

VIRGINIA PASSENGER RAIL AUTHORITY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024



**A COMPONENT UNIT OF THE
COMMONWEALTH OF VIRGINIA**





Prepared by: Finance Department

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
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INTRODUCTORY SECTION



COMMONWEALTH of VIRGINIA

Virginia Passenger Rail Authority

DJ Stadtler
Executive Director

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Richmond, Virginia 23219

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www.vpra.virginia.gov

September 30, 2025

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

Dear Board Members:

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 2025 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, 2025 was audited by PBMares LLP, a licensed certified public accounting firm. We are pleased to report that as a result of an 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, 2025.

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 is designed to complement the MD&A and should be read in conjunction with it.

Profile of Virginia Passenger Rail Authority

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 provides intercity passenger rail service through a contractual relationship with the National Passenger Railroad Corporation ("Amtrak") on two main railroad lines operating in the I-95 and the I-81 corridors. During the past year, eight daily round trip trains were operated in revenue service originating in locations in Virginia including Roanoke (two), Norfolk (three), Newport News (two), and Richmond (one) with extended service to New York and Boston. From July 1, 2024, through June 30, 2025, ridership on the VPRA's state-supported trains was 1,451,276, setting a new annual record since state-supported service began in 2009.

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, and 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 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, VPRA was established by the Virginia General Assembly 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 Commonwealth Transportation Trust Funds, which is estimated to average \$175 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 across the Potomac River, which will alleviate 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 to provide access to existing passenger rail stations. TRV allows the Commonwealth to double Amtrak-operated state-supported service and significantly increases VRE commuter service (including first-time-ever weekend and late-night service) during the next decade. Ultimately, the purchased rail corridors provide a path to future control of the timeslots and frequencies of passenger rail service in those rail corridors.

During fiscal year 2025, VPRA focused on improving its rail infrastructure to ensure the operational safety of the current rail service and to allow for future system expansion. Additionally, emphasis was placed on improving the onboard customer experience and achieving the appropriate balance between enticing more ridership and stabilizing revenues.

- **Rail Corridor Purchase:** On September 5, 2024, VPRA purchased approximately 24 miles of the Manassas Line from Norfolk Southern Corporation (NS). Through this new agreement, VPRA also gained access to the railroad's main line (N-Line) in Christiansburg, Virginia, a key component to the Commonwealth's planned intercity rail service expansion to the New River Valley. VPRA and VRE have agreed to the sale for \$155 million of certain property interests obtained in the Manassas Line transaction: Seminary Yard in Alexandria; the Broad Run Corridor in Manassas; permanent easements for five existing VRE Manassas Line station platforms; and a permanent commuter rail operating easement over the line.

- **Rail Infrastructure:** During fiscal year 2025, the most significant projects in the TRV program, Long Bridge and the Franconia-Springfield Bypass, reached a successful agreement with private ventures for construction. This is an important milestone as it marks the beginning of construction as well as removing some of the supply chain and inflationary concerns currently in the transportation infrastructure industry. In addition, environmental clearances were successfully navigated for these projects, and right-of-way activities advanced to actual acquisitions. In the New River Valley, construction of the rail infrastructure at Cambria station and the layover facility in Radford, VA, began in earnest.
- **Cost Recovery:** For three consecutive years, the Authority has established new annual ridership records for the state-supported service. This increase in customer demand has not been achieved at the expense of declining revenues. VPRA's long-range financial plan includes over \$1 billion in passenger ticket revenues, which is integral to providing improved and more frequent service. An important key performance indicator adopted in the Authority's first year of existence was a cost recovery ratio for our passenger service operations. At that time, operations of some passenger trains had been halted due to the pandemic, and the future of passenger rail services was somewhat in question. The Authority still chose to set the cost recovery target to the historical 70% level, allowing for a post-pandemic recovery. For fiscal year 2025 a cost recovery of 76% was achieved, improving upon the 72% rate from the prior year.

Long-Term Financial Planning

The Authority engages in long-term financial planning on a continuous basis, 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 in order to proceed to the next level of development. The long-term financial planning process matches all of VPRA's sources of funding against the operations and capital projects 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 that the Authority will have the resources to operate the anticipated passenger rail service at that date.

The TRV program is fully funded through the end of construction in 2031, and the Board has adopted a reserve policy that protects against unforeseen changes to sources of funding or project cost estimates. Currently, the Authority is beginning 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. The state-supported intercity passenger rail services have shown strong growth since the Covid-19 pandemic, with record ridership each of the last three years. VPRA has continued to work with Amtrak to improve customer experience. In the past year, a Customer Service Standards program was implemented with Amtrak, which is tracked with a monthly dashboard that monitors the on-board experience for our customers.

The longer-term outlook will be bolstered through the significant rail infrastructure improvements that VPRA is currently undertaking throughout the state. With over \$5.8 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 on-time performance of our intercity passenger rail service should also experience improvement due to the TRV initiative and the planned use of dual-powered locomotives,

which will improve dwell times at Washington Union Station. In addition, these capital improvements will unlock significant capacity for expansion of the Virginia Railway Express commuter operations.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) has a program to award deserving entities a Certificate of Achievement for Excellence in Financial Reporting for their Annual Comprehensive Financial Report. To be awarded a Certificate of Achievement, an entity must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current Annual Comprehensive Financial Report meets the Certificate of Achievement Program's requirements and will be submitting it to the GFOA for review.

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

Respectfully submitted,



DJ Stadler
Executive Director



Steve Pittard
Chief Financial Officer



Bonnie Hite
Director of Accounting

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
PRINCIPAL OFFICIALS AND KEY PERSONNEL

2025 Virginia Passenger Rail Authority Board

Officers

Chair	Tiffany Robinson
Vice-Chair	Thelma Drake
Treasurer	Steve Pittard
Secretary	Patricia Doersch

Members

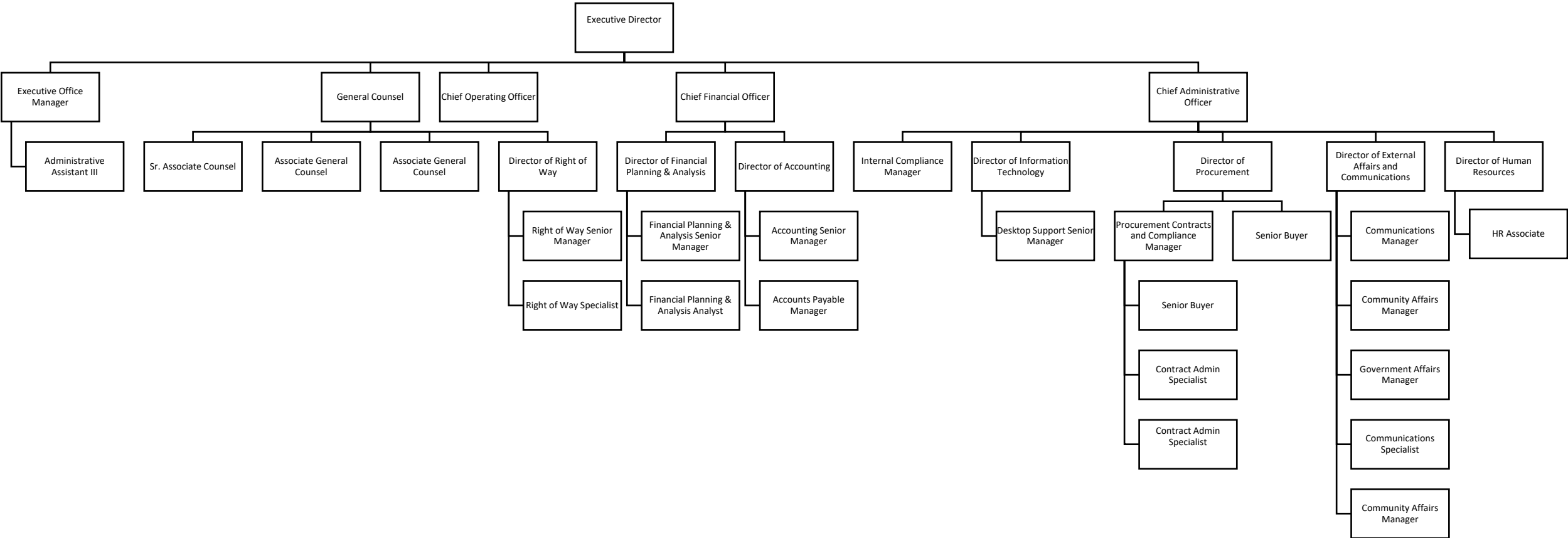
Tiffany Robinson
Sandra “Sandy” Bushue
Neal Crawford
John S. Delandro III
Patricia Doersch
Thelma Drake
Darien Flowers
D.J. Jordan
Cynthia Lawrence
Charles W. “Charlie” Payne
Beth D. Rhinehart
Susan Spears
John C. Watkins
Rich Dalton, non-voting
Bruno Maestri, non-voting

