VIRGINIA PASSENGER RAIL AUTHORITY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

A COMPONENT UNIT OF THE
COMMOWEALTH OF VIRGINIA

VIRGINIA
PASSENGER RAIL
AUTHORITY

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Virginia Passenger Rail Authority

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2025

Christopher P. Morrill

Executive Director/CEO

For the Years Ended June 30, 2026 and 2025

Prepared by: Finance Department

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INTRODUCTORY SECTION

COMMONWEALTH of VIRGINIA

Virginia Passenger Rail Authority

DJ Stadtler
Executive Director

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September 30, 2026

Board of Directors
Virginia Passenger Rail Authority
919 E. Main Street, Suite 2400
Richmond, VA 23219

Dear Board Members and Citizens:

In accordance with the requirements set forth in Section **33.2-288** of the Code of Virginia, we are pleased to present the fiscal year 2026 financial statements of the Virginia Passenger Rail Authority ("VPRA," "Authority"). The statute requires the Authority to publish, at the close of each fiscal year, a complete set of financial statements presented in conformance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with Government Auditing Standards generally accepted in the United States of America.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, which is based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

The fiscal year ended June 30, 2026, was audited by PBMares LLP, a licensed certified public accounting firm. We are pleased to report that, as a result of this audit of the Authority's financial records and transactions, PBMares has issued an unmodified opinion on the Authority's financial statements for the year ended June 30, 2026.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal complements the MD&A and should be read in conjunction with it.

Profile of Virginia Passenger Rail Authority (VPRA)

VPRA is an independent authority created by the Virginia General Assembly in 2020 to promote, sustain, and expand the availability of passenger and commuter rail service in the Commonwealth. VPRA's primary operations provide intercity passenger rail service through a contractual relationship with the National Railroad Passenger Corporation ("Amtrak") on two main railroad lines operating in the I-95 and I-81 corridors. These state-supported trains provide daily round-trip revenue service originating from stations throughout Virginia, including Roanoke, Norfolk, Newport News, and Richmond, with through service extending to New York and Boston. During the fiscal year ended June 30, 2026, ridership on these trains

remained strong at 1,441,424, despite a temporary reduction of two trains to accommodate planned construction activities. The Authority also supports this mission by expanding passenger rail service through capital acquisition and construction of rail infrastructure within Virginia.

The Governor of Virginia appoints the Authority's Board, which also includes three non-voting, ex officio members: the CEO of Amtrak (or their designee), the CEO of Virginia Railway Express (VRE), and the Director of the Department of Rail and Public Transportation (DRPT), who also serves as the Chair. Based on this and other factors, the Authority is included as a discretely presented component unit in the basic financial statements of the Commonwealth of Virginia's Annual Comprehensive Financial Report. VPRA is managed by the Executive Director, who is a contract employee of the Board. The Authority is funded primarily through passenger rail ticket revenues and intergovernmental revenues provided by the Commonwealth, Federal government, and other project funding partners. As part of the enabling legislation, VPRA is required to seek the approval of the Commonwealth Transportation Board each year for its capital projects program. This budgetary approval is in addition to the VPRA Board's approval, and both are obtained prior to July 1st each year.

Major Initiatives

The Transforming Rail in Virginia (TRV) initiative, announced in December 2019, will improve the capacity and reliability of both intercity and commuter passenger rail services while maintaining freight interoperability. This ambitious program, slated for construction through 2031, is changing the future of rail transportation in Virginia through key acquisitions and construction projects. This includes the landmark agreement between the Commonwealth and CSX Transportation (CSXT) for the acquisition of railroad right-of-way in the RF&P Corridor, as well as the purchase of the Manassas Line from Norfolk Southern Railway (NSR).

In 2020, the Virginia General Assembly established VPRA to contract for the operation of intercity passenger rail service in Virginia and to carry out the TRV program to expand passenger rail service through capital acquisition and construction of rail infrastructure. As part of the 2020 transportation legislation, VPRA was allocated a dedicated share of the Commonwealth Transportation Trust Fund, which is estimated to average $185 million annually for the next six years. This dedicated source provides a reliable base for financial planning for rail passenger service and the capital program.

The capital projects program includes a new passenger-dedicated two-track rail bridge, the Long Bridge, across the Potomac River, and alleviates the biggest rail transportation chokepoint on the East Coast. The Franconia-Springfield Bypass project will allow passenger and freight traffic to seamlessly cross over from the east and west sides of the corridor, providing access to existing passenger rail stations. TRV allows the Commonwealth to double Amtrak-operated state-supported service and significantly increases VRE commuter service (including inaugural weekend and late-night service) during the next decade. Ultimately, the purchased rail corridors provide a path to future control of the time slots and frequencies of passenger rail service in those rail corridors.

During fiscal year 2026, VPRA continued focusing on improving its rail infrastructure to ensure the operational safety of the current rail service and to allow for future system expansion. The organization also coordinated a significant effort to implement passenger rail service changes to accommodate construction of the Long Bridge project. The details provided below highlight several major efforts undertaken during the fiscal year.

- Adjustments to the Comprehensive Rail Agreement with CSX: In August 2025, VPRA and CSX executed the Amended Comprehensive Rail Agreement and Joint Operating and Maintenance Agreement, which modified the phasing of the Sidings projects.

- Development of VPRA's Enterprise Asset Management System (EAMS): A Request for Information was released to the industry in September 2025 to gather information that assisted the agency in the development of the EAMS. Further work on systems requirements and procurement was also advanced during the fiscal year.

- Advancing property work: Upon completion of the boundary survey work, CSX and VPRA recorded the deeds of confirmation, which transfers ownership of half of the rail corridor from CSX to VPRA, as established in the Comprehensive Rail Agreement. These first five deeds of confirmation were recorded in September 2025. VPRA became the fee title owner of half the corridor in those five jurisdictions.

- Coordination with passenger rail service providers: Beginning in the fall of 2025, VPRA began stakeholder outreach for the planned service changes for Amtrak VA routes and VRE service that took effect in January 2026 to enable construction work windows.

- Implementation of service adjustments: Amtrak & Virginia Railway Express (VRE) service adjustments began January 12, 2026, due to construction of the Long Bridge. Amtrak, VRE, and VPRA staff canvassed stations across Virginia and communicated service changes and schedule adjustments related to the Long Bridge project.

- Legislative Updates: During the 2026 General Assembly Session, VPRA sought needed exemptions for state procedures, information technology regulations, and local fees to bring consistency for the Authority that exists for similar entities within the Commonwealth. VPRA also sought increased terms and project caps for architect-engineer service contracts that the Authority procures. Separately, VPRA also sought consistency with Right-of-Way acquisition activities. These legislative requests were undertaken with two pieces of legislation, House Bills 141 and 446 were signed into law at the completion of the General Assembly Session. This action clarified administrative responsibilities as a new entity in the Commonwealth and provided additional procurement flexibility that will save time on future projects.

Long-Term Financial Planning

The Authority engages in long-term financial planning continuously, reporting to the Board each quarter on the results of the process. The financial planning process requires that all projects authorized by the Board be funded to proceed to the next level of development. The long-term financial planning process matches all of VPRA's funding sources against operations and capital project cost estimates through the end of the construction period for all projects. In addition, a five-year horizon for operations is extended in a different planning exercise to ensure the Authority will have the resources to operate the anticipated passenger rail service at that date.

The TRV program is fully funded for projects identified for Phases 1 and 2 through the end of construction in 2031, and the Board has adopted a reserve policy that protects against unforeseen changes to funding sources or project cost estimates. The Authority is continuing planning efforts for the next phase of rail capital improvements for the 2030 through 2040 horizon.

Financial Environment

As the Commonwealth's road network has become more crowded over the last quarter century, particularly in the major metropolitan areas, intercity passenger rail has increasingly become a sought-after transportation alternative. State-supported intercity passenger rail services have shown strong growth since the COVID-19 pandemic, with record ridership each of the last four years. VPRA has continued to work with Amtrak to improve customer experience. A Customer Service Standards program implemented with

Amtrak, which is tracked with a monthly dashboard that monitors the on-board experience for our customers, has demonstrated improvements in several areas.

The longer-term outlook will be bolstered through the significant rail infrastructure improvements that VPRA is currently undertaking throughout the state. With over $6.5 billion planned to be expended on these capital improvements through 2031, VPRA will be able to double the intercity passenger rail service available to Virginia citizens. The TRV initiative and the planned use of dual-powered locomotives should also improve on-time performance of our intercity passenger rail service by reducing dwell times at Washington Union Station. In addition, these capital improvements will unlock significant capacity for expansion of Virginia Railway Express commuter operations.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Virginia Passenger Rail Authority for its annual comprehensive financial report for the fiscal year ended June 30, 2025. This was the first year that the Authority achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

This report could not have been prepared without the dedicated cooperation of the entire VPRA Accounting and Finance staff. We also thank the VPRA Board for its continued support in planning and conducting VPRA's financial operations in a responsible, progressive manner.

Respectfully submitted,

DJ Stadtler Executive Director	Laura Farmer Chief Financial Officer	Bonnie Hite Director of Accounting

2026 Virginia Passenger Rail Authority Board

Officers

Chair	Mariia Zimmerman
Vice-Chair	Neal Crawford
Treasurer	Laura Farmer
Secretary	Patricia Doersch

Members

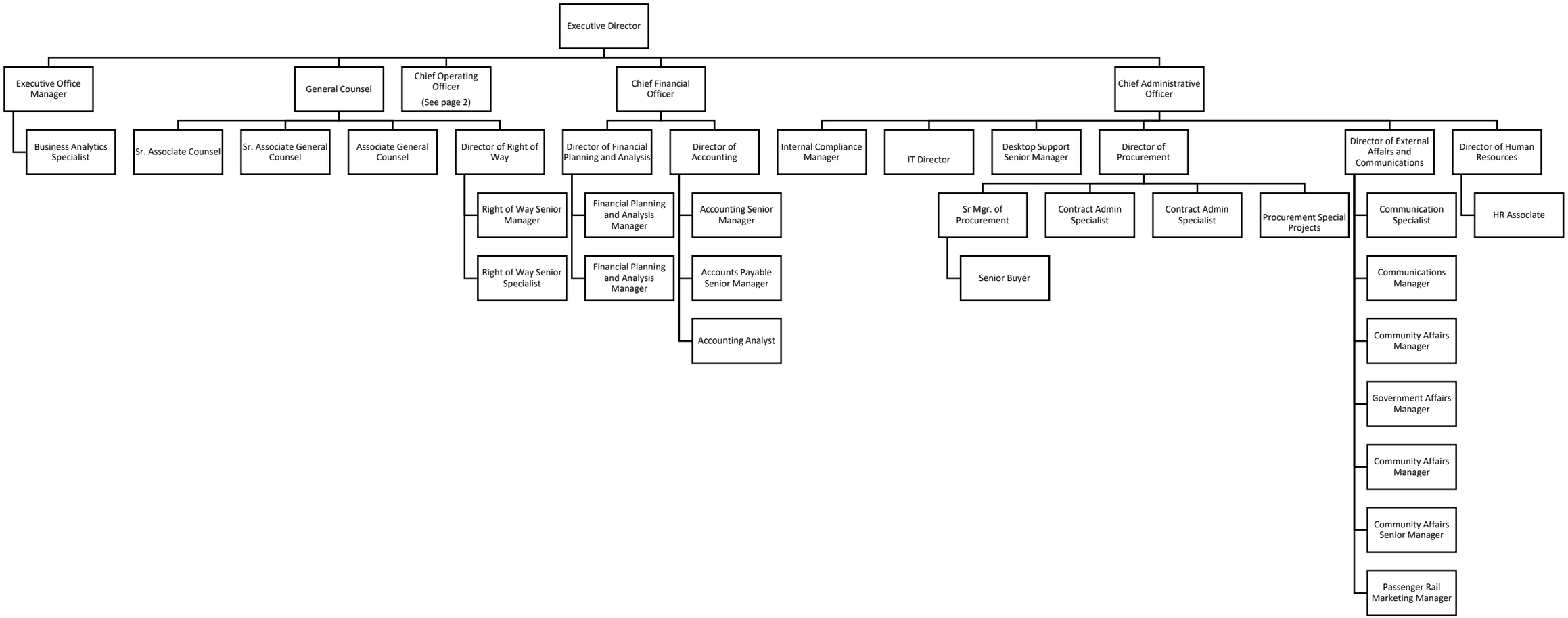
Mariia Zimmerman
Sandra "Sandy" Bushue
Neal Crawford
John S. Delandro III
Patricia Doersch
Darien Flowers
D.J. Jordan
Cynthia Lawrence
Amanda Pratter
Beth D. Rhinehart
Prescott Sherrod
Susan Spears
John C. Watkins
Katie Choe, non-voting
Jennifer Mitchell, non-voting

Management

Executive Director	DJ Stadtler
Chief Financial Officer	Laura Farmer
Chief Operating Officer	Michael McLaughlin
Chief Administrative Officer	Joan Verbonitz
General Counsel	Michael Westermann

Virginia Passenger Rail Authority

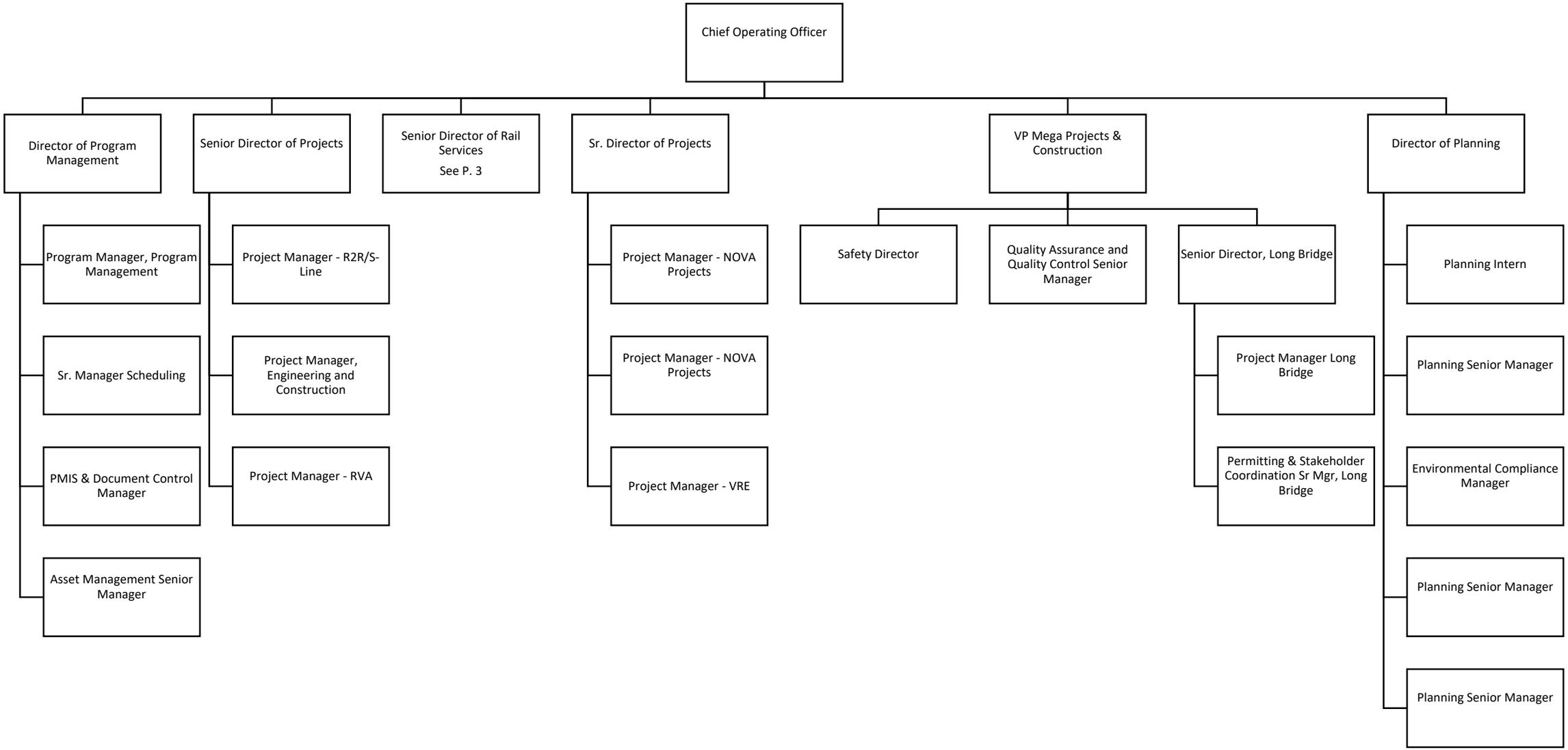
Organizational Chart August 2026



Virginia Passenger Rail Authority

Organizational Chart August 2026

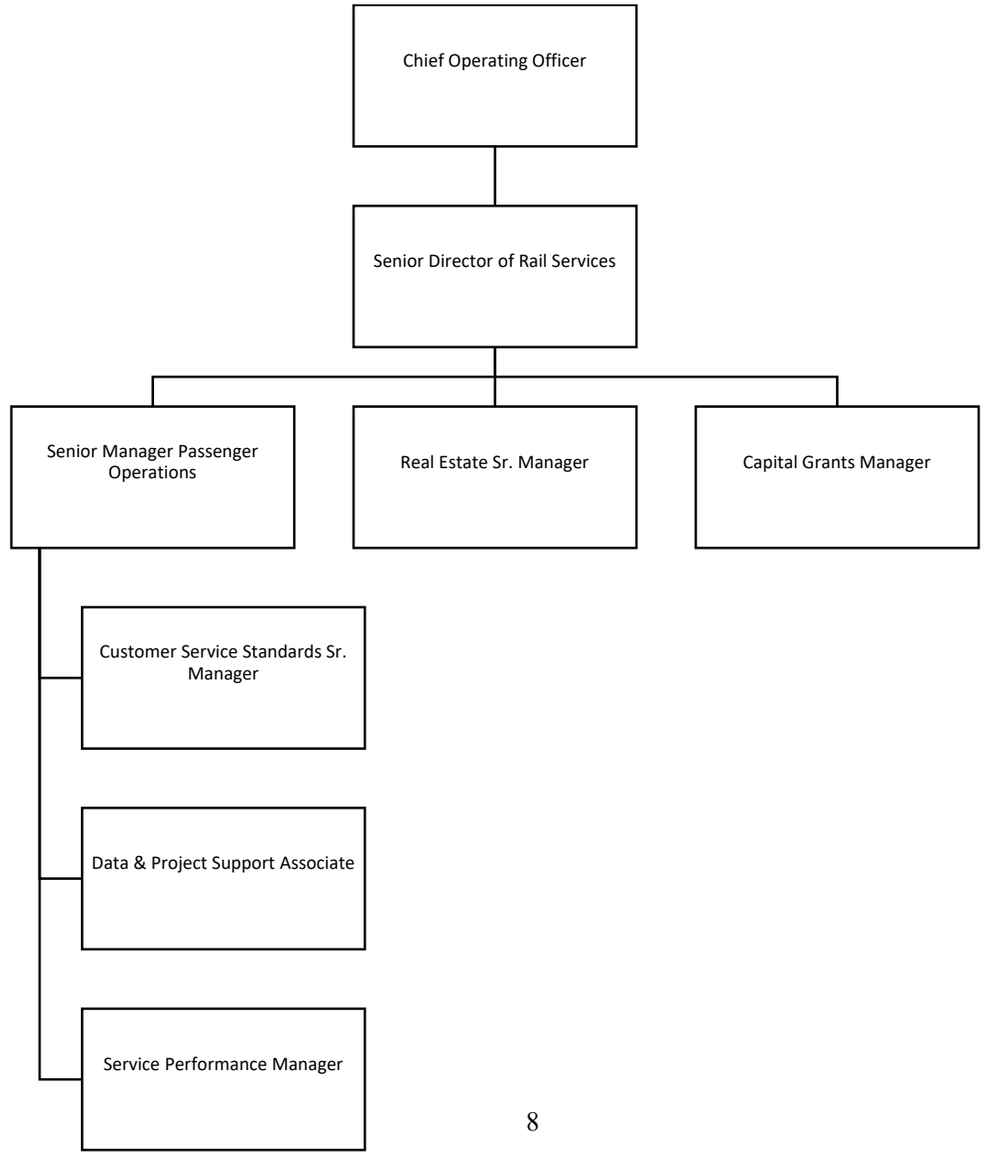
Engineering & Construction



Virginia Passenger Rail Authority

Organizational Chart August 2026

Engineering & Construction



FINANCIAL SECTION

PBMares SM
CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Virginia Passenger Rail Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Virginia Passenger Rail Authority (Authority), a component unit of the Commonwealth of Virginia, as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2026 and 2025, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* and *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 an audit in accordance with GAAS; *Government Auditing Standards*; and *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 audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 – 18 and the required supplementary information on pages 65 – 69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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 September 30, 2026 on our consideration of the Authority'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 the Authority'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 Authority's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
September 30, 2026

Management's Discussion and Analysis ("MD&A") presents management's objective analysis of the Virginia Passenger Rail Authority's ("Authority") financial activities for the fiscal years ended June 30, 2026 and 2025. This discussion is based on currently known facts, decisions, and conditions that may affect the Authority's financial position and operating results. The MD&A is intended to assist readers in understanding the Authority's financial performance and should be read in conjunction with the accompanying financial statements and notes.

