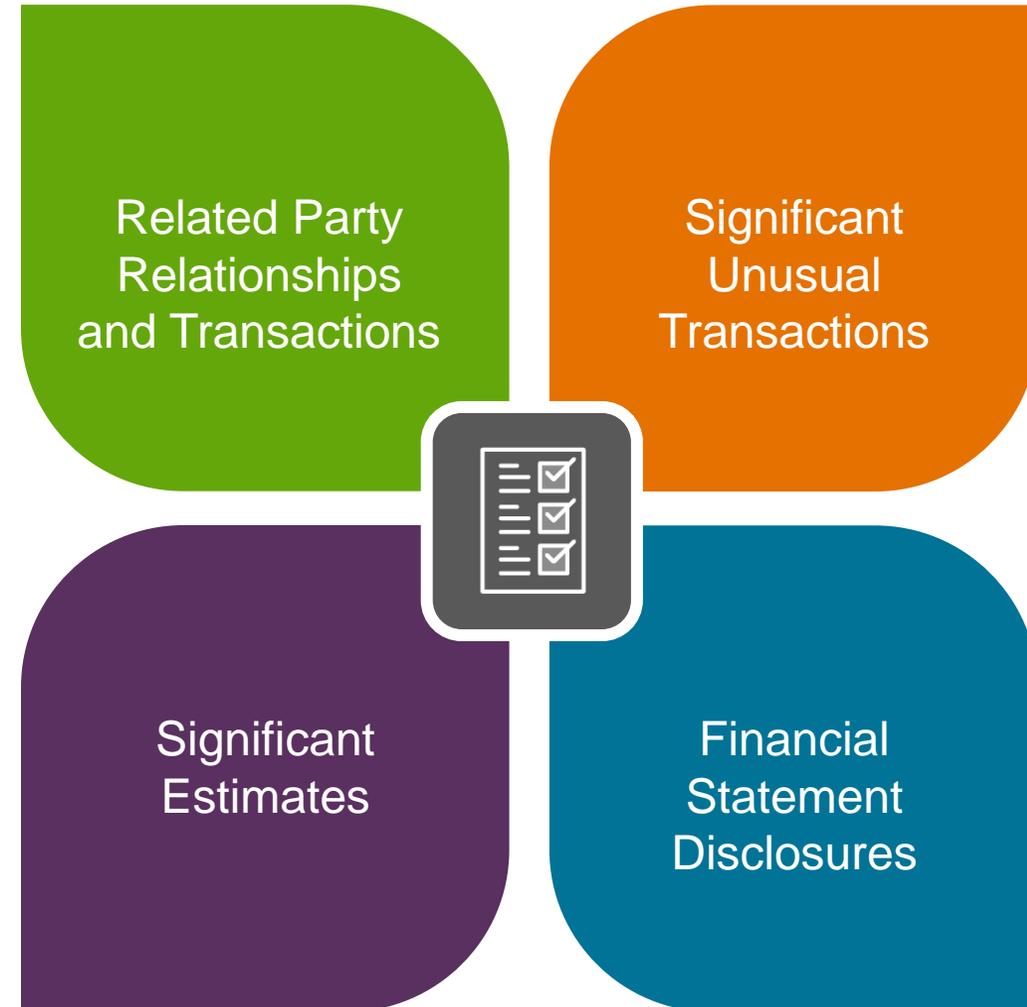
Uncorrected Misstatements

▶ None noted.