Management

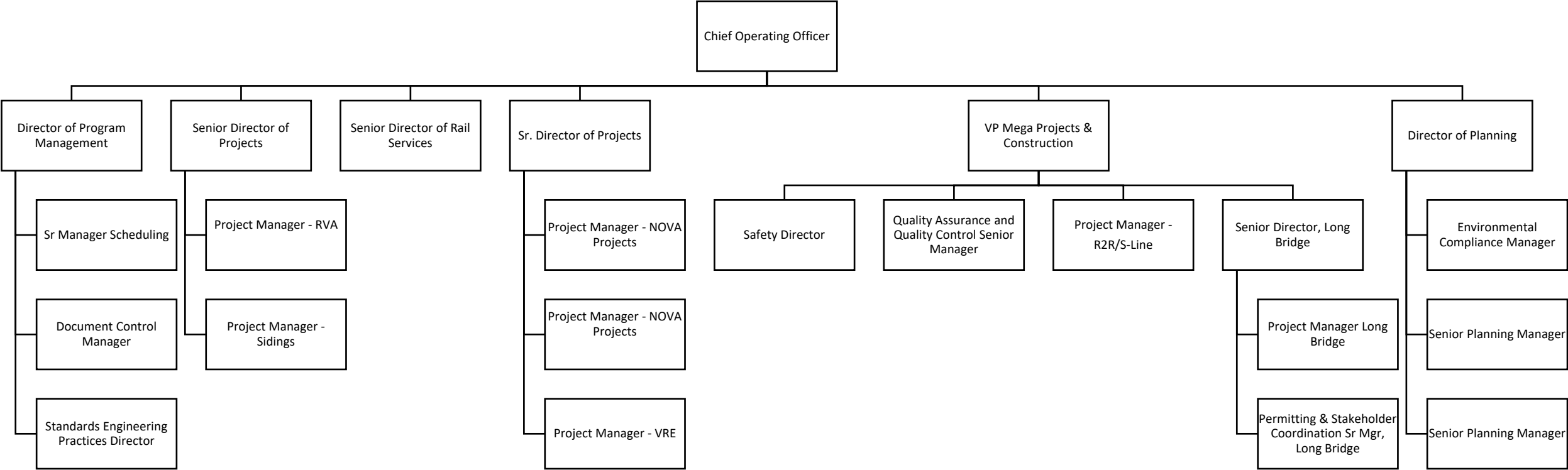
Executive Director	DJ Stadtler
Chief Financial Officer	Steve Pittard
Chief Operating Officer	Michael McLaughlin
Chief Administrative Officer	Joan Verbonitz
General Counsel	Michael Westermann

Virginia Passenger Rail Authority

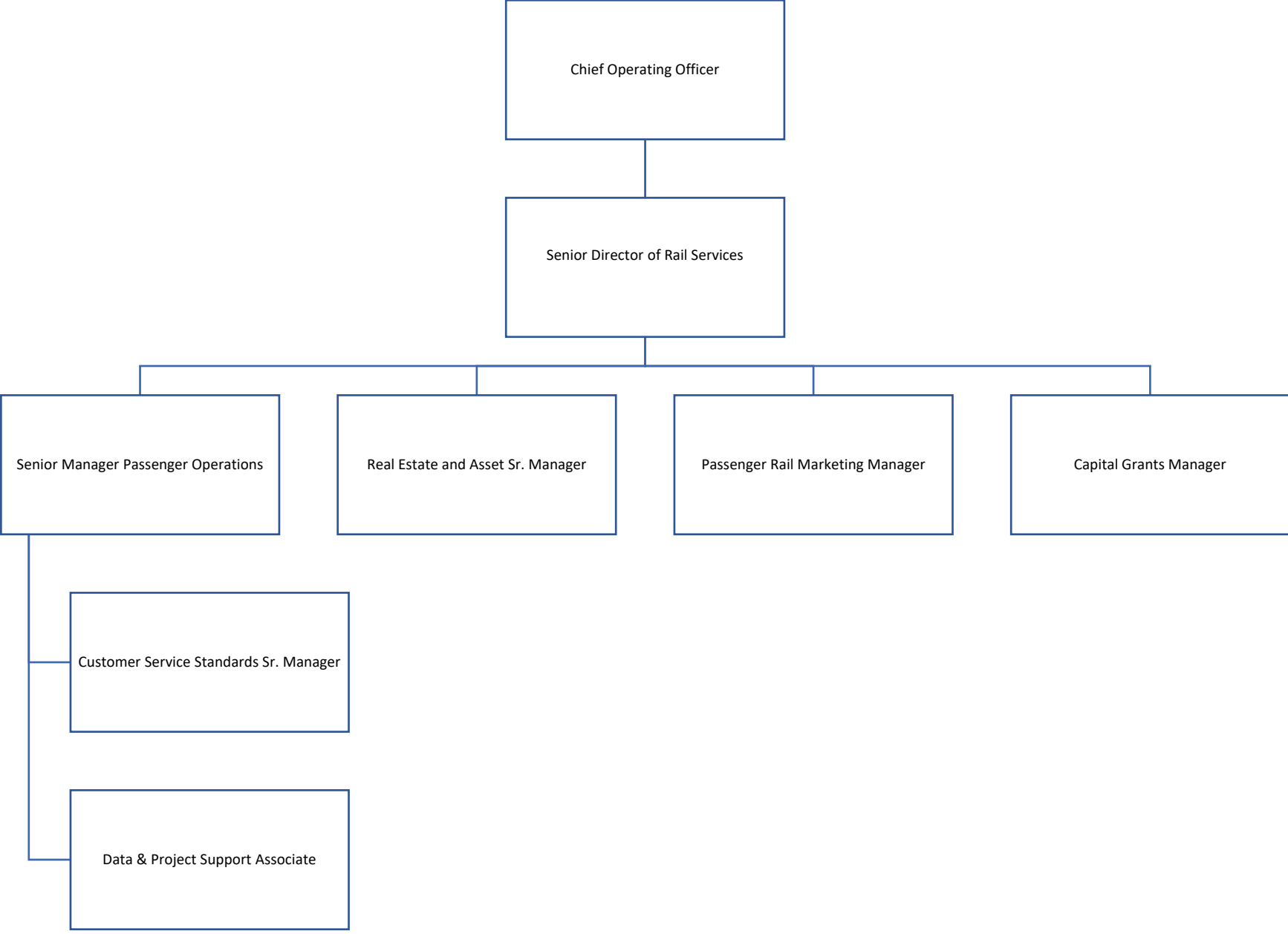
Organizational Chart 2025



Virginia Passenger Rail Authority
Organizational Chart 2025



Virginia Passenger Rail Authority
Organizational Chart 2025



FINANCIAL SECTION

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 year ended June 30, 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, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, in fiscal year 2025, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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 – 22 and the required supplementary information on pages 67 – 71 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, 2025 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, 2025

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS

Management’s Discussion and Analysis (the “MD&A”) of the activities and financial performance of the Virginia Passenger Rail Authority (the “Authority”), a component unit of the Commonwealth of Virginia, provides the reader with an introduction and overview to the basic financial statements of the Authority, as of and for the fiscal years ended June 30, 2025 and 2024. The information contained in MD&A should be considered in conjunction with the financial statements and various historic summaries of activities and financial performance included in this report.