OVERVIEW OF THE FINANICAL STATEMENTS

The Authority's financials present information about its financial position, operating results, and cash activity for the fiscal years ended June 30, 2026, and 2025. The Statements of Net Position provides a snapshot of the Authority's assets, liabilities, and deferred inflows and outflows, showing the net resources available to support future operations. The Statements of Revenues, Expenses, and Changes in Net Position reports how those net resources changed during the year as a result of operating and nonoperating activities. The Statements of Cash Flows presents cash receipts and payments from operating, capital, and financing activities, illustrating how cash was generated and used throughout the year.

Together, these statements provide complementary perspectives that help readers understand both long-term financial condition and short-term liquidity. The change in net position shown in the Statements of Revenues, Expenses, and Changes in Net Position directly reconciles to the beginning and ending net position reported on the Statements of Net Position. The Statements of Cash Flows explains year-over-year changes in cash that may differ from accrual-basis operating results, providing insight into the Authority's ability to meet current obligations. Capital asset activity appears across the statements in different ways, affecting net position, operating results through depreciation, and cash flows through capital spending. This helps readers connect operational decisions with their financial effects.

The notes to the financial statements provide additional information essential to understanding the data presented and appear immediately following the basic financial statements. Because the Authority's independent auditor has issued an opinion covering both the current and prior fiscal years, the financial statements are presented on a comparative basis for those two years, and the condensed financial data in the following section provide three years of information for context. Readers should also refer to Note 2, Summary of Significant Accounting Policies, for further detail on the accounting principles and methodologies used in preparing the financials.

FINANCIAL SUMMARY

	2026	2025	2024	$ Change*	% Change*
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current assets, net	$1,026,719,900	$ 616,438,954	$ 806,146,192	$ 410,280,946	66.56%
Other noncurrent assets	714,782	491,304	381,233	223,478	45.49%
Capital assets, net	2,023,752,260	1,386,784,150	767,885,332	636,968,110	46%
Total assets	3,051,186,942	2,003,714,408	1,574,412,757	1,047,472,534	52.28%
Deferred outflows of resources	5,957,444	5,614,765	6,169,850	342,679	6.10%
Total assets and deferred outflows of resources	3,057,144,386	2,009,329,173	1,580,582,607	1,047,815,213	58.38%
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current liabilities	313,665,875	136,234,340	68,823,437	177,431,535	130.24%
Noncurrent liabitlities	16,494,101	58,050,108	58,745,579	(41,556,007)	-71.59%
Total liabilities	330,159,976	194,284,448	127,569,016	135,875,528	69.94%
Deferred inflows of resources	2,019,186	1,352,493	1,053,363	666,693	49.29%
Total liabilities and deferred inflows of resources	332,179,162	195,636,941	128,622,379	136,542,221	69.79%
NET POSITION					
Net investment in capital assets	1,776,891,673	1,193,235,871	714,995,959	583,655,802	48.91%
Restricted	90,233,607	50,326,064	102,194,713	39,907,543	79.30%
Unrestricted	857,125,162	570,130,297	634,769,556	286,994,865	50.34%
Total net position	$2,724,250,442	$1,813,692,232	$1,451,960,228	$ 910,558,210	50.20%

*$ Change and % Change compare the current year to the prior year only. The third column is presented due to the audit opinon covering two comparative years.

The table above shows the Authority's total net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) was over $2.7 billion at year end. This is an increase of $911.3 million, or 50%, compared to fiscal year 2025. The increase was driven primarily by construction activity on the Authority's major capital projects, funded in large part by the federal grant revenue discussed below. Capital assets grew faster than the corresponding increases in accrued liabilities and accounts payable. The following sections of the MD&A provide a more detailed analysis of these changes.

	2026	2025	2024 (1)	$ Change*	% Change*
Operating revenues	$ 92,761,421	$ 91,722,251	$ 84,337,925	$ 1,039,170	1%
Operating expenses	(108,131,169)	(120,099,778)	(117,804,774)	11,968,610	-10%
Depreciation and amortization	(9,236,609)	(6,554,938)	(3,951,564)	(2,681,672)	41%
Net operating loss	(24,606,357)	(34,932,465)	(37,418,413)	10,326,108	-30%
Noncapital subsidies:					
Commonwealth Rail Fund	173,226,478	165,440,493	157,790,263	7,785,985	5%
Other Commonwealth of Virginia contributions	41,849,545	47,681,166	20,488,195	(5,831,621)	-12%
Federal grant funds	26,024,303	19,114,533	-	6,909,770	36%
Pass-through grants and access fees	(29,876,559)	(59,022,795)	(33,690,471)	29,146,236	-49%
Total noncapital subsidies	211,223,767	173,213,397	144,587,987	38,010,370	22%
Operating income (loss) and noncpital subsidies	186,617,410	138,280,932	107,169,574	48,336,478	35%
Nonoperating revenues (expenses):					
Other Commonwealth of Virginia contributions	229,633,523	142,746,012	29,928,175	86,887,511	61%
Federal grant funds	368,960,063	24,840,808	-	344,119,255	1385%
Contributions from funding partners	115,662,967	40,934,948	39,445,901	74,728,019	183%
Investment income, net	24,821,850	21,598,031	37,255,724	3,223,820	15%
Unrealized gain (loss) on investment	(747,248)	5,123,702	(152,901)	(5,870,950)	-115%
Loss on disposal of assets	(10,468,969)	(5,645,749)	-	(4,823,220)	85%
Impairment loss	-	(5,038,968)	-	5,038,968	-100%
Other nonoperating expenses	(3,206,604)	(1,107,712)	(3,607,590)	(2,098,892)	189%
Total nonoperating revenues, net	724,655,582	223,451,072	102,869,309	501,204,511	224%
Change in net position	911,272,992	361,732,004	210,038,883	549,540,989	152%
Net position, beginning of the year	1,813,692,232	1,451,960,228	1,241,921,345	361,732,004	25%
Net position, ending	$ 2,724,965,224	$1,813,692,232	$1,451,960,228	$ 911,272,993	50%

*$ Change and % Change compare the current year to the prior year only. The third column is presented due to the audit opinon covering two comparative years.

(1) Fiscal year 2024 information was reclassified for comparative purposes due to implementation of GASB 103.

The table above shows the Authority's change in net position was $911.3 million, an increase of 152% compared to fiscal year 2025. The Authority's net operating loss decreased by 30% compared to fiscal year 2025. Operating income (loss) and noncapital subsidies increased by 35%, reflecting improved operating performance and continued noncapital support. The remaining increase was driven primarily by a 224% increase in nonoperating revenue. This reflects higher capital-related federal grant revenue within other nonoperating revenues, associated with the Authority's expanded capital projects program. The following sections of the MD&A provide additional analysis of these results.

DETAILED ANALYSIS

Total Assets and Deferred Outflows of Resources

Total Assets and Deferred Outflows of Resources increased by $1.1 billion, or 58%. This increase was driven primarily by a $637.0 million increase in net capital assets, reflecting continued progress across the Authority's capital projects program. Two major projects, Long Bridge and the Franconia-Springfield Bypass, accounted for approximately 95% of the increase in net capital assets as they advanced through planned construction phases during the year. Additional information about these projects, including related financing activity and construction-related service adjustments, is provided in the Significant Capital Asset and Long-Term Financing Activity section of this MD&A.

Current Assets

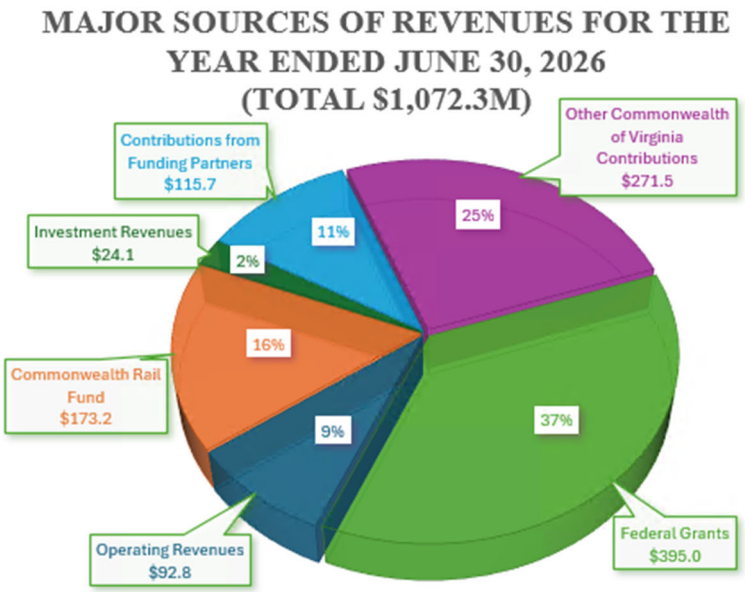
Current assets increased by $410.3 million, or 67%. This increase included a $290.6 million increase in cash, reflecting the accumulation of funds available for upcoming construction draws on the Authority's capital projects. Current assets also increased due to a $101.7 million increase in amounts due from the federal government, reflecting the second year of the Authority's agreements with the Federal Railroad Administration and rising receivables tied to reimbursable costs incurred for the Long Bridge and Franconia-Springfield Bypass projects. Based on current schedules, the Authority anticipates collecting these receivables in early fiscal year 2027. The remaining $18.0 million increase reflects routine fluctuations in accounts receivable, prepaids, and investments.

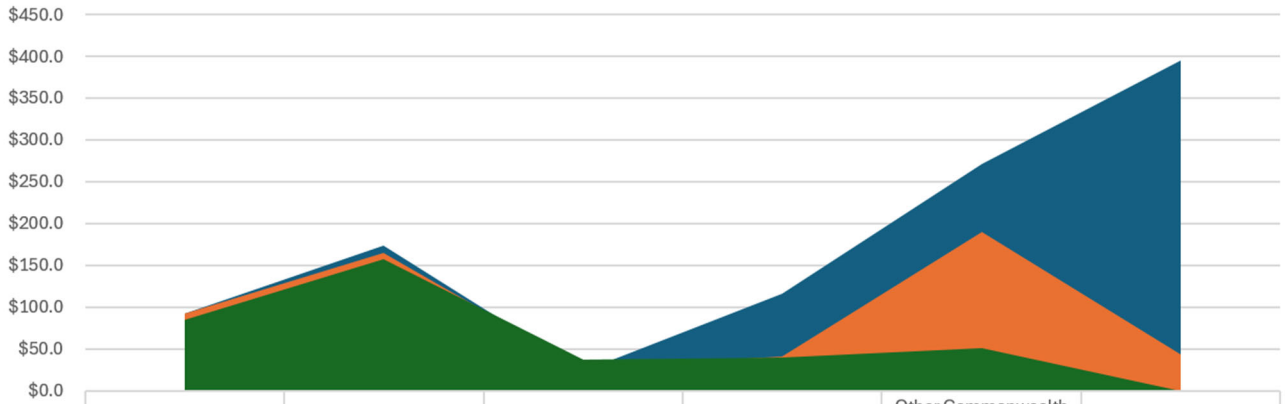
Total Liabilities and Deferred Inflows of Resources

Total Liabilities and Deferred Inflows of Resources increased by $136.5 million, or 70%. This increase was driven primarily by higher accrued liabilities and accounts payable associated with increased construction activity across multiple projects. These increases were $75.0 million and $28.4 million, respectively. Separately, the Authority reclassified a $42.0 million liability from noncurrent to current, as work in the New River Valley is projected to conclude by June 2027 based on current schedules. This reclassification does not affect total liabilities but reflects a shift in the timing of when the obligation is expected to be settled. Additional information is provided in Note 5 of the financial statements.

Revenues

The Authority's primary sources of revenue continue to be federal grants, contributions from funding partners, other Commonwealth of Virginia contributions, the Commonwealth Rail Fund, operating revenues, and investment revenue. The chart below presents the composition of these revenue sources for the fiscal year ended June 30, 2026. A separate chart provides a three-year comparison of revenue mix and illustrates how the composition of the Authority's revenues has shifted as capital project activity has expanded.





	Operating Revenues	Commonwealth Rail Fund	Investment Revenues	Contributions from Funding Partners	Other Commonwealth of Virginia Contributions	Federal Grants
2026	$92.8	$173.2	$24.1	$115.7	$271.5	$395.0
2025	$91.7	$165.4	$26.7	$40.9	$190.4	$44.0
2024	$84.3	$157.8	$37.1	$39.4	$50.4	$0.0

Total revenue from these sources increased by $513.2 million, or 92%, to $1.1 billion in fiscal year 2026, compared to $559.1 million in fiscal year 2025.

Federal grants increased by $351.0 million, or 798%, to $395.0 million, and were the largest driver of the overall increase. This growth reflects the Authority's expanded capital projects program, consistent with the capital activity discussed above.

Contributions from funding partners increased by $74.8 million, or 183%, to $115.7 million. These contributions are made under agreements that specify project-related spending, and the increase corresponds with progress on those designated projects during the year.

Other Commonwealth of Virginia contributions increased by $81.1 million, or 43%, to $271.5 million, primarily due to the final receipt of concessionaire funding from the I-95 Express Lanes Fredericksburg Extension (the"FredEx").

Revenue from the Commonwealth Rail Fund increased by $7.8 million, or 5%, to $173.2 million, reflecting annual growth associated with the funding formula.

Investment revenue decreased by $2.6 million, or 10%, to $24.1 million due to market conditions that resulted in lower returns during the year.

Operating revenues increased by $1.1 million, or 1%, to $92.8 million. Despite scheduled service reductions to accommodate construction activity, operating revenues remained stable as ridership experienced growth year over year.

2025 Ridership	2026 Ridership	Ridership Increase	% Change
1,440,976	1,441,424	448	0.03%

Expenses
Total operating expenses decreased by $12.0 million, or 10%, to $108.1 million in fiscal year 2026. This decrease reflects lower passenger train expenses due to the scheduled service adjustments and the allocation of additional operating activity to capital projects under the Authority's cost allocation plan. See Note 2 for additional information. Depreciation and amortization increased by $2.7 million, or 41%, to $9.2 million, due to additional temporary construction easement acquisitions as well as two assets being placed into service this fiscal year.

Nonoperating expenses totaled $14.4 million, compared to $12.5 million in fiscal year 2025. This change was driven primarily by a $4.8 million increase in losses on disposal of assets, which is associated with the sale of Broad Run and Seminary Yard. See Note 5 for additional details. Unrealized investment activity resulted in a net loss of $747.2 thousand, compared to a gain of $5.1 million in the prior year, reflecting shifts in market performance. Other nonoperating expenses remained relatively consistent.

Total expenses combined to offset operating and nonoperating revenues, contributing to an overall change in net position of $911.3 million for fiscal year 2026.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

	2026	2025	2024
Intangible asset I-95 corridor	$ 98,365,815	$ 240,492,077	$ 237,241,708
Land	724,649,019	640,420,639	297,503,267
Construction- in-progress	1,072,732,108	394,855,664	172,961,618
Permanent construction easement	7,512,345	19,505	-
Rail infrastructure	127,550,493	111,571,385	59,672,602
Intangible right- to-use lease buildings	7,955,203	7,955,137	7,246,772
Intangible right- to-use subscription software	5,705,171	5,703,558	2,180,306
Leasehold improvement	188,973	188,973	-
Temporary construction easement	2,400,045	21,945	-
Other	67,653	67,653	67,653
	2,047,126,825	1,401,296,536	776,873,926
Less accumulated depreciation and amortizatin	(23,374,565)	(14,512,386)	(8,988,594)
Total capital assets, net	$ 2,023,752,260	$ 1,386,784,150	$ 767,885,332

Capital Acquisitions and Construction Activities
Total capital assets increased by $645.8 million, or 46%, to $2.1 billion before depreciation in fiscal year 2026. After accounting for accumulated depreciation and amortization, net capital assets increased by $637.0 million, or 46%, to $2.0 billion. This growth reflects continued advancement across the Authority's capital program during the fiscal year.

Two major construction projects, Long Bridge and the Franconia–Springfield Bypass, accounted for approximately 95% of the $637.0 million increase in net capital assets as they advanced through planned phases during the year. These projects were largely financed by federal grant revenue, which provided a substantial portion of the resources used to support construction activity during the fiscal year. Additional detail regarding federal grant revenue is presented in the Revenues section of this MD&A.

To support construction activities associated with Long Bridge, the Authority implemented service adjustments beginning in January 2026. These adjustments facilitated project activities such as temporary bridge construction, site preparation, foundation testing, and crash-wall installation.

The intangible asset for the I-95 corridor decreased by $142.1 million due to the receipt of deeds of confirmation for portions of the corridor. This conveyance resulted in assets being placed into service as land and rail infrastructure. Additional information related to this activity is provided in Note 5 to the financial statements.

Land increased by $84.2 million, or 13%, to $724.6 million, reflecting project right-of-way acquisitions and the transfer from the I-95 corridor intangible asset referenced above. Rail infrastructure assets increased by $16.0 million, or 14%, due to this transfer and the placement into service of the Arkendale-to-Powell's Creek improvements previously reported as construction-in-progress.

Construction-in-progress increased by $677.9 million, or 172%, to $1.1 billion and was the largest contributor to the overall increase in capital assets. This increase reflects ongoing work on multiple capital projects, including significant progression on the two major construction projects.

Capital Project	2026 ($ in millions)	Increase ($ in millions)	2025 ($ in millions)	Increase ($ in millions)	2024 ($ in millions)
L'Enfant 4th Track	$ 0.6	$ 0.1	$ 0.5	$ 0.2	$ 0.3
Long Bridge for Passenger Rail	708.5	470.4	238.1	163.9	74.2
Alexandria 4th Track	40.0	10.6	29.4	13.6	15.8
Franconia to Lorton 3rd Mainline	36.6	17.3	19.3	7.1	12.2
Franconia-Springfield Bypass	167.8	131.5	36.3	20.5	15.8
Phase 1 Sidings	28.6	12.5	16.1	5.8	10.3
Phase 2 Sidings	4.4	3.7	0.7	0.2	0.5
Arkendale to Powell's Creek	-	(15.7)	15.7	0.3	15.4
Western Rail Corridor Projects	46.8	22.8	24.0	4.1	19.9
Capital Improvements - Other	39.6	24.8	14.8	6.2	8.6
Total Construction-in-Progress	$ 1,072.9	$ 678.0	$ 394.9	$ 221.9	$ 173.0

See Note 5 – Capital Assets for additional detailed information.

Long-Term Financing Activity

Noncurrent liabilities totaled $16.5 million at June 30, 2026, a decrease of $41.6 million compared to the prior year. The decrease was driven primarily by the reclassification of the $42.0 million contractual obligation for the rail corridor purchase from noncurrent to current, as discussed above.

Other noncurrent balances remained relatively stable. Lease liabilities and subscription liabilities decreased modestly as scheduled payments were made during the year. Compensated absences increased slightly, consistent with staffing levels and leave balances. Net pension and other postemployment benefit liabilities increased by $1.3 million and $53.7 thousand, respectively, reflecting updated actuarial valuations.

The Authority did not issue debt during fiscal year 2026. Capital investments continued to be funded through Commonwealth contributions, federal grant reimbursements, and contributions from project funding partners, allowing the Authority to advance major capital projects without increasing bonded indebtedness.

See Note 6 – Long-Term Debt Obligations for additional detailed information.

CURRENTLY KNOWN FACTS, DECISION, OR CONDITIONS

Ridership in fiscal year 2027 is anticipated to remain consistent with fiscal year 2026 levels despite a full year of reduced service related to construction activity. During fiscal year 2026, the Authority experienced a partial-year reduction in service beginning in January, yet ridership increased slightly, demonstrating resilience in passenger demand under constrained operating conditions. Maintaining prior-year ridership levels will require continued growth on the round trips that will operate throughout fiscal year 2027. The Authority also incorporated bus service to supplement the remaining passenger rail trips. These assumptions were incorporated into the operating budget for the year. Broader economic conditions such as changes in consumer spending or fuel prices have historically influenced rail ridership and continue to represent external factors relevant to the Authority's operations.

Revenues from the Commonwealth Rail Fund are forecasted to total $181.0 million in fiscal year 2027, representing a 5% increase compared to fiscal year 2026 actual results. Additional federal, state, and funding partner support is anticipated to contribute to the Authority's capital program in fiscal year 2027, although the amounts received will vary based on project timing and funding availability. The Authority is partnering with the Virginia Department of Transportation to pursue financing from the Interstate 66 Inside the Beltway Toll Facility for the Long Bridge project. Based on current schedules, the Authority anticipates completing the related loan transaction with the Build America Bureau (U.S. Department of Transportation) before the end of fiscal year 2027. The debt obligation will be the responsibility of the toll facility and the Commonwealth Transportation Board and not the Authority.