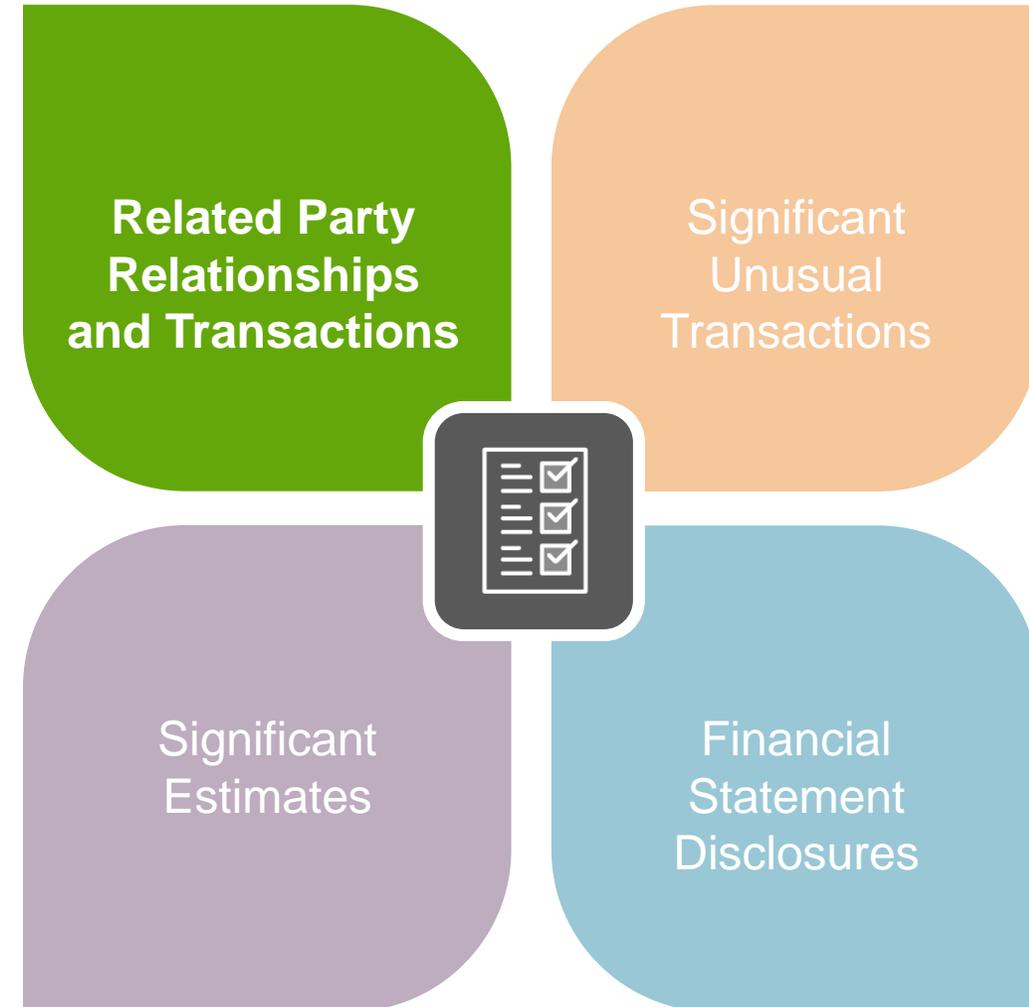
Qualitative Aspects of Accounting Practices

Government Accounting Standards Board (“GASB”) 87 *Leases*, GASB 68 *Pensions*, and GASB 75 *Other Postemployment Benefits*, were adopted in fiscal year 2022. The application of existing policies was not changed during the year. We noted no inappropriate accounting policies or practices.