FINANCIAL OPERATIONS AND HIGHLIGHTS

CURRENT YEAR

- Bolstered by record ridership of over 1.45 million, operating revenues from passenger rail services covered 76% of the train operating expenses and Authority administrative costs during the current year, staying consistent with prior year’s cost recovery.
- During fiscal year 2025, direct passenger service costs increased 4%, while general administrative expenses decreased 46% from the prior year. This decrease is the result of the advancement of the capital projects program during fiscal year 2025 coupled with the implementation of a cost allocation plan that more accurately represents the actual costs associated with the Authority’s projects and operations.
- The Commonwealth Rail Fund (the “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% of these funds are then distributed to the Authority. For this fiscal year, CRF funds distributed were \$165.4 million, reflecting a 5% increase from last year. This increase is attributed to the overall growth in the sources of funding that make up the Commonwealth’s Transportation Trust Fund.
- For the year ended June 30, 2025, nonoperating revenues were \$467.7 million from Commonwealth sources, funding partners, federal grants, and investment income. This is a 64% increase from last year primarily due to the initial recognition of federal grant revenues under reimbursement agreements, as well as expanded funding agreements with Commonwealth partners.
- During the Authority’s fifth year of operations, the total net position increased \$361.7 million to end the fiscal year with a net position of over \$1.8 billion. As the Authority advances large rail infrastructure capital projects in the coming years, the trend of increasing total net position will continue.
- The Authority ended the fiscal year with \$2.0 billion in assets and deferred outflows of resources, a \$428.7 million increase from the prior year. Cash, cash equivalents, and investments of \$475.8 million and net capital assets of \$1.3 billion comprised most of the Authority’s assets at June 30, 2025.
- For the year ended June 30, 2025, additions to construction-in-progress for the Authority’s program of capital projects were \$221.9 million, ending the period with a total of \$394.9 million. This represents a 128% increase over the prior year and represents the scale and timing of ongoing capital project activity.
- On August 29, 2024, the Authority executed an agreement with Norfolk Southern to purchase the Manassas Line, which included land, easements, and stations within the Commonwealth of Virginia for \$411.3 million. Pursuant to this agreement, the authority paid \$315.0 million in September 2024 and conveyed property valued at \$54.3 million in November 2024 to Norfolk Southern. The remaining \$42.0 million is anticipated to be paid in August 2027.
- On April 2, 2025 the Authority executed an agreement with Virginia Railway Express (“VRE”) to sell the Seminary Yard, the Broad Run corridor, and certain easements along the Manassas Line for \$155.0 million. At June 30, 2025 the Authority had received and was holding the first of six payments in the amount of \$26 million related to the pending sale. These assets are expected to convey to VRE in fiscal year 2026.

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

PRIOR YEAR

- The Commonwealth Rail Fund (the “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% of these funds are then distributed to the Authority. For this fiscal year, CRF funds distributed were \$157.8 million, reflecting a 16% decrease from last year. This decline is attributed to the conclusion of the 2020 Transportation Initiative transition period at the end of fiscal year 2023, which had included additional dedicated rail fund allocations.
- During the Authority’s fourth year of operations, the total net position increased \$210.0 million to end the fiscal year with a net position of almost \$1.5 billion.
- The Authority ended the fiscal year with \$1.6 billion in assets and deferred outflows of resources, a \$220.2 million increase from the prior year. Cash, cash equivalents, and investments of \$722.8 million and net capital assets of \$767.9 million comprised most of the Authority’s assets at June 30, 2024.
- Operating revenues from passenger rail services covered 72% of the train operating expenses and Authority administrative costs during the current year, staying consistent with prior year’s cost recovery. During fiscal year 2024, direct passenger service costs increased 2%, while general administrative expenses decreased 30% from the prior year. This decrease is the result of the Authority developing and implementing a cost allocation plan for fiscal year 2024 that more accurately represents the actual costs associated with its projects and programs.
- For the year ended June 30, 2024, nonoperating revenues were \$284.8 million from Commonwealth sources, Funding Partners, and investment income. \$99.5 million of these revenues were retained as current assets as of year-end.
- For the year ended June 30, 2024, additions to construction-in-progress for the Authority’s program of capital projects were \$112.4 million, ending the period with a total of \$173.0 million. This represents a 186% increase over the prior year and is indicative of the continued advancement of the capital program that will accelerate in the next few years.
- On January 31, 2024, the Authority executed Amendment No. 3 to the Comprehensive Rail Agreement with CSX Corporation (“the CSXT”) which extended the due date of survey and titling work on the I-95 corridor from June 30, 2024 to February 28, 2026. See Note 5 of the financial statements for additional information.

Financial Statements

The Authority’s financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America. The Authority is presented as an enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated (except land, some intangible assets, and construction-in-progress) over their useful lives. Reference the notes to the financial statements for a summary of the Authority’s significant accounting policies.

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

CURRENT YEAR

Statements of Net Position

Over time, net position may serve as a useful indicator of the Authority's financial strength, although other indicators should also be considered. A condensed summary of the Authority's Statements of Net Position at June 30, 2025 and 2024 is shown below.

Condensed Statements of Net Position

	2025	2024	Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets	\$ 677,356,151	\$ 806,146,192	(\$128,790,041)
Capital and other noncurrent assets, net	1,326,358,257	768,266,565	558,091,692
Total assets	2,003,714,408	1,574,412,757	429,301,651
Deferred outflows of resources	5,614,765	6,169,850	(555,085)
Total assets and deferred outflows of resources	2,009,329,173	1,580,582,607	428,746,566
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	136,234,340	68,823,437	67,410,903
Long-term liabilities	58,050,108	58,745,579	(695,471)
Total liabilities	194,284,448	127,569,016	66,715,432
Deferred inflows of resources	1,352,493	1,053,363	299,130
Total liabilities and deferred inflows of resources	195,636,941	128,622,379	67,014,562
NET POSITION			
Net investment in capital assets	1,193,235,871	714,995,959	478,239,912
Restricted	50,068,465	102,194,713	(52,126,248)
Unrestricted	570,387,896	634,769,556	(64,381,660)
Total net position	\$1,813,692,232	\$1,451,960,228	\$ 361,732,004

Total Assets and Deferred Outflows of Resources increased \$428.7 million or 27%. The primary driver of this change was an increase in net capital assets of \$558.1 million, or 73%, attributable to the progression of the Authority's capital projects program as well as the strategic acquisition of the Manassas line. This increase was partially offset by a \$247.0 million decrease in cash, cash equivalents, and investments, as resources were allocated to fund this purchase.

Current liabilities increased by \$67.4 million, or 98% due to the increased activity in our capital projects portfolio and the receipt of the first of six payments from VRE that is being held as a current liability until conveyance of the agreed upon assets.

Long-term liabilities decreased by \$695,471, or 1%, during fiscal year 2025. This decrease primarily reflects the recognition of certain advance contributions from Amtrak, which were initially classified as unearned revenues but were reclassified as earned once eligibility requirements were met. As of June 30, 2025, the balance of unearned revenues was \$800,000, indicating that the majority of the advance contributions have been recognized as earned. The \$44.0 million decrease in long term unearned revenues was offset by a \$42 million long-term liability that was recorded related to the Manassas Line acquisition, representing the final installment expected to be paid in fiscal year 2028.

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

PRIOR YEAR

Statements of Net Position

A condensed summary of the Authority's Statements of Net Position at June 30, 2024 and 2023 is shown below.