While still a concern to be monitored, supply chain disruptions and inflationary effects on the Authority's major capital projects have been mitigated in part as underlying construction contracts have been negotiated, providing greater cost certainty heading into fiscal year 2027.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for interested parties. Questions concerning any of the information provided in this report or a request for additional information should be addressed in writing to the Chief Financial Officer for the Virginia Passenger Rail Authority, 919 East Main Street, Suite 2400, Richmond, Virginia 23219.

Basic Financial Statements

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
STATEMENTS OF NET POSITION
JUNE 30, 2026 and 2025

	2026	2025
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and cash equivalents	$ 493,405,595	$ 202,818,750
Accounts receivable	19,432,599	21,553,657
Due from other governments	44,712,781	48,366,121
Due from federal government and Federal Rail Administration	113,192,060	11,539,267
Investments	282,369,500	272,934,808
Prepaid expenses and other	73,607,365	59,226,351
Total current assets	**1,026,719,900**	**616,438,954**
Noncurrent Assets:		
Net other postemployment benefits	714,782	491,304
Capital assets:		
Land	724,649,019	640,420,639
Construction in progress	1,072,732,108	394,855,664
Intangible asset: I-95 corridor	98,365,815	240,492,077
Rail infrastructure	127,550,493	111,571,385
Right-to-use lease assets	7,955,203	7,955,137
Right-to-use subscription assets	5,705,171	5,703,558
Other intangible assets	10,136,136	265,196
Other capital assets	32,880	32,880
Total capital assets	2,047,126,825	1,401,296,536
Less accumulated depreciation and amortization	(23,374,565)	(14,512,386)
Total capital assets, net	2,023,752,260	1,386,784,150
Total noncurrent assets	**2,024,467,042**	**1,387,275,454**
Total assets	**3,051,186,942**	**2,003,714,408**
Deferred outflows of resources:		
Pension	4,652,246	4,254,037
Other postemployment benefits	1,305,198	1,360,728
Total deferred outflows of resources	**5,957,444**	**5,614,765**
Total assets and deferred outflows of resources	**$ 3,057,144,386**	**$ 2,009,329,173**

The accompanying notes to the financial statements are an integral part of these statements.

	2026	2025
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current liabilities:		
Accounts payable - operating	$ 15,158,710	$ 12,247,088
Accounts payable - capital	78,611,150	53,108,932
Contractual obligation rail corridor purchase	42,000,000	-
Due to other governments	300,664	276,730
Unearned revenues	52,914,426	11,083,837
Deposit on sale of assets	15,981,400	26,000,000
Other accrued liabilities - operating	4,813,702	3,272,988
Other accrued liabilities - capital	102,044,657	28,554,386
Accrued interest payable	44,121	113,404
Compensated absences	493,028	435,902
Lease liabilities	670,235	551,831
Subscription liabilities	616,541	573,258
Other postemployment liabilities	17,241	15,984
Total current liabilities	**313,665,875**	**136,234,340**
Noncurrent liabilities:		
Unearned revenues	800,000	800,000
Contractual obligation rail corridor purchase	-	42,000,000
Lease liability	5,933,067	6,603,302
Subscription liability	1,003,537	1,239,374
Compensated absences	288,445	259,969
Net pension liability	7,302,479	6,033,344
Net other postemployment liabilities	1,166,573	1,114,119
Total noncurrent liabilities	**16,494,101**	**58,050,108**
Total liabilities	330,159,976	194,284,448
Deferred inflows of resources:		
Pension	1,366,708	833,426
Other postemployment benefits	652,478	519,067
Total deferred inflows of resources	**2,019,186**	**1,352,493**
Net position:		
Net investment in capital assets	1,776,891,673	1,193,235,871
Restricted	90,233,607	49,834,760
Restricted Net Other Postemployment Benefits	714,782	491,304
Unrestricted	857,125,162	570,130,297
Total net position	**2,724,965,224**	**1,813,692,232**
Total liabilities, deferred inflows of resources, and net position	**$ 3,057,144,386**	**$ 2,009,329,173**

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2026 and 2025

	2026	2025
Operating revenues		
Virginia passenger revenues	$ 92,318,845	$ 89,934,392
Other revenues	442,576	1,787,859
Total operating revenues	**92,761,421**	**91,722,251**
Operating expenses		
Amtrak operating	99,808,684	105,820,045
Amtrak capital	6,928,342	9,790,109
Amtrak marketing	830,916	887,942
General administrative expenses	563,227	3,601,682
Total operating expenses	**108,131,169**	**120,099,778**
Operating loss before depreciation and amortization	**(15,369,748)**	**(28,377,527)**
Depreciation and amortization	(9,236,609)	(6,554,938)
Net operating loss	**(24,606,357)**	**(34,932,465)**
Noncapital subsidies		
Commonwealth Rail Fund	173,226,478	165,440,493
Other Commonwealth of Virginia contributions	41,849,545	47,681,166
Federal grant funds	26,024,303	19,114,533
Pass-through grants and access fees	(29,876,559)	(59,022,795)
Total noncapital subsidies	**211,223,767**	**173,213,397**
Operating income and noncapital subsidies	**186,617,410**	**138,280,932**
Other Nonoperating revenues (expenses)		
Other Commonwealth of Virginia contributions	229,633,523	142,746,012
Federal grant funds	368,960,063	24,840,808
Contributions from funding partners	115,662,967	40,934,948
Investment income, net	24,821,850	21,598,031
Unrealized gain (loss) on investment	(747,248)	5,123,702
Loss on disposal of assets	(10,468,969)	(5,645,749)
Impairment loss	-	(5,038,968)
Other nonoperating expenses	(3,206,604)	(1,107,712)
Total other nonoperating revenues, net	**724,655,582**	**223,451,072**
Change in net position	**911,272,992**	**361,732,004**
Net position, beginning of the year	1,813,692,232	1,451,960,228
Net position, ending	**$ 2,724,965,224**	**$ 1,813,692,232**

The accompanying notes to the financial statements are an integral part of these statements.

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2026 and 2025

	2026	2025
Cash flows from operating activities:		
Receipts from customers	$ 94,094,297	$ 82,659,826
Payments to employees	(16,279,340)	(14,584,238)
Payments to suppliers	(112,315,526)	(126,205,124)
Net cash used in operating activities	(34,500,569)	(58,129,536)
Cash flows from non-capital and related financing activities:		
Noncapital contributions and grants	420,711,264	353,760,749
Grants and assistance	(11,017,826)	(91,466,964)
Net cash provided by non-capital and related financing activities	409,693,438	262,293,785
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(559,354,128)	(535,557,896)
Proceeds from the sale of capital assets	40,074,400	-
Principal payments on lease and subscription liability	(864,228)	(960,070)
Interest paid on lease and subscription liability	(557,976)	(541,504)
Capital contributions and grants	421,933,988	33,026,019
Deposit of sale of capital asset	-	26,000,000
Net cash used in capital and related financing activities	(98,767,944)	(478,033,451)
Cash flows from investing activities:		
Purchase of investments	(122,261,839)	(78,559,774)
Sales/Maturities of investments	112,009,011	67,091,900
Investment revenue, net	24,414,748	21,465,566
Net provided by (used in) investing activities	14,161,920	9,997,692
Net decrease in cash and cash equivalents	290,586,845	(263,871,510)
Cash and cash equivalents, beginning of year	202,818,750	466,690,260
Cash and cash equivalents, end of year	$ 493,405,595	$ 202,818,750

The accompanying notes to the financial statements are an integral part of these statements.

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED JUNE 30, 2026 and 2025

	2026	2025
Reconciliation of net operating loss to net cash used in operating activities:		
Net operating loss	$ (24,606,357)	$ (34,932,465)
Adjustments to reconcile net operating loss from operations to net cash used in operating activities:		
Depreciation and amortization	9,236,609	6,554,938
Indirect costs reclassified to capital assets	(19,128,166)	(15,487,198)
Direct costs reclassified to capital assets	(2,365,277)	-
Special contributions – VRS	-	45,661
Decrease (increase) in operating assets:		
Accounts receivable	651,295	(8,945,923)
Prepaid expenses	1,813,813	(1,714,510)
OPEB	(223,478)	(31,699)
Deferred outflows of resources – pension	(398,209)	162,891
Deferred outflows of resources – OPEB	55,530	(3,034)
Increase (decrease) in operating liabilities:		
Pension liability	1,269,135	164,263
OPEB liability	53,711	20,934
Deferred inflows of resources - pension	533,282	83,279
Deferred inflows of resources - OPEB	133,411	2,866
Accounts payable	(1,193,308)	(1,786,177)
Due to other governments	10,777	11,618
Accrued liabilities	(428,939)	(2,388,869)
Compensated absences	85,602	41,538
Net cash used in operating activities	$ (34,500,569)	$ (58,201,887)

Schedule of Noncash Capital Activities:		
Capital assets acquired through accounts payable	$ 78,611,150	$ 53,108,932
Capital assets acquired through accrued expenses	102,044,657	28,554,386
Assets purchased through installment contracts	42,000,000	42,000,000
Right-to-use assets acquired through lease/subscriptions	34,673	4,442,536
Assets acquired through asset swap	7,164,000	54,256,000
Compensated absences included in construction-in-progress	-	102,699

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

The Virginia Passenger Rail Authority ("Authority" or "VPRA") was established by Section 33.2-287 et seq. of Chapter 1230 of the 2020 Acts of Assembly with a mission to promote, sustain, and expand the availability of passenger and commuter rail service throughout the Commonwealth of Virginia ("Commonwealth") with an inception date of July 1, 2020. The Authority supports this mission primarily through contracting for the operation of intercity passenger rail service in Virginia and by expanding passenger rail service through capital acquisition and construction of rail infrastructure.

As part of the 2020 transportation legislative initiative, the Commonwealth Rail Fund ("CRF") was established July 1, 2020, through Section 33.2-1526.4 of the *Code of Virginia*. Of the 7.5% of Commonwealth Transportation Trust Funds deposited into the CRF, 93% are dedicated to the Authority and distributed as soon as practical. For the years ended June 30, 2026 and 2025, the Authority recorded $173.2 million and $165.4 million of CRF revenue, respectively.

The Authority's Board is appointed by the Commonwealth. Based on this and other factors, the Authority is included as a discretely presented component unit in the basic financial statements of the Commonwealth's Annual Comprehensive Financial Report.

The Authority is funded primarily through passenger rail ticket revenues and intergovernmental revenues provided by the Commonwealth, federal government and other project funding partners.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial reporting model

The financial statements presented for the Authority are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units, as prescribed by the Governmental Accounting Standards Board ("GASB"). GAAP set the reporting model requirements for the annual financial reports of state and local governments. For entities like the Authority that are engaged solely in business-type activities, the annual financial report includes:

* Statements of Net Position – Designed to display the financial position of the Authority. The net position of the Authority is broken down into three categories – (1) net investment in capital assets (2) restricted and (3) unrestricted.
* Statements of Revenues, Expenses, and Changes in Net Position – Designed to display the financial activities of the Authority.
* Statements of Cash Flows – Designed to display the cash inflows and outflows for the operating, financing, capital, and investing activities of the Authority. The direct method of presenting cash flows is utilized.

Measurement focus and basis of accounting

The Authority's financial statements are presented as a business-type activity using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Current assets include cash and amounts convertible to cash during the next normal operating cycle, or one year. Current liabilities include those obligations to be liquidated within the next normal operating cycle, or one year. Deferred outflows of resources and deferred inflows of resources primarily consist of items related to the pension and OPEB liabilities of the Authority.

Adoption of GASB Pronouncement

Effective for the fiscal year ended June 30, 2026, the Authority adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. This statement revised the definitions of operating and nonoperating revenues and expenses, introduced a new category of noncapital subsidies and related subtotals within the Statement of Revenues, Expenses, and Changes in Net Position, and replaced the reporting of special and extraordinary items with unusual or infrequent items.

In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the Authority has applied this change in accounting principle by reclassifying applicable nonoperating revenues and expenses to noncapital subsidies and capital grants and assistance to nonoperating revenues and expenses. This reclassification had no effect on total net position for any period presented and only affected the presentation and classification of revenues and expenses within the statement. Prior-period amounts presented for comparative purposes have been reclassified to conform to the current year presentation.

Cash and cash equivalents

The Authority considers cash and all highly liquid investments, with a maturity of three months or less when purchased, as cash and cash equivalents.

Investment policy

The Authority follows a deposit and investment policy in accordance with the Commonwealth's statutes. Deposit and investment instruments include United States government securities, certificates of deposit, savings accounts, money market funds, Virginia State Non-Arbitrage Program ("SNAP"), bankers' acceptances, corporate notes, commercial paper, the Commonwealth of Virginia Local Government Investment Pool ("LGIP"), the Virginia Investment Pool Trust Fund ("VIP"), and obligations of foreign sovereign governments. Investments are generally on deposit with banks and savings and loan institutions and are collateralized under the provisions of the Virginia Security for Public Deposits Act, Section 2.1-359 et seq ("SPDA"). Securities are held in safekeeping by the respective financial institutions.

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.

Capital assets

Capital assets include intangible assets related to the acquisition of passenger rail corridors, purchased rail corridor assets, construction-in-progress for rail infrastructure improvements, intangible right-to-use assets, and other assets related to the organizational activities of the Authority. The Authority capitalizes tangible property of $10,000 or more per unit with an expected useful life of greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized and are expensed currently.

Capital assets are reported at cost, net of accumulated depreciation and amortization. Contributed assets are valued at acquisition value at the date of receipt. When capital assets are sold or retired, their cost and related accumulated depreciation or amortization are removed from the accounts and the gains or losses are reflected in the results of operations. Depreciation and amortization are determined using the straight-line method over the following estimated useful lives:

Asset Type	Estimated Useful Life
Rail Infrastructure	40 years
Equipment	5 years
Temporary Construction Easements	Life of project
Intangible Right to Use Assets	Life of underlying agreement
Intangible Right to Use Subscription Asset	Life of underlying agreement

Construction-in-progress assets, land, and permanent construction easements have indefinite useful lives and are not depreciated. When certain assets are impaired, as determined by management, any estimated decline in value is accounted for as a non-operating expense. See Note 5 for additional information related to impairment.

Cost allocation plan and capitalization of costs

The Authority capitalizes applicable direct and indirect costs associated with its capital activities, consistent with the general capital asset standard that historical cost include all ancillary charges necessary to place an asset into its intended location and condition for use. These costs are identified and allocated through a cost allocation plan using the Total Direct Cost method where direct costs represent employees' recorded time spent working on capital projects, while indirect costs are allocated using a rate negotiated with the Federal Railroad Administration ("FRA") under an approved indirect cost rate agreement.

Rather than being recognized as operating expenses, these costs are recorded as part of the cost of construction in progress through a noncash entry that reclassifies the applicable amounts from operating expense. The underlying costs, primarily payroll and other administrative costs, are paid in cash through the Authority's normal operating activities.

During the fiscal year ending June 30, 2026, the Authority capitalized $2.4 million of direct costs and $19.1 million of indirect costs to construction in progress under this policy. Because the capitalization entry is noncash, these amounts are presented as reconciling items between operating income (loss) and net cash used in operating activities on the Statements of Cash Flows.

Deferred outflows/inflows of resources

The Statements of Net Position report a separate section for deferred outflows of resources in addition to assets. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The Authority reports deferred outflows related to pension and OPEB obligations in the Statements of Net Position. Deferred outflows for pension and OPEB result from changes in actuarial assumptions, changes in the proportionate shares of the VRS pension and OPEB programs, actual economic experience that is different than estimated, differences between projected and actual earnings, and contributions made subsequent to the measurement date. Deferred outflows of resources for contributions made subsequent to the measurement date are expensed in the next fiscal year. All remaining deferred outflows of resources related to pensions and OPEB are recognized in pension or OPEB expense over the remaining service life of all plan participants with the exception of investment experience amounts, which are deferred and recognized over a closed five-year period.

The Statements of Net Position report a separate section for deferred inflows of resources in addition to liabilities. Deferred inflows of resources in the Statements of Net Position represent amounts related to pensions and OPEB such as actuarial losses resulting from a difference in expected and actual experience, investment results, changes in actuarial assumptions and changes in proportionate shares. All deferred inflows of resources related to pensions and OPEB are recognized in pension or OPEB expense over the remaining service life of all plan participants with the exception of investment experience amounts, which are deferred and recognized over a closed five-year period.

Compensated absences

Employees accrue paid time off (the "PTO") each pay period based on number of years of service. PTO is paid time away from work that can be used for vacation, personal time, personal illness, or to care for dependents. PTO eligibility is determined by the month in which employment begins. Employees receive a pro-rated amount of PTO covering the amount of time left in the year. Rehired employees who return to work within 12 months continue with their previous years of service as it pertains to annual PTO days. Rehired employees that return to work after 12 months start with zero years of service.

Unused accrued PTO is paid to employees upon resignation, retirement, permanent disability, or other termination of employment, provided the employee has supplied proper and timely notice of such action. The Authority has established maximums for annual carryforward balances based on years of service. Exceptions may be granted in rare circumstances when employees have not been able to use PTO due to work demands over a substantial period of time.

The Authority implemented GASB Statement No. 101, *Compensated Absences* in the fiscal year ended June 30, 2025 and applied it prospectively. The new standard required that compensated absence liabilities be recognized only for leave balances that are more likely than not to be used or paid. The liability is measured based on a historical analysis of leave usage patterns applied to the average hourly rate of active employees at fiscal year-end. Liabilities for leave balances that are payable upon termination or retirement are also included. The portion of the liability expected to be liquidated within one year is reported as a current liability, with the remainder classified as noncurrent.

Accrued liabilities

Accrued liabilities are recorded for expenses incurred by the Authority but not yet paid and expenses incurred by grantees but not yet presented for reimbursement. Accrued liabilities recorded at June 30, 2026 and 2025 are based on actual costs or the best available estimate.

Leases

The Authority examines each new contract and determines whether the contract is a lease as defined by GASB 87. 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), and is over the capitalization threshold, the Authority records a lease asset and lease obligation. This 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, the Authority 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 instead an expense is recognized as incurred over the lease term.

At the commencement of a lease, the Authority 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.

Subscription-Based Information Technology Arrangement ("SBITA")

The Authority examines each new contract related to subscription license agreements and determines if it qualifies as a SBITA as defined by GASB 96. If the 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), and is over the capitalization threshold, the Authority records a right-to-use subscription asset and subscription liability. This 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, the Authority will use the applicable incremental borrowing rate in the calculation of the present value of the subscription payments. Subscriptions with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and instead an expense is recognized as incurred over the subscription term.

At the commencement of a SBITA, the Authority 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.

Pensions and other postemployment plans

Authority employees participate in the Virginia Retirement System's ("VRS") Plan 1, Plan 2, and Hybrid retirement plans. Members earn one month of service credit for each month they are employed and for which they and the Authority pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined by the *Code of Virginia*. Eligible prior service that may be purchased includes public sector services, active military service, certain periods of leave, and previously refunded service.

For reporting purposes, VRS measures pension and other postemployment benefits ("OPEB") as of the prior fiscal year – June 30, 2025 in this case. For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Authority's plans and the additions to/deductions from the Authority's plans' net fiduciary position will be determined on the same basis as reported by the 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.

A. Pensions

The Virginia Retirement System (VRS) State Employee Retirement Plan is a single employer pension plan that is treated like a cost-sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS State Employee Retirement Plan and the additions to/deductions from the VRS State Employee Retirement Plan's 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.

B. Group Life Insurance Program ("GLI")

The VRS GLI is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to § 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary 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.

C. State Employee Health Insurance Credit Program ("HIC")

The VRS State Employee HIC is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee HIC was established pursuant to § 51.1-1400 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 State Employee HIC is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB, and the State Employee HIC OPEB expense, information about the fiduciary net position of the VRS State Employee HIC and the additions to/deductions from the VRS State Employee HIC's net fiduciary 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.

D. VRS Virginia Sickness and Disability Insurance Program ("VSDP")

The VRS VSDP is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The VSDP was established pursuant to §51.1-1100 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 VSDP is a managed care program that provides sick, family and personal leave, and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees. For purposes of measuring the net VSDP OPEB asset, deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB, and VSDP OPEB expense, information about the fiduciary net position of the VRS VSDP OPEB Plan and the additions to/deductions from the VRS VSDP OPEB Plan's net fiduciary 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.

E. Pre-Medicare Retiree Healthcare Plan

Pre-Medicare Retiree Healthcare is a single-employer defined benefit Other Post Employment Benefits (OPEB) plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resource Management. After retirement, the Authority no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

Net position

Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of three sections: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets includes capital assets net of accumulated depreciation and amortization, less any outstanding debt related to the acquisition, construction, or improvement of those assets. Net position is reported as restricted when constraints are imposed by third parties or by enabling legislation. When a cost is incurred for which both restricted and unrestricted resources are available, management determines on an individual basis how resources are allocated.