Qualitative Aspects of Accounting Practices

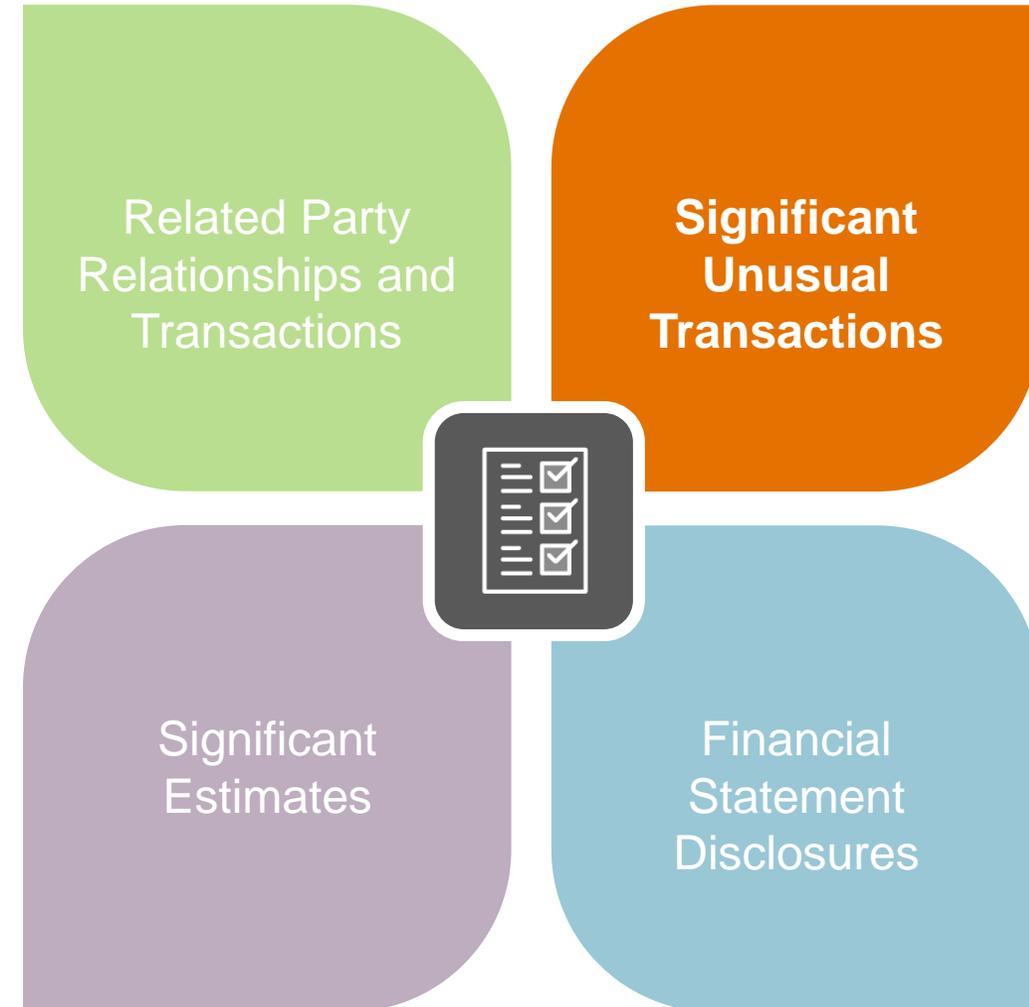
As part of our audit, we evaluated the Authority's identification of, accounting for, and disclosure of the Authority's relationships and transactions with related parties as required by professional standards.