Condensed Statements of Net Position

	2024	2023	Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets	\$ 806,146,192	\$ 706,654,916	\$ 99,491,276
Capital and other noncurrent assets, net	768,266,565	650,193,089	118,073,476
Total assets	1,574,412,757	1,356,848,005	217,564,752
Deferred outflows of resources	6,169,850	3,573,843	2,596,007
Total assets and deferred outflows of resources	1,580,582,607	1,360,421,848	220,160,759
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities	68,823,437	45,060,483	23,762,954
Long-term liabilities	58,745,579	72,771,506	(14,025,927)
Total liabilities	127,569,016	117,831,989	9,737,027
Deferred inflows of resources	1,053,363	668,514	384,849
Total liabilities and deferred inflows of resources	128,622,379	118,500,503	10,121,876
NET POSITION			
Net investment in capital assets	714,995,959	627,289,104	87,706,855
Restricted, as restated	102,194,713	129,579,384	(27,384,671)
Unrestricted	634,769,556	485,052,857	149,716,699
Total net position	\$1,451,960,228	\$1,241,921,345	\$ 210,038,883

Total Assets and Deferred Outflows of Resources increased \$220.2 million or 16%, primarily due to an increase in cash, cash equivalents and investments of \$86.9 million and an increase in net capital assets of \$117.9 million. The increase in total assets is the result of \$247.7 million of nonoperating revenues from Commonwealth sources and funding partners. These assets continue to be utilized to fund the Authority's portfolio of capital projects.

Current liabilities increased by \$23.8 million, or 53% due to the increased activity in our capital projects portfolio.

Long-term liabilities decreased by \$14.0 million, or 19%, largely due to increased activity in our capital projects portfolio, particularly the I-95 corridor projects. Some advance contributions from Amtrak were initially classified as unearned revenues but were reclassified as earned during fiscal year 2024 once eligibility requirements were met. As of June 30, 2024, the balance of unearned revenues totaled approximately \$44.8 million, predominantly reflecting Amtrak's advance contributions.

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CURRENT YEAR

Capital Assets

A condensed summary of the Authority's capital assets at June 30, 2025, 2024 and 2023 is shown below.

	2025	2024	2023
Intangible asset I-95 corridor	\$ 240,492,077	\$ 237,241,708	\$ 233,484,437
Land	583,936,754	297,503,267	297,503,267
Construction-in-progress	394,855,664	172,961,618	60,573,993
Permanent construction easement	19,505	-	-
Rail infrastructure	107,138,073	59,672,602	59,672,602
Intangible right-to-use lease assets	7,955,137	7,246,772	3,770,113
Intangible right-to-use subscription assets	5,703,558	2,180,306	-
Leasehold improvement	188,973	-	-
Temporary construction easement	21,945	-	-
Other	67,653	67,653	67,653
	<u>1,340,379,339</u>	<u>776,873,926</u>	<u>655,072,065</u>
Less accumulated depreciation and amortization	<u>(14,512,386)</u>	<u>(8,988,594)</u>	<u>(5,037,030)</u>
Total capital assets, net	<u>\$ 1,325,866,953</u>	<u>\$ 767,885,332</u>	<u>\$ 650,035,035</u>

Capital Acquisitions and Construction Activities

During the current year, total capital assets increased \$563.5 million, or 73%, due to the increase in construction-in-progress by \$221.9 million from the continued investment in capital projects as well as the purchase of the Manassas Line from NS.

On January 31, 2024, the Authority executed Amendment No. 3 to the Comprehensive Rail Agreement with CSXT which extended the due date of survey and titling work on the I-95 Corridor purchase from June 30, 2024 to February 28, 2026. See Note 5 of the financial statements for additional information.

Construction-in-Progress

Construction-in-progress increased \$221.9 million, or 128%, from the continued investment in the Authority's capital projects. The total budget for capital projects was \$4.85 billion, made up of \$4.14 billion for the I-95 Corridor and \$707.2 million for the Western Rail Corridor and other capital projects. The Authority's fiscal year 2025 budget included a \$430.1 million investment in capital projects during the year, and the actual investment was 49% below budget due to timing differences in project progression. Expenditures are expected to increase in future periods as the major projects are moving into construction phase.

Capital Project	2025 (\$ in millions)	Increase (\$ in millions)	2024 (\$ in millions)	Increase (\$ in millions)	2023 (\$ in millions)
L'Enfant 4th Track	\$ 0.5	\$ 0.2	\$ 0.3	\$ 0.1	\$ 0.2
Long Bridge for Passenger Rail	238.1	163.9	74.2	41.6	32.6
Alexandria 4th Track	29.4	13.6	15.8	7.7	8.1
Franconia to Lorton 3rd Mainline	19.3	7.1	12.2	9.0	3.2
Franconia-Springfield Bypass	36.3	20.5	15.8	11.9	3.9
Phase 1 Sidings	16.1	5.8	10.3	9.1	1.2
Phase 2 Sidings	0.7	0.2	0.5	0.2	0.3
Arkendale to Powell's Creek	15.7	0.3	15.4	12.1	3.3
Western Rail Corridor Projects	24.0	4.1	19.9	15.0	4.9
Capital Improvements - Other	14.8	6.2	8.6	5.7	2.9
Total Construction-in-Progress	\$ 394.9	\$ 221.9	\$ 173.0	\$ 112.4	\$ 60.6

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS

PRIOR YEAR

Capital Acquisitions and Construction Activities

During the current year, total capital assets increased \$121.8 million, or 19%, largely due to the increase in construction-in-progress by \$112.4 million from the continued investment in capital projects. On January 31, 2024, the Authority executed Amendment No. 3 to the Comprehensive Rail Agreement with CSXT which extended the due date of survey and titling work on the I-95 Corridor purchase from June 30, 2024 to February 28, 2026. See Note 5 of the financial statements for additional information.

Construction-in-Progress

Construction-in-progress increased \$112.4 million, or 186%, from the continued investment in the Authority’s capital projects. The total budget for the capital projects is \$4.8 billion, made up of \$4.4 billion for the I-95 Corridor and \$477.0 million for the Western Rail Corridor and other capital projects. The Authority’s fiscal year 2024 budget included a \$497.7 million investment in capital projects during the year, and the actual investment was 77% below budget due to conceptual level design information being utilized for budget development. As the capital projects progress through the engineering and design process, more accurate annual capital spending plans will be available.

Capital Project	2024 (\$ in millions)	Increase (\$ in millions)	2023 (\$ in millions)	Increase (\$ in millions)	2022 (\$ in millions)
L'Enfant 4th Track	\$ 0.3	\$ 0.1	\$ 0.2	\$ 0.1	\$ 0.1
Long Bridge for Passenger Rail	74.2	41.6	32.6	17.7	14.9
Alexandria 4th Track	15.8	7.7	8.1	5.0	3.1
Franconia to Lorton 3rd Mainline	12.2	9.0	3.2	2.2	1.0
Franconia-Springfield Bypass	15.8	11.9	3.9	3.1	0.8
Phase 1 Sidings	10.3	9.1	1.2	0.9	0.3
Phase 2 Sidings	0.5	0.2	0.3	-	0.3
Arkendale to Powell's Creek	15.4	12.1	3.3	3.3	0.0
Western Rail Corridor Projects	19.9	15.0	4.9	4.7	0.2
Capital Improvements - Other	8.6	5.7	2.9	2.3	0.6
Total Construction-in-Progress	\$ 173.0	\$ 112.4	\$ 60.6	\$ 39.3	\$ 21.3

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CURRENT YEAR

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position provide the detail of what caused the change in the Authority's net position during the fiscal year. A summary of the changes in net position during the fiscal year ended June 30, 2025, as compared to the fiscal year ended June 30, 2024 is shown below.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2025	2024	Change
Operating revenues	\$ 91,722,251	\$ 84,337,925	\$ 7,384,326
Operating expenses	(120,099,778)	(117,804,774)	(2,295,004)
Depreciation and amortization	(6,554,938)	(3,951,564)	(2,603,374)
Net operating loss	(34,932,465)	(37,418,413)	2,485,948
Nonoperating revenues (expenses):			
Commonwealth Rail Fund	165,440,493	157,790,263	7,650,230
Other Commonwealth of Virginia contributions	4,562,177	-	4,562,177
Federal grant funds	18,248,708	-	18,248,708
Investment income, net	21,598,031	37,255,724	(15,657,693)
Unrealized gain (loss) on investment	5,123,703	(152,901)	5,276,604
Loss on disposal of assets	(5,664,259)	-	(5,664,259)
Impairment loss	(5,043,826)	-	(5,043,826)
Pass-through grants and access fees	(8,061,909)	(9,984,879)	1,922,970
Other nonoperating revenues (expenses)	222,611	(305,263)	527,874
Total nonoperating revenues, net	196,425,729	184,602,944	11,822,785
Capital grants and assistance:			
Contributions from funding partners	40,934,948	39,445,901	1,489,047
Other Commonwealth of Virginia contributions	185,865,001	50,416,370	135,448,631
Federal grant funds	25,706,633	-	25,706,633
Capital grants and project-related expenses	(52,267,842)	(27,007,919)	(25,259,923)
Total capital grants and assistance, net	200,238,740	62,854,352	137,384,388
Change in net position	361,732,004	210,038,883	151,693,121
Net position, beginning of the year	1,451,960,228	1,241,921,345	210,038,883
Net position, ending	\$ 1,813,692,232	\$ 1,451,960,228	\$ 361,732,004