Revenue recognition

Contributions from the Commonwealth and project funding partners that are restricted to specific project elements and subject to eligibility requirements are recognized as revenue when the related capital outlay is incurred and the eligibility requirement has been satisfied. Any amounts received in advance of meeting the eligibility requirement are recorded as unearned revenue.

Contributions from the Commonwealth that are restricted in purpose but not subject to eligibility requirements are recognized as revenue when the funds are received, and any related net position is classified as restricted.

Revenue from the Commonwealth Rail Fund is recognized in the period in which the underlying tax revenues are collected.

Federal grant revenues are recognized at the time the eligible expense has been incurred. Any excess of grant revenues or expenses at year end are recorded as unearned revenue or accounts receivable, respectively.

Operating and nonoperating revenues and expenses

Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses, as described below. The Authority's principal operating revenues are charges for services related to its passenger rail operations. Operating expenses include the cost of providing passenger rail services, administrative expenses, contractual services, and depreciation and amortization of capital assets.

Nonoperating revenues and expenses are defined as subsidies received and provided, contributions to permanent and term endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory, and investment income and expenses.

Subsidies are further defined as:

- Resources *received* from another party for which the Authority does not provide goods or services to, and that directly or indirectly keep the Authority's current or future fees and charges lower than they would otherwise be.
- Resources *provided* to another party for which that party does not provide goods or services to the Authority, and that are recoverable through the Authority's current or future pricing policies.
- All other transfers.

Subsidies are classified as noncapital unless the provider has restricted their use to the acquisition or construction of capital assets, in which case they are reported within other nonoperating revenues and expenses.

The Statements of Revenues, Expenses, and Changes in Net Position presents noncapital subsidies, by source, separately following operating income (loss), together forming the subtotal operating income (loss) and noncapital subsidies, before other nonoperating revenues and expenses.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred flows of resources, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and changes in net position during the reporting period. Significant items subject to such estimates include the valuation allowance for receivables, capital assets, and obligations related to employee benefits. Actual results could differ from those estimates and assumptions.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2026 and 2025, cash, cash equivalents and investments consisted of the following:

	2026 Carrying Value	2025 Carrying Value
Demand Deposits	$ 6,575,472	$ 8,418,208
Money Market Funds	492,352	209,323
LGIP	486,337,771	194,191,219
Investments	282,369,500	272,934,808
	$ 775,775,095	$ 475,753,558

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation ("FDIC") and collateralized in accordance with the SPDA, Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits at June 30, 2026 and 2025, are considered fully collateralized.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development, the Asian Development Bank, the African Development Bank, obligations of foreign sovereign governments, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements and the State Treasurer's LGIP.

The Authority has adopted a formal investment policy. The goal of the policy is to minimize risk and to ensure the availability of cash to meet Authority obligations, while generating revenue from the use of funds which might otherwise remain idle. The primary objectives of the Authority'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. At June 30, 2026 and 2025, all of the Authority's investments were held in accordance with this policy.

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.

U.S. Treasury Obligations. Bills, notes, and any other obligation or securities issued by or backed by the full faith and credit of the United States Treasury. The final maturity shall not exceed a period of five (5) years from the time of purchase.

Federal Agency/Government Sponsored Enterprise Obligations. Bonds, notes, and other obligations of the United States, and securities guaranteed by any federal government agency or instrumentality, or government sponsored enterprise, with a rating of at least "AA" (or its equivalent) by at least two of the following Nationally Recognized Statistical Rating Organizations ("NRSRO"): Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's ("S&P"), or Fitch Ratings, Inc. ("Fitch"). The final maturity shall not exceed a period of five (5) years from the time of purchase. Any investment in mortgage-backed securities or collateralized mortgage obligations shall have a weighted average life that does not exceed five (5) years from the time of purchase.

Municipal Obligations.

a) Bonds, notes, and other general obligations of the Commonwealth of Virginia and its agencies, authorities, and political subdivisions upon which there is no default, with a rating of at least AA (or its equivalent) by at least two of the following NRSROs: S&P, Moody's, or Fitch, matures within three (3) years of the date of purchase, and otherwise meets the requirements of *Code of Virginia* §2.2-4501.

b) Bonds, notes, and other evidences of indebtedness of any political subdivision within the United States upon which there is no default and upon which there has been no default for more than ninety days; provided, that within the twenty fiscal years next preceding the making of such investment, such political subdivision has not been in default for more than ninety days in the payment of any part of principal or interest of any debt authorized to be contracted. A rating of at least AA (or its equivalent) by at least two of the following NRSROs: S&P, Moody's, or Fitch, maturity within three (3) years of the date of purchase is required.

Commercial Paper. "Prime quality" commercial paper, with a maturity of 270 days or less from the date of purchase, issued by domestic corporations (corporations organized and operating under the laws of the United States or any state thereof) provided that the issuing corporation, or its guarantor, has a short-term debt rating of at least two of the following: P-1 by Moody's, A-1 by S&P, or F1 by Fitch, and that otherwise meets the requirements of *Code of Virginia* §2.2-4502.

Bankers' Acceptance. Issued by domestic banks or a federally chartered office of a foreign bank, which are eligible for purchase by the Federal Reserve System with a maturity of 180 days or less. The issuing corporation, or its guarantor, must have a short-term debt rating from at least two of the following: P-1 by Moody's, A-1 by S&P, or F1 by Fitch.

Corporate Notes. High quality corporate notes with a final maturity from the time of purchase of five (5) years or less and shall have received at least two of the following ratings: A by S&P, A2 by Moody's, or A by Fitch.

Negotiable Certificates of Deposit and Bank Deposit Notes. Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks that meet the following requirements:

a) Notes with maturities of no more than one (1) year from the time of purchase shall have received at least two of the following ratings: A-1 by S&P, P-1 by Moody's, or F1 by Fitch.
b) Notes with maturities exceeding one year and not exceeding five (5) years from the time of purchase shall have received at least two of the following ratings: AA by S&P, Aa2 by Moody's, or AA by Fitch.

Bank Deposits and Non-Negotiable Certificates of Deposit. Demand deposits, time deposits, and other deposits that comply with all aspects of SPDA or with §2.2-4518 with a final maturity no more than two (2) years.

Repurchase Agreements. In overnight repurchase agreements provided that the following conditions are met:

a) The contract is fully secured by deliverable U.S. Treasury and Federal Agency/Government Sponsored Enterprise obligations as allowed in the VPRA investment policy, including the maximum maturity of three (3) years, having a market value at all times of at least one hundred and two percent (102%) of the amount of the contract;
b) A Master Repurchase Agreement or specific written Repurchase Agreement governs the transaction;
c) The securities are free and clear of any lien and held by an independent third-party custodian acting solely as agent for VPRA, provided such third party is not the seller under the repurchase agreement;
d) A perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Authority;

e) The counterparty is a:
   i. primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or
   ii. a bank, savings and loan association, or diversified securities broker dealer having at least $5 billion in assets and $500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and

f) The counterparty meets the following criteria:
   i. Has a long-term credit rating of at least 'AA' or the equivalent from an NRSRO
   ii. Has been in operation for at least 5 years, and
   iii. Is reputable among market participants.

Money Market Mutual Funds (Open-Ended Investment Funds). Shares in open-end, no-load investment funds provided such funds are registered under the Investment Company Act of 1940 and provided that the fund is rated at least AAAm or the equivalent by an NRSRO. The fund should have at least $10 billion in assets managed. The mutual fund must comply with all requirements of Rule 2(a)-7, or any successor rule, of the United States Securities and Exchange Commission, provided the investments by such funds are restricted to investments otherwise permitted by the *Code of Virginia* (§2.2-4508) for political subdivisions.

U.S. Denominated Supranational Agency Bonds. Bonds and other obligations with a final maturity from the time of purchase of five (5) years or less, issued, guaranteed or assumed by the International Bank for Reconstruction and Development, by the Asian Development Bank or by the African Development Bank. Bonds shall have received at least two of the following ratings: AAA by S&P, Aaa by Moody's, or AAA by Fitch.

LGIP. Investments in this pool are subject to the rules and regulations as set forth by the Virginia Department of the Treasury which manages the pool (§2.2-4602). The CFO shall, on a continual basis, monitor the management and operations of the LGIP.

Virginia State Non-Arbitrage Program's (SNAP) Fund. Investments in this pool are limited to unexpended proceeds from the issuance of bonds, the interest on which is subject to rebate under the provisions of the Tax Reform Act of 1986 (§2.2-4700), and reserve accounts directly related to the issuance of debt or other credit agreement.

Asset-Backed Securities. Asset-backed securities with a duration of no more than five years with a rating of at least AAA or Aaa by two rating agencies. One of the two qualifying ratings shall be (i) at least Aaa by Moody's Investors Service, Inc.; (ii) at least AAA by Standard and Poor's; or (iii) at least AAA by Fitch Ratings, Inc.

The Authority's investments as of June 30, 2026, and 2025 were rated by Standard & Poor's, with the ratings presented below:

Fair Quality Ratings as of June 30, 2026

	AAAm	AAA	AA1	AA	A-1	A
Commercial Paper	$ -	$ -	$ -	$ -	$ 65,268,617	$ -
U.S. Treasury Obligations	-	73,949,455	-	-	-	-
Corporate Notes	-	-	-	-	-	69,624,136
Supranational Agency Bonds	-	6,994,633	-	-	-	-
Federal Agency/GSE Obligations	-	-	3,992,520	62,540,139	-	-
Money Market	492,352	-	-	-	-	-
LGIP	486,337,771	-	-	-	-	-
	$ 486,830,123	$ 80,944,088	$ 3,992,520	$ 62,540,139	$ 65,268,617	$ 69,624,136

Fair Quality Ratings as of June 30, 2025

	AAAm	AAA	A-1	A
Commercial Paper	$ -	$ -	$ 33,447,525	$ -
U.S. Treasury Obligations	-	87,708,322	-	-
Corporate Notes	-	-	-	68,897,024
Supranational Agency Bonds	-	6,942,170	-	-
Federal Agency/GSE Obligations	-	75,939,767	-	-
Money Market	209,323	-	-	-
LGIP	194,191,219	-	-	-
	$ 194,400,542	$ 170,590,259	$ 33,447,525	$ 68,897,024

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be recovered. All of the Authority's deposits are maintained in accounts collateralized in accordance with the SPDA. The Authority's investment policy provides that securities purchased for the Authority shall be held by the Authority or by the Authority's custodian. If held by a custodian, the securities must be in the Authority's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the Authority. Further, if held by a custodian, the custodian must be a third-party, not a counterparty (buyer or seller) to the transaction. At June 30, 2026 and 2025, the invested balance at the Authority's custodian was $282,861,852 and $273,144,131.

Concentration of Credit Risk

In accordance with its investment policy, the Authority manages its exposure to declines in fair values by setting portfolio limits on various investment vehicles. The limitations provided in the investment policy for the total portfolio and each issuer for each category of investment are as follows:

Permitted Investment	Portfolio Limit	Issuer Limit
U.S. Treasury Obligations	100%	100%
Federal Agency/GSE Obligations	100%	35%
Municipal Obligations	20%	5%
Commercial Paper	35%	5%
Bankers' Acceptances	15%	5%
Corporate Notes	25%	5%
Negotiable Certificates of Deposit and Bank Deposit Notes	25%	5%
Bank Deposits and Non-Negotiable Certificates of Deposit	100%	10%
Repurchase Agreements	20%	10%
Money Market Mutual Funds	25%	10%
U.S. Denominated Supranational Agency Bonds	20%	5%
LGIP	100%	100%
Virginia SNAP Fund (**Proceeds of Tax-Exempt Bonds Only**)	100%	100%
Asset-Backed Securities	20%	5%

Interest Rate Risk

In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting the maturity of various investment vehicles. As a means of limiting exposure to fair value losses arising from interest rates, the Authority's policy limits the duration of each category of investment. Additionally, maximum maturity of any individual investment shall not exceed five (5) years. Interest rate risk does not apply to LGIP since it is an external investment pool classified in accordance with GAAP.

The following tables outline the maturities of the Authority's investments as of June 30, 2026, and 2025:

		Investment Maturities (in years) as of June 30, 2026		
	Fair Values	Less Than 1 Year	1-5 Years	Over 5 Years
Commercial Paper	$ 65,268,617	$ 65,268,617	$ -	$ -
U.S. Treasury Obligations	73,949,455	24,870,298	49,079,157	-
Corporate Notes	69,624,136	35,422,196	34,201,940	-
Supranational Agency Bonds	6,994,633	4,953,150	2,041,483	-
Federal Agency/GSE Obligations	66,532,659	38,328,937	28,203,722	-
Money Market	492,352	492,352	-	-
LGIP	486,337,771	486,337,771	-	-
	$ 769,199,623	$ 655,673,321	$ 113,526,302	$ -

		Investment Maturities (in years) as of June 30, 2025		
	Fair Values	Less Than 1 Year	1-5 Years	Over 5 Years
Commercial Paper	$ 33,447,525	$ 33,447,525	$ -	$ -
U.S. Treasury Obligations	87,708,322	13,509,360	74,198,962	-
Corporate Notes	68,897,024	13,204,895	55,692,129	-
Supranational Agency Bonds	6,942,170	-	6,942,170	-
Federal Agency/GSE Obligations	75,939,767	13,980,088	61,959,679	-
Money Market	209,323	209,323	-	-
LGIP	194,191,219	194,191,219	-	-
	$ 467,335,350	$ 268,542,410	$ 198,792,940	$ -

At June 30, 2026 and 2025, the Authority had investments in the LGIP of $486,337,771 and $194,191,219, respectively. The LGIP is an externally managed investment pool that is not registered with the Securities Exchange Commission. Pursuant to 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 their regularly scheduled monthly meetings. The LGIP values portfolio securities by the amortized cost method and the maturity is less than one year. The Authority classified LGIP as cash and cash equivalents.

Fair Value Measurement

When applicable, the Authority 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. The three levels of the fair value hierarchy are described below.

Level 1 Valuation based on quoted prices in active markets for identical assets or liabilities.

Level 2 Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.

Level 3 Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

The following tables present the Authority's assets at fair value, categorized by level within the fair value hierarchy, as of June 30, 2026, and 2025.

	2026			
	Total	Level 1	Level 2	Level 3
Commercial Paper	$ 65,268,617	$ -	$ 65,268,617	$ -
U.S. Treasury Obligations	73,949,455	73,949,455	-	-
Corporate Notes	69,624,136	60,395,195	9,228,941	-
Supranational Agency Bonds	6,994,633	4,953,150	2,041,483	-
Federal Agency/GSE Obligations	66,532,659	8,439,010	58,093,649	-
Money Market	492,352	492,352	-	-
	$282,861,852	$ 148,229,162	$ 134,632,690	$ -

	2025			
	Total	Level 1	Level 2	Level 3
Commercial Paper	$ 33,447,525	$ -	$ 33,447,525	$ -
U.S. Treasury Obligations	87,708,322	87,708,322	-	-
Corporate Notes	68,897,024	-	68,897,024	-
Supranational Agency Bonds	6,942,170	-	6,942,170	-
Federal Agency/GSE Obligations	75,939,767	-	75,939,767	-
Money Market	209,323	209,323	-	-
	$ 273,144,131	$ 87,917,645	$ 185,226,486	$ -

NOTE 4 – DUE FROM OTHER GOVERNMENTS

At June 30, 2026, and 2025, amounts due from other governments consisted of the following:

	2026	2025
Commonwealth Rail Fund	$ 15,315,132	$ 13,023,263
Virginia Department of Transportation	26,825,383	34,511,394
Department of Rail & Public Transportation	296,461	221,606
Fairfax County Department of Public Works and Environmental Services	1,092,993	440,628
Stafford County	1,182,812	169,230
Total	$ 44,712,781	$ 48,366,121

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2026 and 2025 was as follows:

	Balances July 1, 2025	Increases	Decreases	Transfers	Balances June 30, 2026
Capital assets not being depreciated or amortized:					
Intangible asset I-95 corridor	$ 240,492,077	$ 1,782,584	$ -	$ (143,908,846)	$ 98,365,815
Land	640,420,639	-	(56,483,885)	140,712,265	724,649,019
Construction-in-progress	394,855,664	695,092,282	-	(17,215,838)	1,072,732,108
Permanent construction easement	19,505	7,492,840	-	-	7,512,345
Total capital assets not depreciated or amortized	1,275,787,885	704,367,706	(56,483,885)	(20,412,419)	1,903,259,287
Capital assets being depreciated or amortized:					
Rail infrastructure	111,571,386	-	(4,433,312)	20,412,419	127,550,493
Intangible right-to-use lease buildings	7,955,137	-	-	66	7,955,203
Intangible right-to-use subscription software	5,703,558	34,673	(33,060)	-	5,705,171
Leasehold improvement	188,973	-	-	-	188,973
Temporary construction easement	21,945	2,378,100	-	-	2,400,045
Other	67,653	-	-	-	67,653
Total capital assets depreciated or amortized:	125,508,652	2,412,773	(4,466,372)	20,412,485	143,867,538
Less accumulated depreciation or amortization for:					
Rail infrastructure	11,622,703	6,559,186	(374,496)	-	17,807,393
Intangible right-to-use lease buildings	1,671,880	749,512	-	66	2,421,458
Intangible right-to-use subscription software	1,164,956	1,266,581	-	-	2,431,537
Leasehold improvement	11,306	19,382	-	-	30,688
Temporary construction easement	665	628,417	-	-	629,082
Other	40,876	13,531	-	-	54,407
Total accumulated depreciation or amortization	14,512,386	9,236,609	(374,496)	66	23,374,565
Total capital assets depreciated or amortized, net:	110,996,266	(6,823,836)	(4,091,876)	20,412,419	120,492,973
Total capital assets, net	$ 1,386,784,151	$ 697,543,870	$ (60,575,761)	$ -	$ 2,023,752,260

	Balances July 1, 2024	Increases	Decreases	Transfers	Balances June 30, 2025
Capital assets not being depreciated or amortized:					
Intangible asset I-95 corridor	$ 237,241,708	$ 3,250,369	$ -	$ -	$ 240,492,077
Land	297,503,267	409,868,715	(87,727,718)	20,776,375	640,420,639
Construction-in-progress	172,961,618	268,545,466	(25,875,045)	(20,776,375)	394,855,664
Permanent construction easement	-	19,505	-	-	19,505
Total capital assets not depreciated or amortized	707,706,593	681,684,055	(113,602,763)	-	1,275,787,885
Capital assets being depreciated or amortized:					
Rail infrastructure	59,672,602	65,850,368	(13,951,584)	-	111,571,386
Intangible right-to-use lease buildings	7,246,772	708,365	-	-	7,955,137
Intangible right-to-use subscription software	2,180,306	3,523,252	-	-	5,703,558
Leasehold improvement	-	188,973	-	-	188,973
Temporary construction easement	-	21,945	-	-	21,945
Other	67,653	-	-	-	67,653
Total capital assets depreciated or amortized:	69,167,333	70,292,903	(13,951,584)	-	125,508,652
Less accumulated depreciation or amortization for:					
Rail infrastructure	7,643,490	5,010,359	(1,031,146)	-	11,622,703
Intangible right-to-use lease buildings	954,464	717,416	-	-	1,671,880
Intangible right-to-use subscription software	363,295	801,661	-	-	1,164,956
Leasehold improvement	-	11,306	-	-	11,306
Temporary construction easement	-	665	-	-	665
Other	27,345	13,531	-	-	40,876
Total accumulated depreciation or amortization	8,988,594	6,554,938	(1,031,146)	-	14,512,386
Total capital assets depreciated or amortized, net:	60,178,739	63,737,965	(12,920,438)	-	110,996,266
Total capital assets, net	$ 767,885,332	$ 745,422,020	$ (126,523,201)	$ -	$ 1,386,784,151

As of June 30, 2026, the same three construction-in-progress projects identified as idle in fiscal year 2025, with an aggregate carrying value of $5.6 million, remain idle. Amendment No. 4 of the Comprehensive Rail Agreement (the "CRA") with CSX Corporation ("CSXT") was signed on August 14, 2025, and anticipates implementation in Phase 3a of the Transforming Rail in Virginia initiative. Management has reassessed these projects as of June 30, 2026 and continues to conclude that the decline in service utility is not significant and other-than-temporary as the costs incurred to date consist primarily of design and engineering work that will retain its usefulness and can continue to be applied to the projects once construction resumes. Accordingly, no impairment loss has been recognized as of June 30, 2026. Service utility is expected to be restored once work resumes. No insurance recoveries were recognized or are anticipated in connection with these projects.

I-95 Corridor

In 2021 the Commonwealth, acting through the Department of Rail and Public Transportation ("DRPT), completed efforts to purchase certain rail capacity, right-of-way, and rail infrastructure from CSXT. The CRA between DRPT and CSXT was finalized on March 26, 2021. As certain condition precedents were not finalized until April 14, 2021, the first of three contractual payments was made on that date to CSXT using Authority funding. As allowed by Section 1.6 of the CRA, the Authority formally assumed the underlying assets and liabilities resulting from this agreement from DRPT.