Qualitative Aspects of Accounting Practices

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

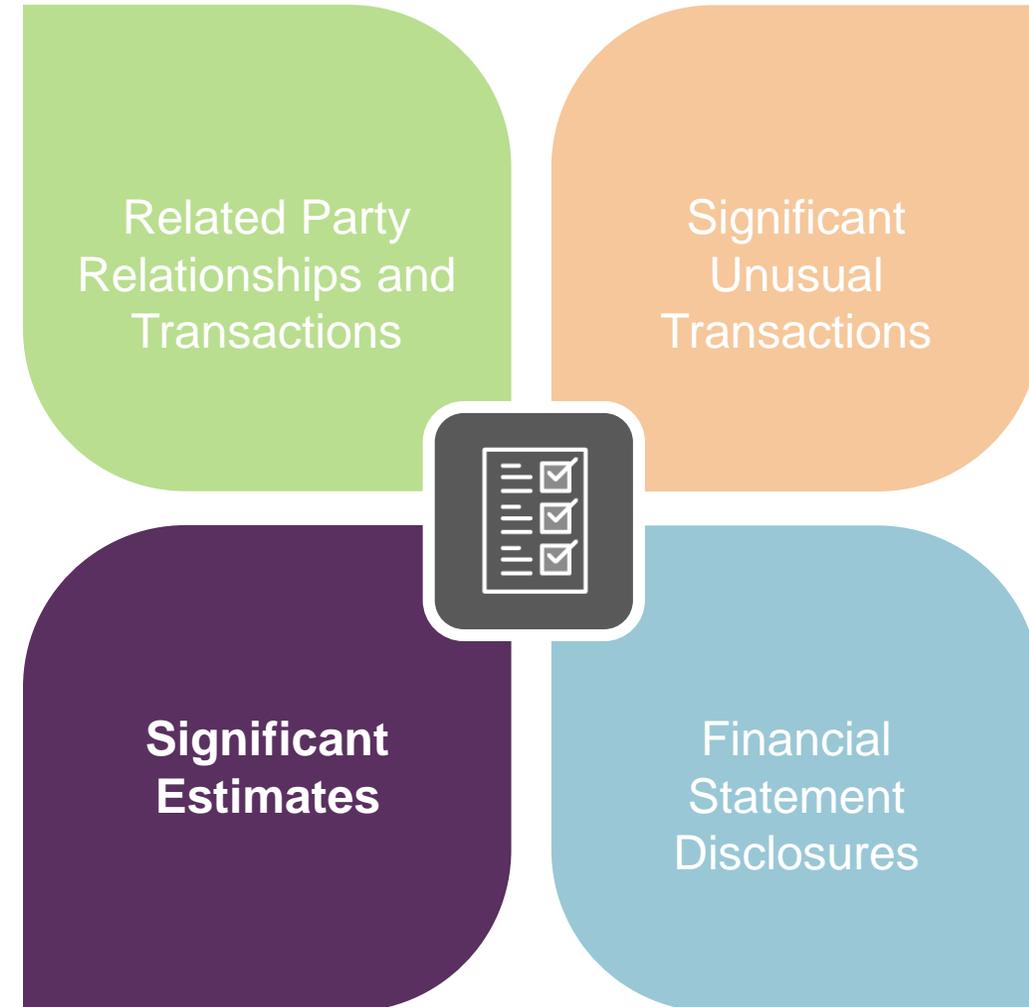
For purposes of this letter, professional standards define significant, unusual transactions as transactions that are outside the normal course of business for the Authority or that otherwise appear to be unusual due to their timing, size, or nature. We noted no significant, unusual transactions during our audit.



Qualitative Aspects of Accounting Practices

Accounting estimates are an integral part of the financial statements. Certain accounting estimates are particularly sensitive because of their significance to the financial statements. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allocation of purchased assets to land and depreciable assets.
- Management's estimate of depreciation is based on estimated useful lives of capitalized assets
- Management's estimate of the net pension and OPEB assets/liabilities and deferred flows of resources.



Independence Considerations

Nonattest Services

- ▶ For all nonattest services we perform, you are responsible for designating a competent employee to oversee the services, make any management decisions, perform any management functions related to the services, evaluate the adequacy of the services, and accept overall responsibility for the results of the services.

Independence Conclusion

- ▶ We are not aware of any other circumstances or relationships that create threats to auditor independence.



Other Required Communications

Difficulties Encountered

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

Includes disagreements on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report no such disagreements arose during the course of our audit.

Auditor Consultations

We noted no matters that are difficult or contentious for which the auditor consulted outside the engagement team.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 17, 2022.



Other Required Communications

Management Consultations

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations.

To our knowledge, there were no such consultations with other accountants.

Other Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year.

These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Fraud and Illegal Acts

As of the date of this presentation, no fraud, illegal acts, or violations of laws and regulations noted.

Going Concern

No events or conditions noted that indicate substantial doubt about the Authority’s ability to continue as a going concern.



Upcoming Financial Reporting Changes

These standards will be effective for the Authority in the upcoming years and may have a significant impact on the Authority's financial reporting.

We would be happy to discuss with management the potential impacts on the Authority's financial statements and how we may be able to assist in the implementation efforts.

GASB 96,
*Subscription-Based
Information
Technology
Arrangements*

GASB 91, *Conduit
Debt Obligations*

GASB 100,
*Accounting
Changes and
Error
Corrections*

GASB 101,
*Compensated
Absences*



Questions?

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About Cherry Bekaert

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