Total net position increased by \$361.7 million, or 25%, in fiscal year 2025. This increase was driven primarily by nonoperating revenues from Commonwealth funding sources and federal grant reimbursements. The net operating loss decreased by \$2.5 million, or 7%, reflecting improved operating performance. Direct expenses for the eight trains providing daily passenger service increased by 4%, however, this increase was more than offset by a 10% increase in passenger revenues, demonstrating continued growth in ridership demand and cost recovery.

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS

Operating Revenues

Total operating revenues increased by \$7.4 million, or 9% in the current fiscal year, reflecting record ridership at a 5% year-over-year increase. The increase in revenues related to a partnership with Amtrak to structure fare pricing to achieve an equitable balance between rider value and adequate cost recovery.

2024 Ridership	2025 Ridership	Ridership Increase	% Change
1,384,665	1,451,276	66,611	5%

Operating Expenses

Operating expenses increased \$2.3 million, or 2%, in the current fiscal year. The primary driver of this increase was a 5% rise in direct train operating expenses, reflecting higher service delivery costs. This increase was partially offset by a reduction in general administrative expenses, stemming from the Authority's implementation of a cost allocation plan that more accurately assigns costs to projects and programs.

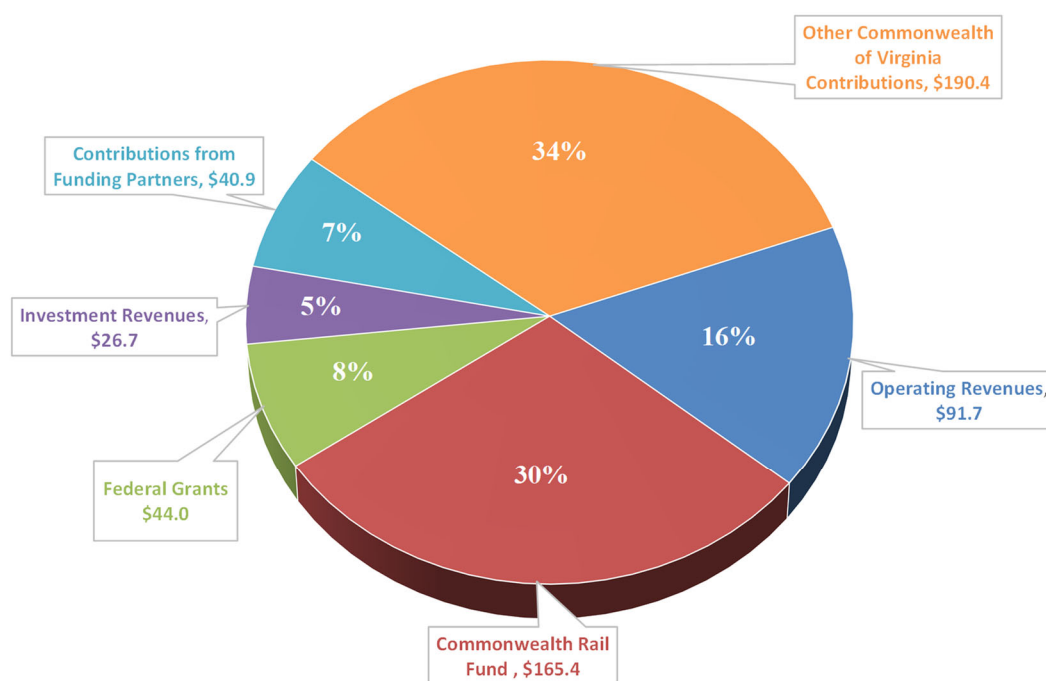
Net Nonoperating Revenues

Net nonoperating revenues increased \$149.2 million, or 60%, in fiscal year 2025. The Authority recognized \$440.7 million of nonoperating revenues from Commonwealth and federal sources, along with contributions from funding partners. This represents an increase of \$193.1 million, or 78%, largely due to the inaugural year of federal grant reimbursements and expanded agreements with Commonwealth partners in support of both operating and capital programs.

This increase was partially offset by higher other nonoperating expenses, which increased by \$33.5 million, or 90%. The growth in expenses was primarily attributable to additional capital grant contributions provided to partners, as well as a \$5.7 million loss on the disposal of assets recorded in connection with the Manassas line purchase agreement. See note 5 of the financial statements for additional detail.

Net investment income declined by \$10.4 million, or 28%, largely due to the reduction in cash balances following the purchase of the Manassas line early in the fiscal year.

MAJOR SOURCES OF REVENUES FOR THE YEAR ENDED JUNE 30, 2025
(Total \$559.1M)



VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS

PRIOR YEAR

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses, and Changes in Net Position provide the detail of what caused the change in the Authority’s net position during the fiscal year. A summary of the changes in net position during the fiscal year ended June 30, 2024, as compared to the fiscal year ended June 30, 2023 is shown below.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2024	2023	Change
Operating Revenues	\$ 84,337,925	\$ 85,375,360	\$ (1,037,435)
Operating Expenses	(117,804,774)	(118,948,394)	1,143,620
Depreciation and Amortization	(3,951,564)	(3,391,283)	(560,281)
Net Operating Loss	(37,418,413)	(36,964,317)	(454,096)
Nonoperating Revenues (Expenses):			
Commonwealth Rail Fund	157,790,263	186,793,598	(29,003,335)
Contributions from Funding Partners	39,445,901	134,911,097	(95,465,196)
Other Commonwealth of Virginia Contributions	50,416,370	133,272,406	(82,856,036)
Investment Revenue, net	37,102,823	20,250,212	16,852,611
Other Nonoperating Expense	(37,298,061)	(37,574,430)	276,369
Total Nonoperating Revenues, net	247,457,296	437,652,883	(190,195,587)
Change in Net Position	210,038,883	400,688,566	(190,649,683)
Net Position, beginning of the year	1,241,921,345	841,232,779	400,688,566
Net Position, ending	\$ 1,451,960,228	\$ 1,241,921,345	\$ 210,038,883

Note: The years presented in the table above amounts were not reclassified to conform with the presentation of the current year Condensed Statements of Revenues, Expenses and Change in Net Position.

Total net position increased \$210.0 million, or 17% in fiscal year 2024 primarily due to nonoperating revenues from Commonwealth funding sources and contributions from funding partners. The net operating loss increased \$454 thousand or 1%. During fiscal year 2024, eight trains providing daily passenger service had direct expenses increase by 2%. The increase in direct operating expense was more than offset by a decrease in general and administrative expense charged to operating expenses. The 30% decrease in general administrative expenses charged to train operating expense resulted from the implementation of a cost allocation plan during fiscal year 2024 that provides a more accurate representation of the actual costs of the Authority’s projects and programs.

Operating Revenues

Operating revenues decreased \$1.0 million, or 1% in the current fiscal year despite record ridership, a 10% year-over-year increase. The decrease in revenues related to several factors including a new automated pricing system which suppressed fares until a certain level of train capacity was filled. In addition, the revenues received by the Authority for its share of the Northeast Corridor portion of Virginia ridership saw a significant decline in fiscal year 2024 dropping to \$31.4 million from \$34.9 million in fiscal year 2023. The Authority worked with Amtrak to correct these revenue impacts, and the last quarter of the fiscal year saw improved revenue results.