The CRA outlined three required payments and the acquisition of three rail asset segments. The amount and timing of the installment payments did not have a correlation to the segments offered. The installment payments totaling $525.0 million were made regardless of the acceptance of the segments.

The rail segments and conveyance terms are as follows:

Segment	Description	Conveyance Terms
Segment 1: I-95 Corridor	Approximately one-half of the 144-mile rail corridor from just inside Washington, DC to just south of Petersburg, VA with passage through Richmond, VA by way of Main Street Station.	The agreement provided the Authority with a permanent passenger rail service easement in the I-95 rail corridor owned by CSXT. Survey work continues to be performed to determine the nature of the assets (land, track, bridges, rail infrastructure) associated with the I-95 Corridor right-of-way. This work is progressing toward completion, with just over 60% of the deeds of confirmation received to date, allowing for the fee simple ownership of the right-of-way and rail infrastructure to pass to the agency. The remaining work is scheduled to be completed in fiscal year 2027, in accordance with Amendment No. 3 of the CRA.
Segment 2: S-Line	75-mile rail corridor from just south of Petersburg, VA to Ridgeway, NC.	Conveyance accepted on November 30, 2022.
Segment 3: Buckingham Branch	East-west 164-mile CSXT line from Doswell, VA to Clifton Forge, VA operated by Buckingham Branch railroad Company.	Conveyance accepted on November 30, 2021.

The purchase price and corresponding transaction costs were capitalized as an intangible asset until fee simple ownership of the assets is obtained. Based on the asset valuation, the fair value of all assets acquired approximates the acquisition consideration of $525.0 million. Using comparable market data, the value was allocated to the respective asset components (land and rail infrastructure). As the segments are converted to land and rail infrastructure ownership, the determined value will be transferred from an intangible asset to the respective asset classification.

On November 30, 2021, the Authority accepted Segment 3. At that time the allocation of land and rail infrastructure assets obtained in Segment 3 was determinable. The total asset value of Segment 3 was $237.7 million, comprised of $191.9 million of land and $45.8 million of rail infrastructure. As disclosed in Footnote 2, rail infrastructure is depreciated over a 40-year useful life. As the assets acquired in Segment 3 had varying useful lives, a 20-year remaining life was applied to the assets.

On November 30, 2022, the Authority accepted Segment 2. At that time the allocation of assets obtained in Segment 2 was determinable. The total asset value was $70.2 million, comprised solely of land. As disclosed in Footnote 2, land has an indefinite useful life and therefore is not depreciated.

As of June 30, 2026, Segment 1 has partially conveyed, with 62% of the deeds of confirmation received. The total value of assets conveyed thus far is $143.9 million, comprised of $140.7 million of land and $3.2 million of rail infrastructure. The remaining $98.4 million remains an intangible asset pending completion of the survey work, which is expected to be finalized in fiscal year 2027.

Western Rail Corridor and Manassas Line

In 2022, the Authority completed the purchase of approximately 28.5 miles of rail capacity, right-of-way, and rail infrastructure from Norfolk Southern ("NS"), known as the "V-Line." The Authority formally assumed ownership of the assets on June 28, 2022. The total consideration paid approximated the fair value of the assets acquired. Based on comparable market data, the value was allocated to land and rail infrastructure, resulting in a total recorded cost of $40.7 million, comprised of $31.2 million of land and $9.5 million of rail infrastructure.

On August 29, 2024, the Authority executed a subsequent agreement with NS to purchase certain railroad property rights, easements, and stations within the Commonwealth of Virginia for $357.0 million. The agreement provided for multiple closings associated with the exchange of assets between the parties:

- Initial Closing, September 5, 2024: The Authority acquired rail assets between Alexandria and Broad Run, Virginia, and NS received cash consideration of $315.0 million.

- Second Closing, November 15, 2024: The Authority conveyed the previously acquired V-Line assets to NS in exchange for the Seminary Yard in Alexandria. No cash was exchanged in this transaction, which was valued at $54.3 million. There were certain capital projects in progress specifically associated with the V-line that were written off in the prior year as those assets no longer provided service utility to the Authority, resulting in a $5.7 million loss on disposal of assets for the year ended June 30, 2025.

- Final Closing, scheduled to occur no later than August 31, 2027: Following completion of certain construction activities on railroad property in New River Valley, and conveyance of the improved property in a separate transaction with NS, the Authority will remit the remaining installment payment of $42.0 million. Based on construction progress through June 30, 2026, management now expects this closing to occur by June 30, 2027. Accordingly, the $42.0 million liability reported as noncurrent in the prior year has been reclassified to current.

On April 2, 2025 the Authority executed an agreement with Virginia Railway Express ("VRE") to purchase Seminary Yard, the Broad Run corridor, and certain easements along the Manassas Line. Under the agreement, VRE made a deposit of $26.0 million toward the transaction, of which $16.0 million remains and is held as a liability pending completion of the remaining conveyances.

As of June 30, 2026, Seminary Yard and the Broad Run corridor had been conveyed to VRE. These assets, with a combined historical cost of $60.9 million and accumulated depreciation of $374.5 thousand, were removed from capital assets in the current year, and the Authority recognized an aggregate loss on disposal of $13.3 million, reported within nonoperating expenses on the Statement of Revenues, Expenses, and Changes in Net Position. The loss resulted because net book value of the corridor assets exceeded the consideration of $47.3 million received under the agreement.

The remaining easements contemplated by the agreement have not yet conveyed as of June 30, 2026. Conveyance of these easements is contingent upon completion of a related agreement expected late in calendar year 2027. Because this is expected to occur more than one year from the statement date, these interests have not been classified as capital assets held for sale under GASB Statement No. 104. The $16.0 million deposit will be recognized as proceeds from the sale, and any related gain or loss recorded, when the remaining conveyances are completed and the Authority's performance obligations under the agreement are satisfied.

NOTE 6 – LONG-TERM OBLIGATIONS

The changes in long-term liabilities for the year ended June 30, 2026 and 2025 are as follows:

	Balance July 1, 2025	Increases*	Decreases	Balance, June 30, 2026	Current Portion
Lease liability	$ 7,155,133	$ -	$ (551,831)	$ 6,603,302	$ 670,235
Subscription liability	1,812,632	34,673	(227,227)	1,620,078	616,541
Compensated absences	695,871	85,602	-	781,473	493,028
Net pension liability	6,033,344	1,269,135	-	7,302,479	-
Net other postemployment liabilities	1,130,103	53,711	-	1,183,814	17,241
Total Long-Term Obligations	$ 16,827,083	$ 1,443,121	$ (779,058)	$ 17,491,146	$ 1,797,045

	Balance July 1, 2024	Increases*	Decreases	Balance, June 30, 2025	Current Portion
Lease liability	$ 6,818,911	$ 913,136	$ (576,914)	$ 7,155,133	$ 551,831
Subscription liability	479,119	1,922,725	(589,212)	1,812,632	573,258
Compensated absences	551,634	144,237	-	695,871	435,902
Net pension liability	5,462,959	570,385	-	6,033,344	-
Net other postemployment liabilities	1,057,412	72,691	-	1,130,103	15,984
Total Long-Term Obligations	$ 14,370,035	$ 3,623,174	$ (1,166,126)	$ 16,827,083	$ 1,576,975

*Note: Increase for compensated absences represents the annual increase net of annual decrease.

The long-term liabilities of the Authority consist of compensated absences, lease and subscription liabilities, as well as obligations related to pension and other postemployment benefits. Employees of the Authority are entitled to PTO in accordance with policy. At termination or retirement, employees are paid for unused accrued leave balances. The Authority accrued $781,473 and $695,871 for compensated absences as of June 30, 2026 and 2025, respectively. Compensated absences included current and long-term amounts for each fiscal year presented.

Lease obligations

The Authority entered into a 10-year, 8-month lease agreement for office space in Richmond in May 2022. Terms of the agreement provided for 8 months of abated rent with monthly payments of $37,545 commencing in February 2023. The Authority recorded a $3,770,113 lease obligation, utilizing a 3.25% interest rate. The lease asset is amortized over a 128-month period on a straight-line basis. The net book value of the intangible right-to-use lease asset was $2,297,413 and $2,650,860 at June 30, 2026 and 2025, respectively. Future minimum lease payments as of June 30, 2026 are shown below.

Year(s) Ending June 30	Principal	Interest	Total
2027	$ 371,339	$ 79,205	$ 450,544
2028	383,589	66,955	450,544
2029	396,243	54,301	450,544
2030	409,314	41,230	450,544
2031	422,817	27,727	450,544
2032-2033	653,381	22,435	675,816
Total	$ 2,636,683	$ 291,853	$ 2,928,536

The Authority entered into a 10-year, 9-month lease agreement for office space in Alexandria in December 2023. Terms of the agreement provided 9 months of abated rent with monthly payments of $40,946 commencing in September 2024, increasing by 2.5% annually starting in December 2024. The Authority recorded a $3,476,659 lease obligation, utilizing an 8.5% interest rate. The lease asset is amortized over a 129-month period on a straight-line basis. The net book value of the intangible right-to-use lease asset was $2,641,179 and $2,964,590 at June 30, 2026 and 2025, respectively. Future minimum lease payments as of June 30, 2026 are shown below.

Year(s) Ending June 30	Principal	Interest	Total
2027	$ 250,484	$ 273,276	$ 523,760
2028	285,529	251,326	536,855
2029	325,408	224,869	550,277
2030	368,460	195,574	564,034
2031	415,673	162,461	578,134
2032-2035	1,681,072	246,336	1,927,408
Total	$ 3,326,626	$ 1,353,842	$ 4,680,468

In December 2024, an amendment to the original agreement commenced providing an expansion to the leased space. The amendment is for the remaining life of the lease with monthly payments starting at $7,867 and increasing 2.5% annually starting in September 2025. As part of this amendment, the Authority incurred $188,973 in costs related to a leasehold improvement. The cost was recorded as a right-to-use lease asset in accordance with lease accounting guidance and is being amortized on a straight-line basis over the remaining lease term. The net book value of the intangible right-to-use lease asset was $595,154 and $667,807 at June 30, 2026 and 2025, respectively. Future minimum lease payments for this amendment as of June 30, 2026 are shown below.

Year(s) Ending June 30	Principal	Interest	Total
2027	$ 50,508	$ 48,412	$ 98,920
2028	56,208	45,185	101,393
2029	63,641	40,282	103,923
2030	71,644	34,882	106,526
2031	80,374	28,815	109,189
2032-2035	317,618	45,407	365,121
Total	$ 639,993	$ 242,983	$ 885,072

Subscription-Based Information Technology Arrangement ("SBITA")

In October 2022, the Authority entered into two subscription license agreements for an Enterprise Resource Planning ("ERP") system. The first agreement is for a period of 3 years with an optional 3-year renewal term. The second agreement is for a supplemental software that works in tandem with the first. That agreement is for a period of 5 years with an optional 1-year renewal term. The software was placed into service in July 2023. A second implementation phase that added functionality was placed into service in April 2024. Initial payments were made prior to placing the software into service and during the fiscal year ended June 30, 2024 totaling $331,546. Subsequent annual payments are $147,366 starting in November 2024. The Authority recorded a $626,634 subscription liability utilizing an 8.5% interest rate. The intangible right-to-use subscription asset is amortized over 64 months on a straight-line basis. The net book value of the intangible right-to-use subscription asset was $978,074 and $1,397,701 at June 30, 2026 and 2025, respectively. Future minimum payments as of June 30, 2026 are shown below:

Year Ending June 30	Principal	Interest	Total
2027	$ 124,402	$ 22,964	$ 147,366
2028	135,399	11,967	147,366
Total	$ 259,801	$ 34,931	$ 294,732

In October 2024, the Authority entered into a subscription license agreement service with Flairsoft, LTD for the use of software to manage right of way acquisition. In January 2025 the system was deemed ready for use and placed into service. The agreement grants the Authority a limited, non-exclusive right to access and use the Flairdocs Right of Way Management System for a period of 3 years. Initial payments were made prior to placing the software into service totaling $187,004. Subsequent annual payments are $48,000 starting in October 2025. The Authority recorded a $87,243 subscription liability utilizing a 7.75% interest rate. The intangible right-to-use subscription asset is amortized over 34 months on a straight-line basis. The net book value of the intangible right-to-use subscription asset was $125,962 and $224,818 at June 30, 2026 and 2025, respectively. Future minimum payments as of June 30, 2026 are shown below:

Year Ending June 30	Principal	Interest	Total
2027	$ 44,432	$ 3,568	$ 48,000
Total	$ 44,432	$ 3,568	$ 48,000

The Authority entered into a SBITA with Kahua, Inc. in May 2024 for the use of its project management software. The software was placed into service in January 2025. The agreement provides the Authority with the right to access and use the Kahua platform for 5 years with an optional 1-year renewal term. Initial payments were made prior to placing the software into service totaling $1,422,802. The Authority recorded a subscription liability of $1,826,204 utilizing a 7.75% interest rate. The subscription asset is amortized over 53 months on a straight-line basis. The net book value of the intangible right-to-use subscription asset was $2,138,746 and $2,916,083 at June 30, 2026 and 2025, respectively. Future minimum payments as of June 30, 2026 are shown below:

Year Ending June 30	Principal	Interest	Total
2027	$ 436,733	$ 87,947	$ 524,680
2028	471,703	52,977	524,680
2029	378,527	14,983	393,510
Total	$ 1,286,963	$ 155,907	$ 1,442,870

The Authority entered into a SBITA with P6 Cloud Database in March 2026 for the use of its scheduling software. The software was placed into service in March 2026. The agreement provides the Authority with the right to access and use the P6 Cloud Database for three years, with no option to renew. The Authority recorded a subscription liability of $34,673 utilizing a 6.75% interest rate. The subscription asset is amortized over 37 months on a straight-line basis. The net book value of the intangible right-to-use subscription asset was $30,852 at June 30, 2026. Future minimum payments as of June 30, 2026, are shown below:

Year Ending June 30	Principal	Interest	Total
2027	$ 10,974	$ 1,686	$ 12,660
2028	11,736	924	12,660
2029	6,172	158	6,330
Total	$ 28,882	$ 2,768	$ 31,650

NOTE 7 – 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 state agencies are automatically covered by the VRS State Employee 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 in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- https://www.varetire.org/retirement-plans/defined-benefit/plan1/
- https://www.varetire.org/retirement-plans/defined-benefit/plan2/
- https://dcp.varetire.org/hybrid

B. Contributions

The contribution requirement for active employees is governed by § 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each entity's contractually required employer contribution rate for the fiscal year ended June 30, 2026 and 2025 was 12.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS State Employee Retirement Plan were $1,315,468 and $1,245,195 for the years ended June 30, 2026, and June 30, 2025, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $83,070 and $81,756 for the years ended June 30, 2026 and 2025, respectively. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll. When members do so, the employer is required to make a corresponding additional contribution of up to 2.5% of covered payroll. Employer contributions under this provision totaled $176,378 and $171,320 for the years ended June 30, 2026 and 2025, respectively. The total Hybrid plan participant covered payroll totaled $9,742,048 and $8,291,549 for the years ended June 30, 2026 and 2025.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2026 and 2025, the Authority reported a liability of $7,302,479 and $6,033,344, respectively, for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2025 and 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2024 and 2023, and rolled forward to the measurement date. The Authority's proportion of the Net Pension Liability was based on the Authority's actuarially determined employer contributions to the pension plan for the year ended June 30, 2025, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2025, the Authority's proportion of the VRS State Employee Retirement Plan was 0.16499% as compared to 0.12249% at June 30, 2024.

For the years ended June 30, 2026 and 2025, the Authority recognized pension expense of $2,720,396 and $2,670,378, respectively, for the VRS State Employee Retirement Plan. Since there was a change in proportionate share between June 30, 2024 and June 30, 2025, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,186,249	$ -
Net difference between projected and actual earnings on plan investments	-	1,354,540
Change in assumptions	168,625	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,981,904	12,168
Employer contributions subsequent to the measurement date	1,315,468	-
Total	$ 4,652,246	$ 1,366,708

The $1,315,468 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2027. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30	
2027	$ 1,911,359
2028	593,955
2029	(226,880)
2030	(308,364)
	$ 1,970,070

At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 989,663	$ 33,270
Net difference between projected and actual earnings on plan investments	-	793,054
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,019,179	7,102
Employer contributions subsequent to the measurement date	1,245,195	-
Total	$ 4,254,037	$ 833,426

D. Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2024 and 2023 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025 and 2024.

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

Mortality rates as of June 30, 2024:

- Pre-retirement: Pub-2010 Amount Weighted tables with 75% of the MP-2021 Scale projected generationally; females set forward 2 years
- Post-retirement: Pub-2010 Amount Weighted tables, with 75% of the MP-2021 Scale projected generationally; 110% of rates for females
- Post-disablement: Pub-2010 Amount Weighted tables, with 75% of the MP-2021 Scale projected generationally; males and females set forward 3 years
- Beneficiaries and Survivors: Pub-2010 Amount Weighted tables, with 75% of the MP-2021 Scale projected generationally; 110% of rates for males and females
- Mortality Improvement: Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of the standard rates

The actuarial assumptions used in the June 30, 2024 and June 30, 2023, valuations were based on the results of an actuarial experience study for the period from July 1, 2020 through June 30, 2024 and July 1, 2016 through June 30, 2020, respectively. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

As of June 30, 2024

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~ 25% of the way to the observed experience, on a liability-weighted basis
Termination Rates	Moved ~ 25% of the way to the observed experience, on a liability-weighted basis
Disability Rates	Moved ~ 50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit & Longevity 50 basis points
Retiree liability estimation for Life Only	Change from 1.618% to 2.0%
Discount Rate	No Change

E. Net Pension Liability

The net pension liability (the "NPL") is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GASB Statement No. 67, less that plan's fiduciary net position. As of June 30, 2025 and 2024, NPL amounts for the VRS State Employee Retirement Plan are as follows (amounts expressed in thousands):

	2025 State Employee Retirement Plan	2024 State Employee Retirement Plan
Total Pension Liability	$ 31,048,959	$ 29,769,365
Plan Fiduciary Net Position	26,622,947	24,843,784
Employers' Net Pension Liability	$ 4,426,012	$ 4,925,581
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.75%	83.45%

The total pension 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 pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 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 pension System 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 pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	32.00%	6.60%	2.11%
Fixed Income	16.00%	5.09%	0.81%
Credit Strategies	16.00%	8.21%	1.31%
Real Assets	15.00%	7.10%	1.07%
Private Equity	15.00%	8.60%	1.29%
PIP- Private Investment Partnership	1.00%	7.95%	0.08%
Diversifying Strategies	6.00%	6.82%	0.41%
Cash	2.00%	4.07%	0.08%
Leverage	(3.00%)	4.57%	(0.14%)
Total	100.00%		7.02%
		Expected arithmetic nominal return**	7.02%

** The above allocation provides a one-year expected return of 7.02% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.06%, including expected inflation of 2.50%.*

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

G. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal years ended June 30, 2025 and 2024, the rate contributed by the state agency for the VRS State Employee Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% and 102%, respectively, of the actuarially determined contribution rate. From July 1, 2025, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net pension 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:

	1.00% Decrease 5.75%	Current Discount 6.75%	1.00% Increase 7.75%
Authority's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability – 2025	$ 13,339,441	$ 7,302,479	$ 2,240,417
Authority's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability – 2024	$ 10,284,191	$ 6,033,344	$ 2,488,372

I. Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2025 Annual Report. A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/publications/?category=annual, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

J. Payables to the Pension Plan

The payable amount outstanding to the VRS State Employee Retirement Plan for legally required contributions into the plan was $150,220 and $146,346 at June 30, 2026 and June 30, 2025, respectively.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

A. Group Life Insurance Program

I. Plan Description

All full-time, salaried permanent employees of state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI upon employment. This plan is administered by the System, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from 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.

II. Group Life Insurance Program Plan Provisions

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

Eligible Employees

The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Portsmouth
- City of Roanoke
- Roanoke City School Board

The City of Richmond and the City of Norfolk participate in VRS for retirement and life. However, there are employees under each locality who decided to remain with the locality's retirement plan and are covered under VRS for life insurance only.

Basic group life insurance 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.

Benefit Amounts

The benefits payable under the GLI have several components.

- Natural Death Benefit: The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit: The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions: In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - Accidental dismemberment benefit
  - Seatbelt benefit
  - Repatriation benefit
  - Felonious assault benefit
  - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to retired 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.

Minimum Benefit Amount and COLA

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the 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 $9,768 and $9,532 as of June 30, 2026, and June 30, 2025, respectively.

III. Contributions

The contribution requirements for the GLI are governed by § 51.1-506 and § 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.18% of covered employee compensation for both June 30, 2026 and 2025. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the Authority were $125,213 and $118,767 for the years ended June 30, 2026, and June 30, 2025, respectively.

IV. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI OPEB

At June 30, 2026 and 2025, the Authority reported a liability of $351,199 and $341,026, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2025 and 2024 and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2024 and 2023 and rolled forward to the measurement date. 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 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2025, the Authority's proportion was 0.03650% as compared to 0.03056% at June 30, 2024.