2023 Ridership	2024 Ridership	Ridership Increase	% Change
1,256,123	1,384,665	128,542	10%

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

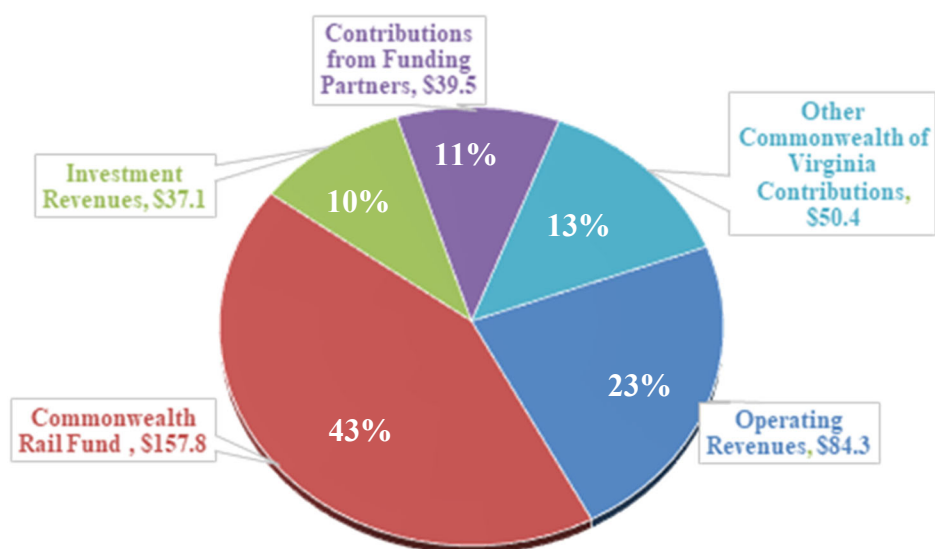
Operating Expenses

Operating expenses decreased \$1.1 million, or 1% in the current fiscal year. This decrease can be attributed to a 30% reduction in general administrative expenses, stemming from the Authority's development and implementation of a cost allocation plan for fiscal year 2024.

Net Nonoperating Revenues

Net nonoperating revenues decreased \$190.2 million, or 43% during fiscal year 2024. The Authority recognized \$247.7 million of nonoperating revenues from Commonwealth sources and funding partners, a decrease of \$207.3 million compared to \$455.0 million in fiscal year 2023. The cause of the decrease primarily results from two different, one-time contributions received in fiscal year 2023. Virginia Railway Express contributed \$119.2 million to the I-95 Corridor purchase, and the Virginia General Assembly contributed \$83.5 million toward the Long Bridge project in fiscal year 2023. Additionally, the Authority's dedicated CRF revenue stream decreased \$29.0 million, or 16% in the current year due to the conclusion of the 2020 Transportation Initiative transition period, which included additional dedicated rail fund allocations. Net investment income increased 83% during fiscal year 2024 as the Authority was well positioned to take advantage of rising short-term interest rates.

MAJOR SOURCES OF REVENUES FOR THE YEAR ENDED JUNE 30, 2024
(Total \$369.1)



VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and the Fiscal Year 2026 Budget

The Authority expects ridership to increase in the first half of fiscal year 2026 as the demand for rail travel expands. In January of 2026, adjustments to the number of train frequencies will be made to allow for adequate construction work windows for the Long Bridge project. A decline in ridership is expected due to the decrease in train timeslots available to the travelling public. It should also be noted that a decline in consumer spending or significant decreases in gas prices have historically resulted in decreased rail ridership.

The Authority's CRF revenues are forecasted to be \$172.2 million, a 3.6% increase over the current year actual results. Additional sources of funding will be available in fiscal year 2026 from federal, state, and funding partner contributions, although the amounts received will continue to vary from year to year. Additionally, the impact of supply chain disruption and inflation on the Authority's large capital project budgets has been mitigated as the underlying construction contracts have now been negotiated.

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, 2025 and 2024

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets:		
Cash and cash equivalents	\$ 202,818,750	\$ 466,690,260
Accounts receivable	21,553,657	14,728,134
Due from other governments	48,366,121	35,723,730
Due from federal government and Federal Rail Administration	11,539,267	-
Assets held for sale	60,917,197	-
Investments	272,934,808	256,071,843
Prepaid expenses and other	59,226,351	32,932,225
Total current assets	677,356,151	806,146,192
Noncurrent Assets:		
Net other postemployment benefits	491,304	381,233
Capital assets:		
Rail infrastructure	107,138,073	59,672,602
Land	583,936,754	297,503,267
Construction-in-progress	394,855,664	172,961,618
Intangible asset: I-95 corridor	240,492,077	237,241,708
Intangible right-to-use lease assets	7,955,137	7,246,772
Intangible right-to-use subscription asset	5,703,558	2,180,306
Other capital assets	298,076	67,653
Total capital assets	1,340,379,339	776,873,926
Less accumulated depreciation and amortization	(14,512,386)	(8,988,594)
Total capital assets, net	1,325,866,953	767,885,332
Total noncurrent assets	1,326,358,257	768,266,565
Total assets	2,003,714,408	1,574,412,757
Deferred outflows of resources:		
Pension	4,254,037	4,819,659
Other postemployment benefits	1,360,728	1,350,191
Total deferred outflows of resources	5,614,765	6,169,850
Total assets and deferred outflows of resources	\$ 2,009,329,173	\$ 1,580,582,607

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
STATEMENTS OF NET POSITION (Continued)
JUNE 30, 2025 and 2024

	2025	2024
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current liabilities:		
Accounts payable - operating	\$ 12,247,088	\$ 18,151,158
Accounts payable - capital	53,108,932	26,007,056
Due to other governments	276,730	210,134
Unearned revenues	11,083,837	-
Deposit on sale of assets	26,000,000	-
Other accrued liabilities - operating	3,272,988	4,196,267
Other accrued liabilities - capital	28,554,386	19,584,288
Accrued interest payable	113,404	211,860
Compensated absences	435,902	-
Subscription liabilities	573,258	105,020
Lease liabilities	551,831	347,060
Other postemployment liabilities	15,984	10,594
Total current liabilities	136,234,340	68,823,437
Noncurrent liabilities:		
Unearned revenues	800,000	44,838,218
Contractual obligation rail corridor purchase	42,000,000	-
Subscription liability	1,239,374	374,099
Lease liability	6,603,302	6,471,851
Compensated absences	259,969	551,634
Net pension liability	6,033,344	5,462,959
Net other postemployment liabilities	1,114,119	1,046,818
Total noncurrent liabilities	58,050,108	58,745,579
Total liabilities	194,284,448	127,569,016
Deferred inflows of resources:		
Pension	833,426	544,249
Other postemployment benefits	519,067	509,114
Total deferred inflows of resources	1,352,493	1,053,363
Net position:		
Net investment in capital assets	1,193,235,871	714,995,959
Restricted	50,068,465	102,194,713
Unrestricted	570,387,896	634,769,556
Total net position	1,813,692,232	1,451,960,228
Total liabilities, deferred inflows of resources, and net position	\$ 2,009,329,173	\$ 1,580,582,607

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, 2025 and 2024

	2025	2024
Operating revenues		
Virginia passenger revenues	\$ 89,934,392	\$ 81,433,052
Other revenues	1,787,859	2,904,873
Total operating revenues	91,722,251	84,337,925
Operating expenses		
Amtrak operating	105,820,045	101,462,062
Amtrak capital	9,790,109	8,781,025
Amtrak marketing	887,942	890,968
General administrative expenses	3,601,682	6,670,719
Total operating expenses	120,099,778	117,804,774
Operating loss before depreciation and amortization	(28,377,527)	(33,466,849)
Depreciation and amortization	(6,554,938)	(3,951,564)
Net operating loss	(34,932,465)	(37,418,413)
Nonoperating revenues (expenses)		
Commonwealth Rail Fund	165,440,493	157,790,263
Other Commonwealth of Virginia contributions	4,562,177	-
Federal grant funds	18,248,708	-
Investment income, net	21,598,031	37,255,724
Unrealized gain (loss) on investment	5,123,703	(152,901)
Loss on disposal of assets	(5,664,259)	-
Impairment loss	(5,043,826)	-
Pass-through grants and access fees	(8,061,909)	(9,984,879)
Other nonoperating revenues (expenses)	222,611	(305,263)
Total nonoperating revenues, net	196,425,729	184,602,944
Capital grants and assistance		
Contributions from funding partners	40,934,948	39,445,901
Other Commonwealth of Virginia contributions	185,865,001	50,416,370
Federal grant funds	25,706,633	-
Capital grants	(52,267,842)	(27,007,919)
Total capital grants and assistance, net	200,238,740	62,854,352
Change in net position	361,732,004	210,038,883
Net position, beginning of the year	1,451,960,228	1,241,921,345
Net position, ending	\$ 1,813,692,232	\$ 1,451,960,228