For the years ended June 30, 2026, and June 30, 2025, the Authority recognized GLI OPEB expense of $77,824 and $76,983, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2026, 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	$ 62,301	$ 6,611
Net difference between projected and actual earnings on plan investments	-	49,146
Change in assumptions	-	11,491
Changes in proportion and differences between employer contributions and proportionate share of contributions	238,113	180
Employer contributions subsequent to the measurement date	119,423	-
Total	$ 419,837	$ 67,428

The $119,423 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB liability in the Fiscal Year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30	
2027	$ 80,432
2028	71,941
2029	48,920
2030	19,007
2031	12,686
	$ 232,986

At June 30, 2025, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 53,788	$ 8,330
Net difference between projected and actual earnings on plan investments	-	28,745
Change in assumptions	1,944	16,901
Changes in proportion and differences between employer contributions and proportionate share of contributions	251,809	231
Employer contributions subsequent to the measurement date	118,767	-
Total	$ 426,308	$ 54,207

V. Actuarial Assumptions

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2024, and June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025.

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

For Mortality Rates, refer to Section D. of Note 7 in these financial statements.

VI. Net GLI OPEB Liability

The net GLI OPEB Liability (the "NOL") represents the program's total OPEB Liability determined in accordance with GASB Statement No. 74, less the associated plan fiduciary net position. As of the measurement date of June 30, 2025 and 2024, NOL amounts for the GLI are as follows (amounts expressed in thousands):

	2025 Group Life Insurance OPEB Program	2024 Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 4,433,282	$ 4,196,055
Plan Fiduciary Net Position	3,471,094	3,080,133
GLI Net OPEB Liability	$ 962,188	$ 1,115,922
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	78.30%	73.41%

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

VII. Long-Term Expected Rate of Return

The long-term expected rate of return used to measure total OPEB assets/liabilities is the same for all pension and OPEB plans. See Section F. of Note 7 in these financial statements for information on the long-term expected rate of return on the System's investments.

VIII. 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 years ended June 30, 2025 and June 30, 2024, the rate contributed by the Authority for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% and 113%, respectively, of the actuarially determined contribution rate. From July 1, 2025 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

IX. Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net GLI OPEB Liability using the discount rate of 6.75%, as well as what the Authority'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:

	1.00% Decrease 5.75%	Current Discount Rate 6.75%	1.00% Increase 7.75%
Authority's proportionate share of the GLI Plan Net OPEB Liability – 2025	$ 592,457	$ 351,199	$ 156,560
Authority's proportionate share of the GLI Plan Net OPEB Liability – 2024	$ 530,339	$ 341,026	$ 188,085

X. Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2025 Annual Comprehensive Financial Report (Annual Report). A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/publications/?category=annual, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

XI. Payables to the VRS Group Life Insurance OPEB Plan

The payable amount outstanding to the VRS GLI for legally required contributions into the Program was $10,760 and $10,453 at June 30, 2026, and June 30, 2025, respectively.

B. Health Insurance Credit Program

I. Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee HIC Program. This plan is administered by the System, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

II. State Employee Health Insurance Credit Program Plan Provisions

The specific information about the State HIC OPEB, including eligibility, coverage and benefits is set out in the table below:

Eligible Employees The State Employee Retiree HIC was established January 1, 1990, for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit. Eligible employees who are enrolled automatically upon employment include full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
Benefit Amounts The State Employee Retiree HIC provides the following benefits for eligible employees: At Retirement: For State employees who retire, the monthly benefit is $4.25 per year of service per month with no cap on the benefit amount. Disability Retirement: For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (the "VSDP"), the monthly benefit is $120.00 or $4.25 per year of service, whichever is higher. For State police officer employees with a non-work-related disability who retire on disability or go on long- term disability under the VSDP, the monthly benefit is $120.00 or $4.25 per year of service, whichever is higher. For State police officers with a work-related disability, there is no benefit provided under the State Employee Retiree HIC if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.
Health Insurance Credit Program Notes The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount. Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the Health Insurance Credit as a retiree.

III. Contributions

The contribution requirement for active employees is governed by § 51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each entity's contractually required employer contribution rate for the years ended June 30, 2026 and 2025 was 1.12% of covered employee compensation for employees in the VRS State Employee HIC. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS State Employee HIC were $119,469 and $112,728 for the years ended June 30, 2026 and June 30, 2025, respectively.

IV. State Employee HIC OPEB Liabilities, State Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to State Employee HIC OPEB

At June 30, 2026 and 2025, the Authority reported a liability of $635,234 and $613,362, respectively, for its proportionate share of the VRS State Employee HIC Net OPEB liability. The Net VRS State Employee HIC OPEB Liability was measured as of June 30, 2025 and 2024 and the total VRS State Employee HIC OPEB Liability used to calculate the Net VRS State Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2024 and 2023, and rolled forward to the measurement date. The Authority's proportion of the Net VRS State Employee HIC OPEB Liability was based on the Authority's actuarially determined employer contributions to the VRS State Employee HIC OPEB plan relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2025, the Authority's proportion of the VRS State Employee HIC was 0.10228% as compared to 0.08648% at June 30, 2024.

For the years ended June 30, 2026 and 2025, the Authority recognized VRS State Employee HIC OPEB expense of $195,861 and $182,269, respectively. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee HIC Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 56,958
Net difference between projected and actual earnings on plan investments	-	11,517
Change in assumptions	6,809	6,385
Changes in proportion and differences between employer contributions and proportionate share of contributions	410,974	1,049
Employer contributions subsequent to the measurement date	119,469	-
Total	$ 537,252	$ 75,909

The $119,469 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the fiscal year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year Ending June 30	
2027	$ 134,011
2028	129,638
2029	49,650
2030	19,739
2031	8,836
	$ 341,874

At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 48,510
Net difference between projected and actual earnings on plan investments	-	2,076
Change in assumptions	9,881	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	444,591	750
Employer contributions subsequent to the measurement date	112,728	-
Total	$ 567,200	$ 51,336

V. Actuarial Assumptions

The total State Employee HIC OPEB Liability for the VRS State Employee HIC was based on an actuarial valuation as of June 30, 2024 and 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025 and 2024.

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

For Mortality Rates, refer to Section D. of Note 7 in these financial statements.

VI. Net State Employee HIC OPEB Liability

The net OPEB liability (the "NOL") for the State Employee HIC represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated plan fiduciary net position. As of June 30, 2025 and 2024, NOL amounts for the VRS State Employee HIC are as follows (amounts expressed in thousands):

	2025 State Employee HIC OPEB Plan	2024 State Employee HIC OPEB Plan
Total State Employee HIC OPEB Liability	$ 1,074,252	$ 1,094,073
Plan Fiduciary Net Position	453,179	384,820
State Employee Net HIC OPEB Liability	$ 621,073	$ 709,253
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	42.19%	35.17%

The total State Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net State Employee HIC 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.

VII. Long-Term Expected Rate of Return

The long-term expected rate of return used to measure total OPEB assets/liabilities is the same for all pension and OPEB plans. See Section F. of Note 7 in these financial statements for information on the long-term expected rate of return on the System's investments.

VIII. Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal years ended June 30, 2025 and 2024, the rate contributed by the Authority for the VRS State Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 124% and 108%, respectively, of the actuarially determined contribution rate. From July 1, 2025 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC 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 State Employee HIC OPEB liability.

IX. Sensitivity of the Authority's Proportionate Share of the State Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the VRS State Employee HIC net HIC OPEB liability using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net HIC 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:

	1.00% Decrease 5.75%	Current Discount Rate 6.75%	1.00% Increase 7.75%
Authority's proportionate share of the Employee HIC OPEB Plan Net HIC OPEB Liability - 2025	$ 739,729	$ 635,234	$ 545,443
Authority's proportionate share of the Employee HIC OPEB Plan Net HIC OPEB Liability - 2024	$ 703,117	$ 613,362	$ 536,321

X. State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2025 Annual Comprehensive Financial Report (Annual Report). A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/publications/?category=annual, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

XI. Payables to the State Employee HIC OPEB Plan

The payable amount outstanding to the VRS HIC Program for legally required contributions was $10,212 and $9,922 at June 30, 2026, and June 30, 2025, respectively.

C. VRS Disability Insurance Program

I. Plan Description

All full-time and part-time permanent salaried state employees who are covered under the VRS, the State Police Officers' Retirement System (the "SPORS"), or the Virginia Law Officers' Retirement System (the "VaLORS") hired on or after January 1, 1999, are automatically covered by the Virginia Disability Insurance Program (the "VSDP") upon employment. The VSDP also covers state employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement. This plan is administered by the System, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

II. Virginia Sickness and Disability Program Plan Provisions

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

Eligible Employees

The VSDP, also known as the Disability Insurance Trust Fund, was established January 1, 1999, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).
- State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.
- Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.

Benefit Amounts

The VSDP provides the following benefits for eligible employees:

- Leave: Sick, family and personal leave. Eligible leave benefits are paid by the employer.
- Short-Term Disability: The program provides a short-term disability benefit beginning after a seven-calendar day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.
- Long-Term Disability (the "LTD"): The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the VSDP OPEB Plan.
- Income Replacement Adjustment: The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- VSDP Long-Term Care Plan: The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

Disability Insurance Program Plan Notes

- Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.
- A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustment ("COLA")

- During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
  - Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (the "CPI-U") and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
  - Plan 1 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the CPI-U and half of any additional increase (up to 2%) up to a maximum COLA of 3%).
- For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
  - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.
- For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
  - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS and VaLORS Plans, with a maximum COLA of 4.00%.

III. Contributions

The contribution requirements for the VSDP are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the VSDP for the year ended June 30, 2026 and 2025, was 0.50%, of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the VSDP from the Authority were $53,334 and $50,325 for the years ended June 30, 2026 and June 30, 2025, respectively.

IV. Disability Insurance Program OPEB Asset, VSDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the VSDP OPEB

At June 30, 2026 and 2025, the Authority reported an asset of $714,782 and $491,304, respectively, for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB asset was measured as of June 30, 2025 and 2024, and the total VSDP OPEB liability used to calculate the Net VSDP OPEB asset was determined by an actuarial valuation as of June 30, 2024 and 2023 and rolled forward to the measurement date. The Authority's proportion of the Net VSDP OPEB Asset was based on the agency's actuarially determined employer contributions to the VSDP OPEB plan relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2025, the Authority's proportion was 0.16423% as compared to 0.13884% at June 30, 2024.

For the years ended June 30, 2026 and 2025, the Authority recognized VSDP OPEB expense (benefit) of ($66,939) and ($37,365), respectively. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,373	$ 58,461
Net difference between projected and actual earnings on plan investments	-	37,377
Change in assumptions	-	58,202
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	276,469
Employer contributions subsequent to the measurement date	53,334	-
Total	$ 69,707	$ 430,509

The $53,334 reported as deferred outflows of resources related to the VSDP OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB asset in the Fiscal Year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

Year(s) Ending June 30	
2027	$ (80,272)
2028	(82,356)
2029	(79,301)
2030	(71,856)
2031	(49,374)
Thereafter	(50,977)
	$ (414,136)

At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,967	$ 54,043
Net difference between projected and actual earnings on plan investments	-	23,428
Change in assumptions	645	1,595
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	251,470
Employer contributions subsequent to the measurement date	50,325	-
Total	$ 72,937	$ 330,536

V. Actuarial Assumptions

The total VSDP OPEB asset was based on an actuarial valuation as of June 30, 2024, and 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date.

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

For Mortality Rates, refer to Section D of Note 7 in these financial statements.

VI. Net VSDP OPEB Asset

The net OPEB asset for the VSDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated plan fiduciary net position. As of the measurement date of June 30, 2025, and 2024, net OPEB asset amounts for the VSDP are as follows (amounts expressed in thousands):

	2025 Virginia Sickness and Disability OPEB Program	2024 Virginia Sickness and Disability OPEB Program
Total VSDP OPEB Liability	$ 323,479	$ 339,007
Plan Fiduciary Net Position	758,711	692,870
VSDP Net OPEB Asset	$ (435,232)	$ (353,863)
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	234.55%	204.38%

The total VSDP 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 OPEB asset 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.

VII. Long-Term Expected Rate of Return

The long-term expected rate of return used to measure total OPEB assets/liabilities is the same for all pension and OPEB plans. See Section F. of Note 7 in these financial statements for information on the long-term expected rate of return on the System's investments

VIII. Discount Rate

The discount rate used to measure the total VSDP OPEB asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they 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 years ended June 30, 2025 and 2024, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% and 109%, respectively, of the actuarially determined contribution rate. From July 1, 2025, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program'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 VSDP OPEB liability.

IX. Sensitivity of the Authority's Proportionate Share of the Net VSDP OPEB Asset to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net VSDP OPEB asset using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net VSDP OPEB asset 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:

	1.00% Decrease 5.75%	Current Discount Rate 6.75%	1.00% Increase 7.75%
Authority's proportionate share of the VSDP Net OPEB Asset - 2025	$ 678,485	$ 714,782	$ 747,135
Authority's proportionate share of the VSDP Net OPEB Asset - 2024	$ 457,553	$ 491,304	$ 521,195

X. VSDP OPEB Fiduciary Net Position

Detailed information about the VSDP Fiduciary Net Position is available in the separately issued VRS 2025 Annual Comprehensive Financial Report (Annual Report). A copy of the 2025 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/publications/?category=annual, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

XI. Payables to the VSDP OPEB Plan

The payable amount outstanding to the VRS VSDP Plan for legally required contributions was $4,559 and $4,429 at June 30, 2026, and June 30, 2025, respectively.

D. Pre-Medicare Retiree Healthcare

I. Plan Description

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare.

II. Pre-Medicare Retiree Eligibility

Following are eligibility requirements for Virginia Retirement System retirees:

- You are a retired state employee who is eligible for a monthly retirement benefit from the Virginia Retirement System (VRS), and
- You start receiving (do not defer) your retirement benefits immediately upon retirement*, and
- Your last employer before retirement was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled in) coverage as an active employee in the State Health Benefits Program until your retirement date (not including Extended Coverage/COBRA), and
- You enroll no later than 31 days from your retirement date.

**For VRS retirees, this means that your employing agency reported a retirement contribution or leave without pay status for retirement in the month immediately prior to your retirement date. Some faculty members may also be eligible if they are paid on an alternate pay cycle but maintain eligibility for active coverage until their retirement date.*

The following are eligibility requirements for Optional Retirement Plan retirees:

- You are a terminating state employee who participates in one of the qualified Optional Retirement Plans, and
- Your last employer before termination was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled in) coverage in the State Employee Health Benefits Program for active employees at the time of your termination, and
- You meet the age and service requirements for an immediate retirement benefit under the non-ORP Virginia Retirement System plan that you would have been eligible for on your date of hire had you not elected the ORP, and
- You enroll in the State Retiree Health Benefits Program no later than 31 days from the date you lose coverage (or lose eligibility for coverage) in the State Health Benefits Program for active employees due to your termination of employment.

The employer does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes and is administered by the Department of Human Resource Management. There were approximately 2,914 retirees and 98,683 active employees in the program as of June 30, 2025. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

III. Actuarial Assumptions and Methods

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2025 (one year prior to the end of the fiscal year). The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.00 percent for medical. The ultimate trend rates used were 3.94 percent for medical.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2025 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollars, Closed
Effective Amortization Period	6.4 years
Discount Rate	5.2%
Projected Salary Increases	5.85% to 3.50% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical & Rx: 8.00% to 3.94%
Year of Ultimate Trend	2046
Mortality	Mortality rates vary by participant status and gender
Pre-Retirement:	Pub-2010 Benefits Weighted General Employee Rates projected with 75% of the MP-2021 Projection Scale on a fully generational basis: females set forward two years
Post-Retirement:	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected with 75% of the MP-2021 Projection Scale on a fully generational basis: 110% of females' rates
Post-Disablement:	Pub-2010 Benefits Weighted General Disabled Rates projected with 75% of the MP-2021 Projection Scale on a fully generational basis: males and females set forward three years
Beneficiaries and Survivors:	Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected with 75% of the MP-2021 Projection Scale on a fully generational basis: 110% of rates for males and females

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2025.

Retiree participation was based on a blend of recent experience and the prior year assumptions.

The trend rates were updated based on economic conditions as of June 30, 2025. Additionally, the discount rate was increased from 3.93 percent to 5.20 percent based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2025.

There were no plan changes in the valuation since the prior year.

The change of assumptions line refers to the change in the discount rate from 3.93% to 5.20%, the change in medical claims costs and trends, and the change in demographic assumptions based on the Virginia Retirement System experience study. The differences between expected and actual experience include changes in demographic experience (census data) as well as the change in actuary, as the actuary was not provided with prior-year data to attempt to match the prior results.

IV. Pre-Medicare Retiree Healthcare OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources

On June 30, 2026 and 2025, the employer reported a liability of $197,381 and $175,715, respectively, for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability $313.8 million and $356.5 million, respectively. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2025 and 2024, and was determined by an actuarial valuation as of June 30, 2025 and 2024. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's calculated healthcare premium contributions as a percentage of the total employer's calculated healthcare premium contributions for all participating employers. On June 30, 2025, the participating employer's proportion was 0.06291% as compared to 0.04929% on June 30, 2024. For the years ended June 30, 2026 and 2025, the participating employer recognized Pre-Medicare Retiree Healthcare OPEB expense of $54,850 and $24,006, respectively.

At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,313	$ 13,501
Changes in assumptions	3,481	65,130
Changes in proportion	254,367	-
Subtotal	261,161	78,631
Amounts associated with transactions subsequent to the measurement date	17,241	-
Total	$ 278,402	$ 78,631

Deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date were $17,241. These amounts will be recognized as a reduction of the total Pre-Medicare Retiree Healthcare OPEB liability in the fiscal year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year Ending June 30	
2027	$ 51,541
2028	62,279
2029	44,083
2030	15,962
2031	6,194
Thereafter	2,471
	$ 182,530

At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,522	$ 21,154
Changes in assumptions	3,445	61,834
Changes in proportion	271,332	-
Subtotal	278,299	82,988
Amounts associated with transactions subsequent to the measurement date	15,984	-
Total	$ 294,283	$ 82,988

V. Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate 5.20% and 3.93% as of June 30, 2025 and 2024, respectively. The table also presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the applicable rate:

	1.00% Decrease 2.93%	Current Discount Rate 3.93%	1.00% Increase 4.93%
Other postemployment liability - 2025	$ 208,913	$ 197,381	$ 186,467

	1.00% Decrease 2.93%	Current Discount Rate 3.93%	1.00% Increase 4.93%
Other postemployment liability - 2024	$ 186,408	$ 175,715	$ 165,576

VI. Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 8.00% and 7.50% decreasing to 3.94% and 4.50% as of June 30, 2025 and 2024, respectively. The table also illustrates the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the applicable rate:

	1.00% Decrease (6.50% decreasing to 3.50%)	Trend Rate (7.50% decreasing to 4.50%)	1.00% Increase (8.50% decreasing to 5.50%)
Other postemployment liability - 2025	$ 182,728	$ 197,381	$ 214,059

	1.00% Decrease (6.50% decreasing to 3.50%)	Trend Rate (7.50% decreasing to 4.50%)	1.00% Increase (8.50% decreasing to 5.50%)
Other postemployment liability - 2024	$ 159,699	$ 175,715	$ 194,292

NOTE 9 – CONTINGENCIES

From time to time, the Authority may be a defendant in litigation and claims which are incidental to its operations. As of June 30, 2026 and 2025, there are no pending or threatened litigation and claims against the Authority.

The Authority has 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 the Authority'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.

NOTE 10 – COMMITMENTS

At June 30, 2026, the Authority had capital grant commitments outstanding of $168.7 million and other contractual commitments of $2.2 billion, both net of expenses incurred. The Authority also has $10.0 million of funding committed to reimburse the DRPT for expenses related to grants managed by DRPT.

At June 30, 2025, the Authority had capital grant commitments outstanding of $194.0 million and other contractual commitments of $2.3 billion, both net of expenses incurred. The Authority also has $10.0 million of funding committed to reimburse the DRPT for expenses related to grants managed by DRPT.

NOTE 11 – SUBSEQUENT EVENTS

From June 30, 2026 through the date of issuance, there were no subsequent events requiring disclosure.

NOTE 12 – RECLASSIFICATION

Certain prior year amounts in the Statements of Net Position. Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

NOTE 13 – PENDING GASB STATEMENTS

At June 30, 2026, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

GASB Statement No. 105, *Subsequent Events*, will improve financial reporting related to subsequent events by clarifying the subsequent events time frame and the subsequent events that constitute recognized and nonrecognized events and it will specify the information items that are required to be disclosed about the subsequent event. Statement No. 105 will be effective for fiscal years beginning after June 15, 2026.

The Authority has not yet completed its evaluation of the effect these GASB statements will have on its financial statements.