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Receipts from customers	\$ 82,659,825	\$ 85,045,910
Payments to employees	(4,641,500)	(2,990,374)
Payments to suppliers	(120,733,014)	(108,675,951)
Net cash used in operating activities	(42,714,689)	(26,620,415)
Cash flows from non-capital and related financing activities:		
Noncapital contributions and grants	353,760,749	192,504,198
Grants and assistance	(91,466,964)	(49,249,505)
Net cash provided by non-capital and related financing activities	262,293,785	143,254,693
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(550,972,743)	(94,731,028)
Principal payments on lease and subscription liability	(960,070)	(460,755)
Interest paid on lease and subscription liability	(541,504)	(132,711)
Capital contributions and grants	33,026,019	30,914,623
Deposit of sale of capital asset	26,000,000	-
Net cash used in capital and related financing activities	(493,448,298)	(64,409,871)
Cash flows from investing activities:		
Purchase of investments	(78,559,774)	(300,500,098)
Sales/Maturities of investments	67,091,900	168,826,702
Investment revenue, net	21,465,566	35,171,950
Net provided by (used in) investing activities	9,997,692	(96,501,446)
Net decrease in cash and cash equivalents	(263,871,510)	(44,277,039)
Cash and cash equivalents, beginning of year	466,690,260	510,967,299
Cash and cash equivalents, end of year	\$ 202,818,750	\$ 466,690,260

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED JUNE 30, 2025 and 2024

	2025	2024
Reconciliation of net operating loss to net cash used in operating activities:		
Net operating loss	\$ (34,932,465)	\$ (37,418,413)
Adjustments to reconcile net operating loss from operations to net cash used in operating activities:		
Depreciation and amortization	6,554,938	3,951,564
Special contributions – VRS	45,661	101,752
Decrease (increase) in operating assets:		
Accounts receivable	(8,945,923)	272,738
Prepaid expenses	(1,714,510)	771,298
OPEB	(31,699)	(223,179)
Deferred outflows of resources – pension	162,891	(1,841,018)
Deferred outflows of resources – OPEB	(3,034)	(754,989)
Increase (decrease) in operating liabilities:		
Pension liability	164,263	3,118,052
OPEB liability	20,934	631,633
Deferred inflows of resources - pension	83,279	62,918
Deferred inflows of resources - OPEB	2,866	321,931
Accounts payable	(1,786,177)	2,825,896
Due to other governments	11,618	176,290
Accrued liabilities	(2,388,869)	1,282,269
Compensated absences	41,538	100,843
Net cash used in operating activities	<u>\$ (42,714,689)</u>	<u>\$ (26,620,415)</u>
Schedule of Noncash Capital Activities:		
Capital assets acquired through accounts payable	\$ 53,108,932	\$ 26,007,056
Capital assets acquired through accrued expenses	28,554,386	19,584,288
Forgiveness of lease liability	-	22,737
Assets purchased through installment contracts	42,000,000	-
Right-to-use assets acquired through lease / subscriptions	4,442,536	5,656,965
Assets acquired through asset swap	54,256,000	-
Compensated absences included in construction-in-progress	102,699	-

VIRGINIA PASSENGER RAIL AUTHORITY
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NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

The Virginia Passenger Rail Authority (the “Authority” or the “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 (the “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 (the “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 to the Authority as soon as practical. For the years ended June 30, 2025 and 2024, the Authority recorded \$165.4 million and \$157.8 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 (the “GAAP”) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (the “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.

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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 (the "SNAP"), bankers' acceptances, corporate notes, commercial paper, the Commonwealth of Virginia Local Government Investment Pool (the "LGIP"), the Virginia Investment Pool Trust Fund (the "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 (the "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:

<u>Asset Type</u>	<u>Estimated Useful Life</u>
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.

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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, represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. 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* for the fiscal year ending June 30, 2025 and applied it prospectively. The new standard requires 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, 2025 and 2024 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.

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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 (the “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 (the “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 (the “OPEB”) as of the prior fiscal year – June 30, 2024 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.

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B. Group Life Insurance Program (the “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 (the “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 (the “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.

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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 revenues and expenses

Operating revenues and expenses result from the provision of goods and services in connection with the principal ongoing operations. The principal operating revenues of the Authority are charges for services related to passenger rail operations. Operating expenses include the cost of passenger rail services, administrative expenses, contractual services, amortization, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as 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, 2025 and 2024, cash, cash equivalents and investments consisted of the following:

	2025	2024
	Carrying Value	Carrying Value
Demand Deposits	\$ 8,418,208	\$ 7,516,366
Money Market Funds	209,323	1,310,310
LGIP	194,191,219	457,863,584
Investments	272,934,808	256,071,843
	<u>\$ 475,753,558</u>	<u>\$ 722,762,103</u>

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, 2025 and 2024, are considered fully collateralized.

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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, 2025 and 2024, 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.

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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.

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The Authority's investments as of June 30, 2025, and 2024 were rated by Standard & Poor's, with the ratings presented below:

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	-	-	-
	<u>\$194,400,542</u>	<u>\$ 170,590,259</u>	<u>\$ 33,447,525</u>	<u>\$ 68,897,024</u>

Fair Quality Ratings as of June 30, 2024				
	AAAm	AAA	A-1	A
Commercial Paper	\$ -	\$ -	\$ 31,382,019	\$ -
U.S. Treasury Obligations	-	85,037,137	-	-
Corporate Notes	-	-	-	67,200,485
Supranational Agency Bonds	-	6,698,418	-	-
Federal Agency/GSE Obligations	-	65,753,784	-	-
Money Market	1,310,310	-	-	-
LGIP	457,863,584	-	-	-
	<u>\$ 459,173,894</u>	<u>\$ 157,489,339</u>	<u>\$ 31,382,019</u>	<u>\$ 67,200,485</u>

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, 2025 and 2024, the invested balance at the Authority's custodian was \$273,144,131 and \$257,382,153.

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%

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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, 2025, and 2024:

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	-	-
	<u>\$ 467,335,350</u>	<u>\$ 268,542,410</u>	<u>\$ 198,792,940</u>	<u>\$ -</u>

Investment Maturities (in years) as of June 30, 2024				
	Fair Values	Less Than 1 Year	1-5 Years	Over 5 Years
Commercial Paper	\$ 31,382,019	\$ 31,382,019	\$ -	\$ -
U.S. Treasury Obligations	85,037,137	5,000,000	80,037,137	-
Corporate Notes	67,200,485	-	67,200,485	-
Supranational Agency Bonds	6,698,418	-	6,698,418	-
Federal Agency/GSE Obligations	65,753,784	-	65,753,784	-
Money Market	1,310,310	1,310,310	-	-
LGIP	457,863,584	457,863,584	-	-
	<u>\$ 715,245,737</u>	<u>\$ 495,555,913</u>	<u>\$ 219,689,824</u>	<u>\$ -</u>

At June 30, 2025 and 2024, the Authority had investments in the LGIP of \$194,191,219 and \$457,863,584, 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.

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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, 2025, and 2024.