Required Supplementary Information

Schedule of the Employer's Share of Net Pension Liability
VRS State Employee Retirement Plan

	Fiscal Year June 30,				
	2021	2022	2023	2024	2025
Employer's proportion of the net pension liability	0.29500%	0.49930%	0.10797%	0.12249%	0.16499%
Employer's proportionate share of the net pension liability	$ 107,004	$ 2,266,033	$ 5,462,959	$ 6,033,344	$ 7,302,479
Employer's covered payroll	$ 127,625	$ 2,464,546	$ 6,114,889	$ 7,722,948	$ 9,951,400
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	83.84%	91.95%	89.34%	78.12%	73.38%
Plan fiduciary net position as a percentage of the total pension liability	86.44%	83.26%	82.19%	83.45%	78.30%

Schedule of the Employer's Contributions
VRS State Employee Retirement Plan

	Fiscal Year June 30,					
	2021	2022	2023	2024	2025	2026
Contractually required contribution (CRC)	$ 18,455	$ 356,373	$ 861,077	$ 1,116,738	$ 1,245,915	$ 1,315,468
Contributions in relation to the CRC	18,455	356,373	861,077	1,116,081	1,245,915	1,315,468
Contribution deficiency (excess)	$ -	$ -	$ -	$ 657	$ -	$ -
Employer's covered payroll	$ 127,625	$ 2,464,546	$ 6,114,889	$ 7,722,948	$ 9,951,400	$ 10,506,930
Contributions as a percentage of covered payroll	14.46%	14.46%	14.08%	14.45%	12.52%	12.52%

Schedule is intended to show information for 10 years. Since the Authority's first year of operations was 2021, there is only data available from that year and subsequent years. Additional years will be included as they become available.

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

Changes of assumptions: The actuarial assumptions used in the June 30, 2025, valuation were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions for the VRS - State Employee Retirement Plan as a result of the experience study and VRS Board action are detailed below:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~ 25% of the way to the observed experience, on a liability-weighted basis
Termination Rates	Moved ~ 25% of the way to the observed experience, on a liability-weighted basis
Disability Rates	Moved ~ 50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit & Longevity 50 basis points
Retiree liability estimation for Life Only	Change from 1.618% to 2.0%
Discount Rate	No Change

Schedule of the Employer's Share of Net OPEB Liability
Group Life Insurance Plan ("GLI")

	Fiscal Year June 30,				
	2021	2022	2023	2024	2025
Employer's proportion of the net GLI OPEB liability	0.00062%	0.01133%	0.02596%	0.03056%	0.03650%
Employer's proportionate share of the net GLI OPEB liability	$ 7,219	$ 136,424	$ 311,342	$ 341,026	$ 351,199
Employer's covered payroll	$ 127,625	$ 2,464,546	$ 6,114,889	$ 7,846,114	$ 10,064,974
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	5.66%	5.54%	5.09%	4.35%	3.49%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.45%	67.21%	69.30%	73.41%	78.30%

Schedule of the Employer Contributions
Group Life Insurance Program

	Fiscal Year June 30,					
	2021	2022	2023	2024	2025	2026
Contractually required contribution (CRC)	$ 1,710	$ 33,025	$ 81,940	$ 105,138	$ 118,767	$ 125,213
Contributions in relation to the CRC	1,710	33,025	81,940	105,138	118,767	125,213
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 127,625	$ 2,464,546	$ 6,114,889	$ 7,846,114	$ 10,064,974	$ 10,666,840
Contributions as a percentage of covered payroll	1.34%	1.34%	1.34%	1.34%	1.18%	1.17%

Schedule is intended to show information for 10 years. Since the Authority's first year of operations was 2021, there is only data available from that year and subsequent years. Additional years will be included as they become available.

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

Changes of assumptions: The actuarial assumptions used in the June 30, 2025, valuation were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are detailed below:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~ 25% of the way to the observed experience, on a liability-weighted basis
Termination Rates	Moved ~ 25% of the way to the observed experience, on a liability-weighted basis
Disability Rates	Moved ~ 50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit & Longevity 50 basis points
Retiree liability estimation for Life Only	Change from 1.618% to 2.0%
Discount Rate	No Change

Schedule of the Employer's Share of Net OPEB Liability
Health Insurance Credit Program ("HIC")

	Fiscal Year June 30,				
	2021	2022	2023	2024	2025
Employer's proportion of the net HIC OPEB liability	0.00177%	0.03253%	0.07454%	0.08648%	0.10228%
Employer's proportionate share of the net HIC OPEB liability	$ 14,948	$ 266,477	$ 612,437	$ 613,362	$ 635,234
Employer's covered payroll	$ 127,625	$ 2,464,546	$ 6,114,889	$ 7,846,114	$ 10,064,974
Employer's proportionate share of the net HIC OPEB liability as a percentage of its covered payroll	11.71%	10.81%	10.02%	7.82%	6.31%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	19.75%	21.52%	25.46%	35.17%	42.19%

Schedule of the Employer's Contributions
Health Insurance Credit Program

	Fiscal Year June 30,					
	2021	2022	2023	2024	2025	2026
Contractually required contribution (CRC)	$ 1,429	$ 27,603	$ 68,487	$ 87,876	$ 112,728	$ 119,469
Contributions in relation to the CRC	1,429	27,603	68,487	87,876	112,728	119,469
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 127,625	$ 2,464,546	$ 6,114,889	$ 7,846,114	$ 10,064,974	$ 10,666,840
Contributions as a percentage of covered payroll	1.12%	1.12%	1.12%	1.12%	1.12%	1.12%

Schedule is intended to show information for 10 years. Since the Authority's first year of operations was 2021, there is only data available from that year and subsequent years. Additional years will be included as they become available.

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

Changes of assumptions: The actuarial assumptions used in the June 30, 2025, valuation were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are detailed below:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~ 25% of the way to the observed experience, on a liability-weighted basis
Termination Rates	Moved ~ 25% of the way to the observed experience, on a liability-weighted basis
Disability Rates	Moved ~ 50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit & Longevity 50 basis points
Retiree liability estimation for Life Only	Change from 1.618% to 2.0%
Discount Rate	No Change

Schedule of the Employer's Share of Net OPEB Asset
Virginia Sickness and Disability Program

	Fiscal Year June 30,				
	2021	2022	2023	2024	2025
Employer's proportion of the net VSDP OPEB liability	0.00295%	0.05355%	0.12069%	0.13884%	0.16423%
Employer's proportionate share of the net VSDP OPEB asset	$ 10,170	$ 158,054	$ 381,233	$ 491,034	$ 714,782
Employer's covered payroll	$ 127,625	$ 2,464,546	$ 6,114,889	$ 7,846,114	$ 10,064,974
Employer's proportionate share of the net VSDP OPEB asset as a percentage of its covered payroll	7.97%	6.41%	6.23%	6.26%	7.10%
Plan fiduciary net position as a percentage of the total VSDP OPEB asset	229.01%	195.90%	199.05%	204.38%	234.55%

Schedule of the Employer's Contributions
Virginia Sickness and Disability Program

	Fiscal Year June 30,					
	2021	2022	2023	2024	2025	2026
Contractually required contribution (CRC)	$ 779	$ 15,034	$ 37,031	$ 47,861	$ 50,325	$ 53,334
Contributions in relation to the CRC	779	15,034	37,031	47,861	50,325	53,334
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 127,625	$ 2,464,546	$ 6,114,889	$ 7,846,114	$ 10,064,974	$ 10,666,840
Contributions as a percentage of covered payroll	0.61%	0.61%	0.61%	0.61%	0.50%	0.50%

Schedule is intended to show information for 10 years. Since the Authority's first year of operations was 2021, there is only data available from that year and subsequent years. Additional years will be included as they become available.

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

Changes of assumptions: The actuarial assumptions used in the June 30, 2025, valuation were based on the results of an actuarial experience study for the period from July 1, 2020, through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are detailed below:"

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement Rates	Moved ~ 25% of the way to the observed experience, on a liability-weighted basis
Termination Rates	Moved ~ 25% of the way to the observed experience, on a liability-weighted basis
Disability Rates	Moved ~ 50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary Scale	Increase Merit & Longevity 50 basis points
Retiree liability estimation for Life Only	Change from 1.618% to 2.0%
Discount Rate	No Change

Schedule of the Employer's Share of Total OPEB Liability
Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees

	Fiscal Year June 30,					
	2021	2022	2023	2024	2025	2026
Employer's proportion of the collective total OPEB liability	0.00000%	0.00036%	0.01591%	0.03797%	0.04929%	0.06291%
Employer's proportionate share of the collective total OPEB liability	$ -	$ 1,637	$ 57,820	$ 133,633	$ 175,715	$ 197,381
Employer's covered-employee payroll	$ 127,625	$ 2,464,546	$ 6,114,889	$ 7,846,114	$ 10,064,975	$ 10,666,840
Employer's proportionate share of the collective total OPEB liability as a percentage of its covered-employee payroll	0.00%	0.07%	0.95%	1.70%	1.75%	1.85%

Schedule is intended to show information for 10 years. Since the Authority's first year of operations was 2021, there is only data available from that year and subsequent years. Additional years will be included as they become available.

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms – There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of Assumptions: There were not any changes in assumptions since the June 30, 2022, measurement. The following remained constant since the prior measurement date:

- Spousal Coverage – rate remained at 20 percent
- Retiree Participation – rate remained at 35 percent

Retiree participation was based on a blend of recent experience and the prior year assumptions.

The trend rates were updated based on economic conditions as of June 30, 2025. Additionally, the discount rate was increased from 3.93% to 5.20% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2025.

STATISTICAL SECTION

STATISTICAL SECTION

This portion of the Authority's Annual Comprehensive Financial Report presents detailed information as a context for understanding how the information in the financial statements, note disclosures, and required supplemental information relates to the Authority's overall financial health. Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

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VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
FINANCIAL TRENDS
SCHEDULE OF CHANGE IN NET POSITION (Unaudited)

	2026	2025	2024	2023	2022	2021
Operating revenues						
Virginia passenger revenues	$ 92,318,845	$ 89,934,392	$ 81,433,052	$ 82,591,598	$ 52,355,858	$ 22,232,251
Other revenues	442,576	1,787,859	2,904,873	2,783,762	-	-
Total operating revenues	92,761,421	91,722,251	84,337,925	85,375,360	52,355,858	22,232,251
Operating expenses						
Amtrak operating	99,808,684	105,820,045	101,462,062	99,820,395	52,642,527	22,721,825
Amtrak capital	6,928,342	9,790,109	8,781,025	8,667,909	5,408,470	6,141,541
Amtrak marketing	830,916	887,942	890,968	877,685	989,782	631,426
General administrative expenses	563,227	3,601,682	6,670,719	9,582,405	5,672,060	2,672,368
Total operating expenses	108,131,169	120,099,778	117,804,774	118,948,394	64,712,839	32,167,160
Operating loss before depreciation and amortization	(15,369,748)	(28,377,527)	(33,466,849)	(33,573,034)	(12,356,981)	(9,934,909)
Depreciation and amortization	(9,236,609)	(6,554,938)	(3,951,564)	(3,391,283)	(1,659,707)	-
Net operating loss	(24,606,357)	(34,932,465)	(37,418,413)	(36,964,317)	(14,016,688)	(9,934,909)
Noncapital subsidies						
Transfer In: Commonwealth of Virginia	-	-	-	-	-	320,002,684
Commonwealth Rail Fund	173,226,478	165,440,493	157,790,263	186,793,598	172,852,567	97,760,332
Other Commonwealth of Virginia contributions	41,849,545	47,681,166	20,488,195	-	8,151,610	-
Federal grant funds	26,024,303	19,114,533	-	-	-	-
Pass-through grants and access fees	(29,876,559)	(59,022,795)	(33,690,471)	(6,122,803)	(14,998,347)	(18,804,427)
Total noncapital subsidies	211,223,767	173,213,397	144,587,987	180,670,795	166,005,830	398,958,589
Operating gain and noncapital subsidies	186,617,410	138,280,932	107,169,574	143,706,478	151,989,142	389,023,680
Nonoperating revenues(expenses)						
Other Commonwealth of Virginia contributions	229,633,523	142,746,012	29,928,175	106,698,311	221,432,323	74,692,622
Federal Grant Funds	368,960,063	24,840,808	-	-	-	-
Contributions from funding partners	115,662,967	40,934,948	39,445,901	134,983,725	1,543,658	-
Investment income, net	24,821,850	21,598,031	37,255,724	19,752,701	811,708	2,066,058
Unrealized gain (loss) on investment	(747,248)	5,123,702	(152,901)	374,611	(236,182)	-
Gain (loss) on disposal of assets	(10,468,969)	(5,645,749)	-	-	(69,781)	-
Impairment loss on capital assets	-	(5,038,968)	-			-
Other nonoperating revenues (expenses)	(3,206,604)	(1,107,712)	(3,607,590)	(4,827,259)	(20,449)	-
Total nonoperating revenues, net	724,655,582	223,451,072	102,869,309	256,982,088	223,461,277	76,758,680
Change in net positions	911,272,992	361,732,004	210,038,883	400,688,566	375,450,419	465,782,360
Net position, beginning of the year	1,813,692,232	1,451,960,228	1,241,921,345	841,232,779	465,782,360	-
Net position, ending	$ 2,724,965,224	$ 1,813,692,232	$ 1,451,960,228	$ 1,241,921,345	$ 841,232,779	$ 465,782,360

Note: Schedule is intended to show information for 10 years. Since the Authority's first year of operations was 2021, there is only data available from that year and subsequent years. Additional years will be included as they become available.

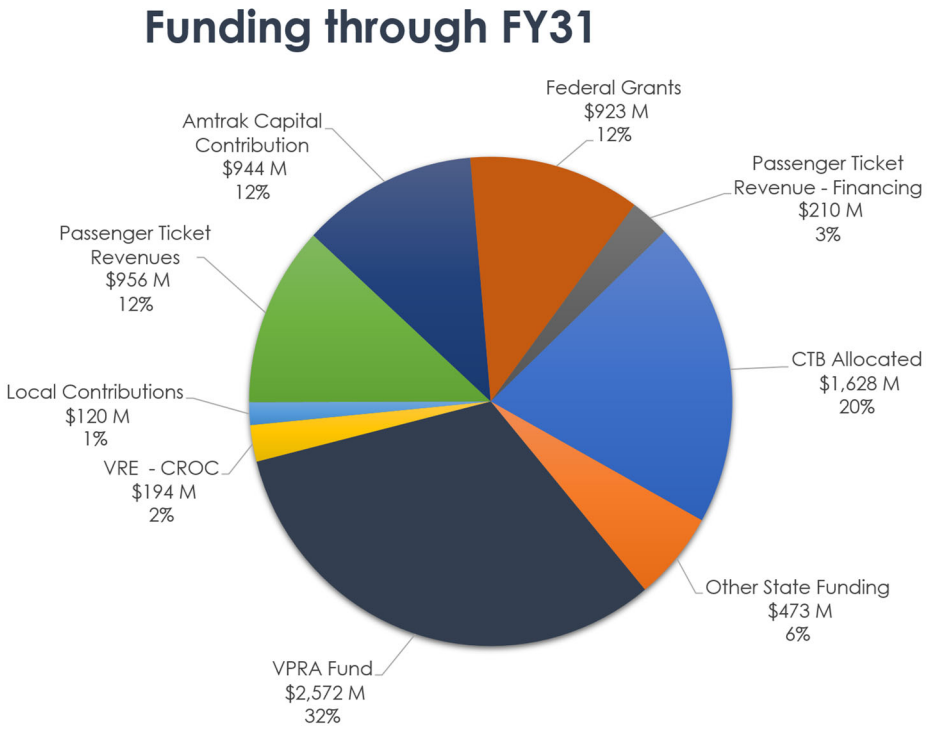
Source: VPRA's Audited Financial Statements.

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
FINANCIAL TRENDS
SCHEDULE OF COMPONENTS OF NET POSITION (Unaudited)

	2026	2025	2024	2023	2022	2021
Net position:						
Net investment in capital assets	$1,776,891,673	$1,193,235,871	$ 714,995,959	$ 627,289,104	$ 470,191,756	$ 224,771,672
Restricted	90,233,607	49,834,760	102,194,713	129,579,384	46,567,359	-
Restricted Net Other Postemployment Benefit	714,782	491,304	381,233	158,054	-	-
Unrestricted	857,125,162	570,130,297	634,388,323	484,894,803	324,473,664	241,010,688
Total net position	$2,724,965,224	$1,813,692,232	$ 1,451,960,228	$ 1,241,921,345	$ 841,232,779	$ 465,782,360

Note: Schedule is intended to show information for 10 years. Since the Authority's first year of operations was 2021, there is only data available from that year and subsequent years. Additional years will be included as they become available.

Source: VPRA's Audited Financial Statements.



Note: The Schedule of Funding of Projected Funding is subject to change and includes completed jobs for the period July 1, 2020 through June 30, 2031.

Source: Virginia Passenger Rail Authority Finance Department

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
FINANCIAL TRENDS
SCHEDULE OF OUTSTANDING DEBT (Unaudited)

	June 30,				
	2026	2025	2024	2023	2022
Leases Payable:					
$3,770,113 Intangible right-to-use asset - building	**$ 2,636,683**	$ 2,995,192	$ 3,342,252	$ 3,678,229	$ 3,770,113
$3,476,659 Intangible right-to-use asset - building	**3,326,626**	3,476,659	3,476,659	-	-
$913,136 Intangible right-to-use asset - building	**639,993**	683,282	-	-	-
Subscription Payable:					
$479,119 Intangible right-to-use ERP system	**259,801**	374,099	479,119	-	-
$187,004 Intangible right-to-use software	**44,432**	87,242	-	-	-
$1,826,204 Intangible right-to-use project management software	**1,286,963**	1,351,291	-		
Outstanding as of June 30	**$ 8,194,498**	$ 8,967,765	$ 7,298,030	$ 3,678,229	$ 3,770,113
Debt per Ridership:					
Outstanding as of June 30	**$ 8,194,498**	$ 8,967,765	$ 7,298,030	$ 3,678,229	$ 3,770,113
Total Ridership	**1,441,424**	1,440,976	1,400,918	1,256,123	725,108
Debt per Ridership	**$ 5.69**	$ 6.22	$ 5.21	$ 2.93	$ 5.20
Debt per Capita:					
Outstanding as of June 30	**$ 8,194,498**	$ 8,967,765	$ 7,298,030	$ 3,678,229	$ 3,770,113
Total Virginia Population	**N/A**	8,840,000	8,737,000	8,705,000	8,667,000
Debt per Capita	**N/A**	$ 1.01	$ 0.84	$ 0.42	$ 0.43
Outstanding Debt as a Percentage of Personal Income:					
Outstanding as of June 30	**$ 8,194,498**	$ 8,967,765	$ 7,298,030	$ 3,678,229	$ 3,770,113
Total Personal Income	**N/A**	698,169,192	663,500,755	626,144,472	584,803,894
Total Outstanding Debt as a Percentage of Personal Income	**N/A**	1.28%	1.10%	0.59%	0.64%

Sources:
Leases Payable and Subscription Payable VPRA's Audited Financial Statements.
Ridership - Schedule of Ridership and Revenue, VPRA's staff.
Total Virgina Population - Demographic and Economic Information Table - VPRA Statistical Section
Total Personal Income - Demographic and Economic Information Table - VPRA Statistical Section

Note: Schedule is intended to show information for 10 years. Since the Authority's first year of operations was 2021, there is only data availlable from that year and subsequent years for outstanding debt.

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
FINANCIAL TRENDS
SCHEDULE OF RIDERSHIP AND REVENUE (Unaudited)

Revenues	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018	**Annual Total**
Ticket Revenue	$ 2,684,958	$ 2,720,983	$ 2,152,004	$ 2,377,745	$ 2,933,503	$ 3,069,312	$ 2,344,232	$ 1,945,515	$ 2,208,841	$ 2,484,341	$ 2,545,021	$ 2,598,221	$ 30,064,676
Food Service Revenue	113,400	88,136	89,128	66,978	86,033	82,439	57,935	66,332	72,887	73,801	64,342	89,274	950,685
Other Revenue	37,863	41,767	36,246	39,219	33,731	45,445	43,468	39,944	56,165	47,279	42,446	48,392	511,965
NEC Through - Revenue Credit	2,375,434	2,401,584	1,810,166	1,860,228	2,364,989	2,750,036	1,893,948	1,466,808	1,608,953	1,906,238	1,965,963	2,128,821	24,533,168
Ticket & NEC Thru Revenues	$ 5,211,655	$ 5,252,470	$ 4,087,544	$ 4,344,170	$ 5,418,256	$ 5,947,232	$ 4,339,583	$ 3,518,599	$ 3,946,846	$ 4,511,659	$ 4,617,772	$ 4,864,708	$ 56,060,494
Ridership	77,273	78,691	62,702	68,279	77,717	80,499	64,528	56,029	63,140	70,473	73,110	74,789	847,230
Revenue Per Rider	$ 67.44	$ 66.75	$ 65.19	$ 63.62	$ 69.72	$ 73.88	$ 67.25	$ 62.80	$ 62.51	$ 64.02	$ 63.16	$ 65.05	$ 791.39

Revenues	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	March 2019	April 2019	May 2019	June 2019	**Annual Total**
Ticket Revenue	$ 2,898,372	$ 2,830,914	$ 1,991,274	$ 2,694,808	$ 3,264,239	$ 3,064,069	$ 2,046,555	$ 1,847,589	$ 2,586,645	$ 2,834,446	$ 2,774,069	$ 2,741,084	$ 31,574,064
Food Service Revenue	139,372	100,566	147,082	43,969	94,658	90,213	75,441	52,786	82,486	85,378	103,143	91,025	1,106,119
Other Revenue	44,474	52,071	38,104	50,979	24,347	49,482	35,202	36,533	41,800	41,158	33,399	47,651	495,200
NEC Through - Revenue Credit	2,396,414	2,338,476	1,575,612	2,120,675	2,695,511	2,827,026	1,661,115	1,391,178	1,957,721	2,151,927	2,192,882	2,306,978	25,615,515
Ticket & NEC Thru Revenues	$ 5,478,632	$ 5,322,027	$ 3,752,072	$ 4,910,431	$ 6,078,755	$ 6,030,790	$ 3,818,313	$ 3,328,086	$ 4,668,652	$ 5,112,909	$ 5,103,493	$ 5,186,738	$ 58,790,898
Ridership	80,033	77,067	56,672	75,869	83,342	80,344	57,372	52,906	70,798	78,672	79,249	80,308	872,632
Revenue Per Rider	$ 68.45	$ 69.06	$ 66.21	$ 64.72	$ 72.94	$ 75.06	$ 66.55	$ 62.91	$ 65.94	$ 64.99	$ 64.40	$ 64.59	$ 805.82

Revenues	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020	**Annual Total**
Ticket Revenue	$ 3,070,509	$ 3,189,113	$ 2,534,603	$ 2,808,655	$ 2,849,866	$ 3,575,186	$ 2,325,816	$ 1,803,649	$ 1,119,622	$ 156,476	$ 271,610	$ 470,930	$ 24,176,035
Food Service Revenue	96,240	93,806	86,188	109,989	91,529	121,785	88,338	82,969	41,443	3,451	9,854	16,342	841,934
Other Revenue	52,846	69,384	58,222	64,233	61,908	88,687	68,219	40,029	53,708	45,897	31,524	27,716	662,373
NEC Through - Revenue Credit	2,773,697	3,037,408	2,285,042	2,325,946	2,388,690	3,240,356	1,829,463	1,631,758	877,694	134,112	89,322	435,654	21,049,142
Ticket & NEC Thru Revenues	$ 5,993,292	$ 6,389,711	$ 4,964,055	$ 5,308,823	$ 5,391,993	$ 7,026,014	$ 4,311,836	$ 3,558,405	$ 2,092,467	$ 339,936	$ 402,310	$ 950,642	$ 46,729,484
Ridership	92,041	96,942	76,793	91,482	81,972	94,473	68,337	59,264	32,670	3,353	6,295	12,555	716,177
Revenue Per Rider	$ 65.12	$ 65.91	$ 64.64	$ 58.03	$ 65.78	$ 74.37	$ 63.10	$ 60.04	$ 64.05	$ 101.38	$ 63.91	$ 75.72	$ 822.05

Revenues	July 2020	August 2020	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021	**Annual Total**
Ticket Revenue	$ 630,641	$ 673,782	$ 759,911	$ 809,892	$ 836,213	$ 719,885	$ 650,937	$ 615,580	$ 997,191	$ 1,341,923	$ 1,600,906	$ 1,877,540	$ 11,514,401
Food Service Revenue	17,692	20,717	22,948	23,022	23,092	15,996	13,467	20,087	27,887	37,652	44,583	60,655	327,798
Other Revenue	32,647	30,141	38,732	39,879	48,071	59,995	57,296	52,453	55,955	67,710	67,215	24,889	574,983
NEC Through - Revenue Credit	589,124	562,530	573,996	625,110	672,539	666,560	559,117	523,313	798,064	1,112,381	1,396,571	1,731,322	9,810,627
Ticket & NEC Thru Revenues	$ 1,270,104	$ 1,287,170	$ 1,395,587	$ 1,497,903	$ 1,579,915	$ 1,462,436	$ 1,280,817	$ 1,211,433	$ 1,879,097	$ 2,559,666	$ 3,109,275	$ 3,694,406	$ 22,227,809
Ridership	19,025	18,375	22,199	26,730	24,295	22,930	19,488	18,440	28,292	36,023	43,596	54,291	333,684
Revenue Per Rider	$ 66.76	$ 70.05	$ 62.87	$ 56.04	$ 65.03	$ 63.78	$ 65.72	$ 65.70	$ 66.42	$ 71.06	$ 71.32	$ 68.05	$ 792.80

Revenues	July 2021	August 2021	September 2021	October 2021	November 2021	December 2021	January 2022	February 2022	March 2022	April 2022	May 2022	June 2022	**Annual Total**
Ticket Revenue	$ 2,336,797	$ 2,246,498	$ 2,110,436	$ 2,390,310	$ 3,098,978	$ 2,614,652	$ 1,193,383	$ 1,321,017	$ 2,221,942	$ 2,372,512	$ 2,252,887	$ 2,854,336	$ 27,013,748
Food Service Revenue	75,695	75,749	67,569	141,745	112,158	18,994	51,887	31,631	60,980	62,935	61,587	96,459	857,389
Other Revenue	46,621	55,079	66,497	104,255	99,185	132,531	80,017	61,121	82,282	70,195	67,337	90,340	955,460
NEC Through - Revenue Credit	2,136,580	2,055,220	1,668,937	1,747,017	2,354,299	2,515,678	1,080,254	1,078,050	1,838,075	2,503,390	2,212,193	2,339,512	23,529,205
Ticket & NEC Thru Revenues	$ 4,595,693	$ 4,432,546	$ 3,913,439	$ 4,383,327	$ 5,664,620	$ 5,281,855	$ 2,405,541	$ 2,491,819	$ 4,203,279	$ 5,009,032	$ 4,594,004	$ 5,380,647	$ 52,355,802
Ridership	64,563	61,707	50,593	61,971	66,418	62,351	33,766	35,988	55,597	70,344	76,277	85,533	725,108
Revenue Per Rider	$ 71.18	$ 71.83	$ 77.35	$ 70.73	$ 85.29	$ 84.71	$ 71.24	$ 69.24	$ 75.60	$ 71.21	$ 60.23	$ 62.91	$ 871.52

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
FINANCIAL TRENDS
SCHEDULE OF RIDERSHIP AND REVENUE (Unaudited)

Revenues	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022	January 2023	February 2023	March 2023	April 2023	May 2023	June 2023	**Annual Total**
Ticket Revenue	$ 3,198,736	$ 3,308,941	$ 3,403,771	$ 3,845,037	$ 4,765,445	$ 4,598,253	$ 2,890,843	$ 2,637,293	$ 3,898,539	$ 4,398,404	$ 4,007,045	$ 4,082,282	$ 45,034,589
Food Service Revenue	124,354	118,626	142,735	120,742	124,716	119,101	95,243	85,131	105,515	117,757	133,286	108,277	1,395,483
Other Revenue	97,393	97,736	87,705	96,958	102,432	133,214	135,526	109,111	122,189	131,476	104,745	137,023	1,355,508
NEC Through - Revenue Credit	2,840,283	2,880,582	2,609,896	2,939,168	3,735,590	4,055,112	2,216,447	1,800,794	2,691,879	2,960,728	2,886,807	3,212,734	34,830,020
Ticket & NEC Thru Revenues	$ 6,260,766	$ 6,405,885	$ 6,244,107	$ 7,001,905	$ 8,728,183	$ 8,905,680	$ 5,338,059	$ 4,632,329	$ 6,818,122	$ 7,608,365	$ 7,131,883	$ 7,540,316	$ 82,615,600
Ridership	110,256	119,280	105,689	104,616	112,845	111,082	87,300	81,393	102,087	107,929	102,434	111,212	1,256,123
Revenue Per Rider	$ 56.78	$ 53.70	$ 59.08	$ 66.93	$ 77.35	$ 80.17	$ 61.15	$ 56.91	$ 66.79	$ 70.49	$ 69.62	$ 67.80	$ 786.77

Revenues	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	**Annual Total**
Ticket Revenue	$ 3,977,125	$ 3,450,676	$ 3,303,808	$ 3,963,713	$ 4,957,097	$ 4,701,350	$ 2,943,290	$ 2,932,210	$ 4,628,392	$ 4,114,171	$ 4,128,441	$ 4,203,231	$ 47,303,504
Food Service Revenue	112,204	123,571	98,289	115,557	107,551	117,735	67,019	99,456	69,893	119,503	115,765	95,490	1,242,033
Other Revenue	122,427	116,489	135,379	136,349	84,906	178,435	(47,033)	124,039	174,678	61,807	60,255	63,239	1,210,970
NEC Through - Revenue Credit (report gross)	2,876,015	2,586,174	2,166,552	2,602,479	3,155,368	3,318,283	1,888,965	1,699,540	3,112,091	2,544,613	2,665,235	2,829,069	31,444,384
Ticket & NEC Thru Revenues	$ 7,087,771	$ 6,276,910	$ 5,704,028	$ 6,818,098	$ 8,304,922	$ 8,315,803	$ 4,852,241	$ 4,855,245	$ 7,985,054	$ 6,840,094	$ 6,969,696	$ 7,191,029	$ 81,200,891
Ridership	125,488	130,998	122,814	125,929	118,184	126,405	87,918	91,951	123,658	118,687	117,227	111,659	1,400,918
Revenue Per Rider	$ 56.48	$ 47.92	$ 46.44	$ 54.14	$ 70.27	$ 65.79	$ 55.19	$ 52.80	$ 64.57	$ 57.63	$ 59.45	$ 64.40	$ 695.08

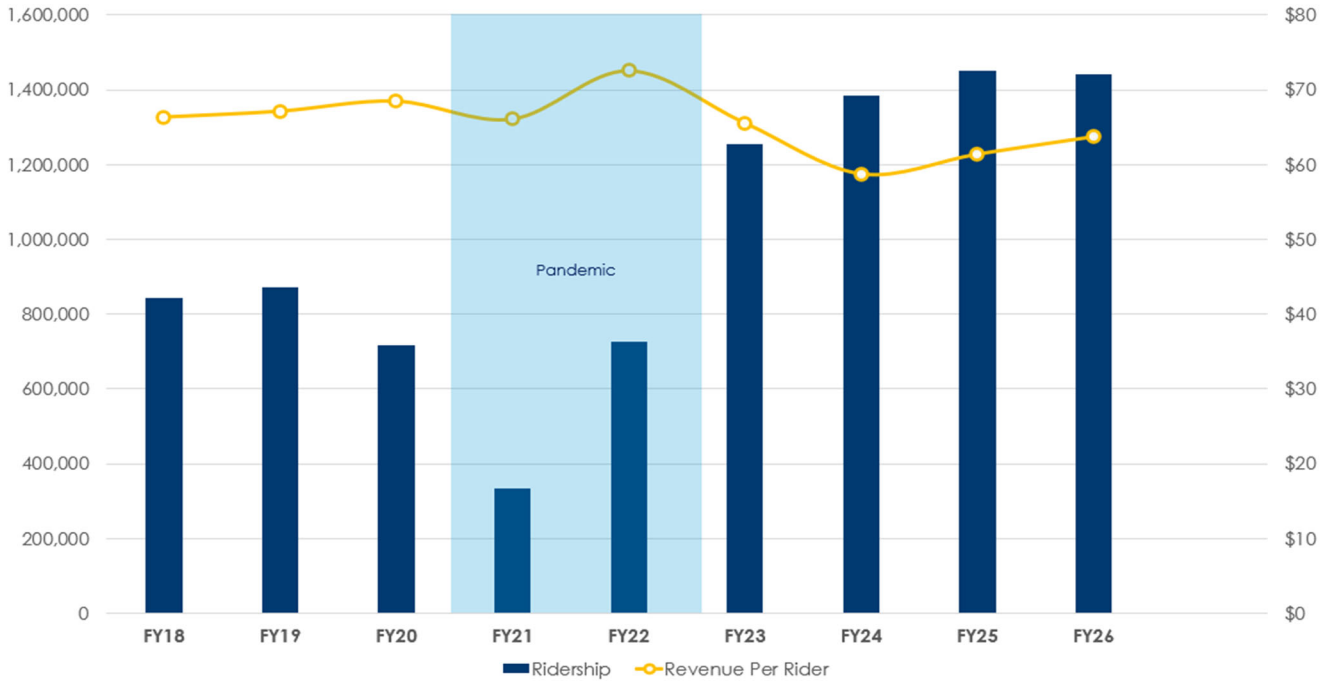
Revenues	July 2024	August 2024	September 2024	October 2024	November 2024	December 2024	January 2025	February 2025	March 2025	April 2025	May 2025	June 2025	**Annual Total**
Ticket Revenue	$ 4,422,863	$ 4,301,214	$ 3,734,709	$ 4,011,330	$ 4,984,710	$ 5,447,265	$ 3,276,865	$ 2,950,655	$ 4,760,603	$ 4,761,864	$ 4,785,766	$ 4,762,206	$ 52,200,049
Food Service Revenue	97,168	99,980	73,627	113,452	156,713	88,370	98,697	84,588	56,541	138,159	113,167	127,665	1,248,128
Other Revenue	102,284	96,027	83,918	51,295	77,086	118,921	51,208	84,171	121,878	225,477	79,422	88,393	1,180,082
NEC Through - Revenue Credit (report gross)	2,899,305	2,910,472	2,293,440	2,493,011	2,763,688	4,347,137	2,398,650	1,968,557	2,979,675	3,162,011	3,487,392	3,602,797	35,306,133
Ticket & NEC Thru Revenues	$ 7,521,620	$ 7,407,692	$ 6,185,693	$ 6,669,088	$ 7,982,196	$ 10,001,693	$ 5,825,420	$ 5,087,972	$ 7,918,697	$ 8,287,511	$ 8,465,748	$ 8,581,061	$ 89,934,392
Ridership	111,719	121,573	117,765	120,595	122,858	136,433	106,180	96,132	126,167	129,409	126,128	126,017	1,440,976
Revenue Per Rider	$67.15	$60.83	$52.38	$55.12	$64.82	$73.08	$54.79	$52.81	$62.50	$63.81	$66.97	$67.88	$742.14

Revenues	July 2025	August 2025	September 2025	October 2025	November 2025	December 2025	January 2026	February 2026	March 2026	April 2026	May 2026	June 2026	**Annual Total**
Ticket Revenue	$ 5,092,591	$ 4,797,164	$ 3,791,571	$ 4,495,612	$ 5,207,651	$ 5,433,868	$ 2,903,462	$ 2,692,002	$ 5,210,131	$ 4,293,661	$ 4,320,095	$ 4,424,837	$ 52,662,645
Food Service Revenue	127,499	126,859	107,214	110,973	111,860	121,446	78,398	60,960	92,651	126,934	140,756	109,775	1,315,325
Other Revenue	97,602	104,576	(2,827)	71,188	105,680	24,461	44,662	70,113	71,178	10,143	81,956	90,209	768,941
NEC Through - Revenue Credit (report gross)	3,799,718	3,725,807	2,684,618	3,132,953	3,834,810	4,558,028	2,154,417	1,568,716	2,746,242	2,959,688	3,114,284	3,292,653	37,571,934
Ticket & NEC Thru Revenues	$9,117,410	$8,754,406	$6,580,576	$7,810,726	$9,260,001	$10,137,803	$5,180,939	$4,391,791	$8,120,202	$7,390,426	$7,657,091	$7,917,474	$ 92,318,845
Ridership	131,473	132,650	119,237	133,239	132,701	137,408	91,827	85,983	114,255	119,235	122,024	121,392	1,441,424
Revenue Per Rider	$ 69.35	$ 66.00	$ 55.19	$ 58.62	$ 69.78	$ 73.78	$ 56.42	$ 51.08	$ 71.07	$ 61.98	$ 62.75	$ 65.22	$ 761.24

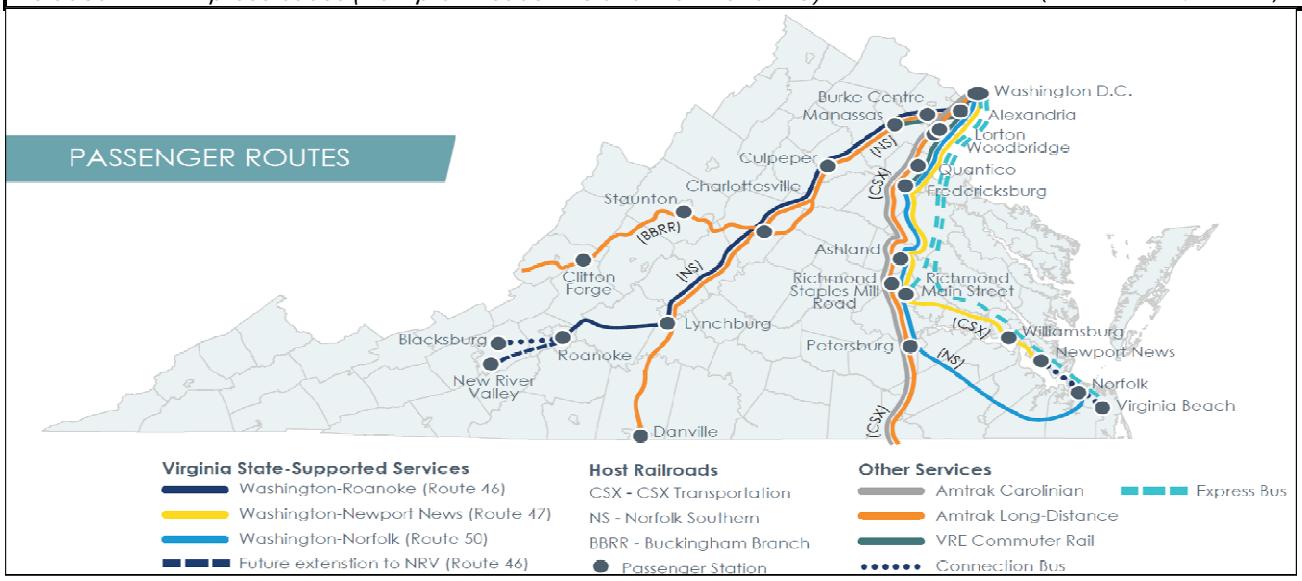
Source: Revenue data for fiscal years 2017–2020 was obtained from the Virginia Department of Rail and Public Transportation.
Source: Revenue date for fiscal years 2021 - 2025 was obtained from Virginia Passenger Rail Authority Rail Services and Operations Department

Note: Schedule is intended to show information for 10 years. Additional years will be included as they become available.

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
FINANCIAL TRENDS
SCHEDULE OF RIDERSHIP AND REVENUE (Unaudited)



Amtrak passenger routes in Virginia:	
Routes	**Daily Roundtrips**
Route 46: Washington-Roanoke	2 trains
Route 47: Washington-Newport News	2 trains
*Route 50: Washington-Norfolk***	2 trains
*Route 51: Washington-Richmond***	0 trains
Included in 47: Express buses (Hampton Roads- DC and Richmond-DC)	4 buses (2 each HR-DC, RVA-DC)



VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
DEMOGRAPHIC AND ECONOMIC INFORMATION (Unaudited)

Fiscal Year	Population In Thousands (1)	Personal Income In Thousands (2)(3)	Per Capita Income (3)	Public Primary and Secondary School Enrollment	Unemployment Rate
2025	8,840	$ 698,169,192	$ 78,978	1,236,783	3.5%
2024	8,737	663,500,755	75,941	1,252,426	2.7%
2023	8,705	626,144,472	71,929	1,261,962	3.0%
2022	8,667	584,803,894	67,475	1,263,342	2.8%
2021	8,582	557,766,520	64,993	1,251,970	4.3%
2020	8,603	516,726,088	60,063	1,252,756	4.4%
2019	8,566	491,414,793	57,368	1,298,083	2.9%
2018	8,481	470,507,302	55,478	1,290,513	3.3%
2017	8,470	453,520,815	53,544	1,293,049	4.0%
2016	8,412	438,582,257	52,138	1,267,591	4.1%
2015	8,383	424,358,514	50,621	1,279,773	4.9%

(1) Population figures are estimated.
(2) Personal income amount for fiscal year 2025 is estimated.
(3) PY Personal income and per capita income amounts for 2016 - 2023 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Sources:
Virginia Department of Education - School Enrollment
Virginia Department of Taxation - Population 2018-2025
Virginia Employment Commission - Unemployment Rate
U.S. Bureau of Economic Analysis - Personal Income
Weldon Cooper Center at UVA - Population 2016-2017

COMPLIANCE SECTION

PBMares SM
CPAs and Consultants

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

To the Board of Directors
Virginia Passenger Rail Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *Specifications for Audits of Authorities, Boards and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Virginia Passenger Rail Authority (Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 30, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. 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 Authority'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Harrisonburg, Virginia
September 30, 2026