	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	-	-
	<u>\$ 273,144,131</u>	<u>\$ 87,917,645</u>	<u>\$ 185,226,486</u>	<u>\$ -</u>

	2024			
	Total	Level 1	Level 2	Level 3
Commercial Paper	\$ 31,382,019	\$ -	\$ 31,382,019	\$ -
U.S. Treasury Obligations	85,037,137	85,037,137	-	-
Corporate Notes	67,200,485	-	67,200,485	-
Supranational Agency Bonds	6,698,418	-	6,698,418	-
Federal Agency/GSE Obligations	65,753,784	-	65,753,784	-
Money Market	1,310,310	1,310,310	-	-
	<u>\$ 257,382,153</u>	<u>\$ 86,347,447</u>	<u>\$ 171,034,706</u>	<u>\$ -</u>

NOTE 4 – DUE FROM OTHER GOVERNMENTS

At June 30, 2025, and 2024, amounts due from other governments consisted of the following:

	2025	2024
Commonwealth Rail Fund	\$ 13,023,263	\$ 12,069,387
Virginia Department of Transportation	34,511,394	23,654,343
Department of Rail & Public Transportation	221,606	-
Fairfax County Department of Public Works and Environmental Services	440,628	-
Stafford County	169,230	-
Total	<u>\$ 48,366,121</u>	<u>\$ 35,723,730</u>

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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 and 2024 was as follows:

	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	353,384,830	(87,727,718)	20,776,375	583,936,754
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	625,200,170	(113,602,763)	-	1,219,304,000
Capital assets being depreciated or amortized:					
Rail infrastructure	59,672,602	61,417,055	(13,951,584)	-	107,138,073
Intangible right-to-use lease assets	7,246,772	708,365	-	-	7,955,137
Intangible right-to-use subscription assets	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	65,859,590	(13,951,584)	-	121,075,339
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 assets	954,464	717,416	-	-	1,671,880
Intangible right-to-use subscription assets	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	59,304,653	(12,920,438)	-	106,562,953
Total capital assets, net	\$ 767,885,332	\$ 684,504,822	\$(126,523,201)	\$ -	\$ 1,325,866,953

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	Balance July 1, 2023	Increases	Decreases	Transfers	Balance June 30, 2024
Capital assets not being depreciated or amortized:					
Intangible asset I-95 corridor	\$ 233,484,437	\$ 3,757,271	\$ -	\$ -	\$ 237,241,708
Land	297,503,267	-	-	-	297,503,267
Construction-in-progress	60,573,993	112,387,625	-	-	172,961,618
Total capital assets not depreciated or amortized:	591,561,697	116,144,896	-	-	707,706,593
Capital assets being depreciated or amortized:					
Rail infrastructure	59,672,602	-	-	-	59,672,602
Intangible right-to-use lease assets	3,770,113	3,476,659	-	-	7,246,772
Intangible subscription asset	-	2,180,306	-	-	2,180,306
Other	67,653	-	-	-	67,653
Total capital assets depreciated or amortized:	63,510,368	5,656,965	-	-	69,167,333
Less accumulated depreciation or amortization for:					
Rail infrastructure	4,610,859	3,032,631	-	-	7,643,490
Intangible right-to-use lease assets	412,356	542,108	-	-	954,464
Intangible right-to-use subscription asset	-	363,295	-	-	363,295
Other	13,815	13,530	-	-	27,345
Total accumulated depreciation or amortization	5,037,030	3,951,564	-	-	8,988,594
Total capital assets depreciated or amortized, net:	58,473,338	1,705,401	-	-	60,178,739
Total capital assets, net	\$ 650,035,035	\$ 117,850,297	\$ --	\$ -	\$ 767,885,332

As of June 30, 2025, one construction-in-progress project was determined to be discontinued due to a substantial increase in cost to bring the asset to standards resulting in an impairment charge of \$5.0 million. The impairment was measured using the construction costs incurred to date, as these costs will not result in service utility. In addition, three construction-in-progress projects totaling \$5.6 million were identified as temporarily impaired as work has been suspended pending the receipt of additional funding. Service utility is expected to be restored once work resumes, and no impairment loss has been recognized at this time. No insurance recoveries were recognized or are anticipated in connection with these impairments and there were no impairments for the prior fiscal year ended June 30, 2024.

I-95 Corridor

In 2021 the Commonwealth, acting through the Department of Rail and Public Transportation (the “DRPT”), completed efforts to purchase certain rail capacity, right-of-way, and rail infrastructure from CSX Corporation (“the CSXT”). The Comprehensive Rail Agreement (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.

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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 is currently being performed to determine the nature of the assets (land, track, bridges, rail infrastructure) associated with the I-95 Corridor right-of-way. As that work progresses, deeds of confirmation will allow for the fee simple ownership of the right of way and rail infrastructure to pass to the Authority. In accordance with Amendment No. 3 of the CRA, the survey and titling work must be completed by February 28, 2026.
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, 2025, all installment payments have been made to CSXT, and the Authority has accepted conveyance for two of the three segments. The acquisition value for Segment 1 will remain an intangible asset and will convert to land and rail infrastructure once fee simple ownership is conveyed.

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 (the “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.

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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.
- Final Closing, anticipated to occur no later than August 31, 2027: Following completion of certain construction activities on railroad property in New River Valley, Virginia, and conveyance of the improved property in a separate transaction with NS, the Authority will remit the remaining installment payment of \$42.0 million, has been including in noncurrent liabilities at June 30, 2025.

As part of the November 15, 2024, exchange transaction with NS, the Authority conveyed the V-line assets and related accumulated depreciation in exchange for the Seminary Yard. Additionally, certain capital projects in progress specifically associated with the V-line were written off as those assets no longer provided service utility to the Authority following the exchange. A loss on disposal of the assets of \$5.7 million was recognized.

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. At June 30, 2025 the Authority had received and was holding a \$26 million deposit related to the pending sale, which is reported as a liability until the transaction closes. In accordance with GASB standards, the assets have been removed from capital assets and are reported separately as assets held for sale in the Statement of Net Position. The carrying value of assets held for sale as of June 30, 2025, was \$60,917,197. No impairment loss was recognized. Proceeds from the sale will be recognized upon closing anticipated to occur later in 2025, and any gain or loss on disposal will be reported in the Statement of Revenue, Expenses and Changes in Net Position at that time.

NOTE 6 – LONG-TERM OBLIGATIONS

The changes in long-term liabilities for the year ended June 30, 2025 and 2024 are as follows:

	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.

	Balance, July 1, 2023	Increases	Decreases	Balance, June 30, 2024	Current Portion
Lease liability	\$ 3,678,229	\$ 3,476,659	\$ (335,977)	\$ 6,818,911	\$ 347,060
Subscription liability	-	626,634	(147,515)	479,119	105,020
Compensated absences	450,791	100,843	-	551,634	-
Net pension liability	2,266,033	3,196,926	-	5,462,959	-
Net other postemployment liabilities	402,901	654,511	-	1,057,412	10,594
Total Long-Term Obligations	\$ 6,797,954	\$ 8,055,573	\$ (483,492)	\$ 14,370,035	\$462,674

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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 \$695,871 and \$551,634 for compensated absences as of June 30, 2025 and 2024, respectively. Compensated absences included current and long-term amounts in fiscal year 2025 since historical data is now available.

The Authority implemented GASB Statement No. 101, *Compensated Absences*, for the fiscal year ended June 30, 2025. The new standard requires 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 using a historical average of leave usage patterns applied to employee pay rates at fiscal year-end. Previously, the compensated absences liability was measured based on employees' hourly rates multiplied by their total PTO balances. The Authority applied GASB 101 prospectively and prior period amounts were not restated.

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 \$2,650,860 and \$3,004,309 at June 30, 2025 and 2024, respectively. Future minimum lease payments as of June 30, 2025 are shown below.

Years Ending June 30	Interest	Principal	Total
2026	\$ 92,035	\$ 358,509	\$ 450,544
2027	80,208	370,336	450,544
2028	67,991	382,553	450,544
2029	55,371	395,173	450,544
2030	42,335	408,209	450,544
2031 – 2033	45,948	1,080,412	1,126,360
Total	\$ 383,888	\$ 2,995,192	\$ 3,379,080

In December 2023, the Authority entered into a 10-year, 9-month lease agreement for office space in Alexandria. 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 \$2,964,590 and \$3,287,999 at June 30, 2025 and 2024, respectively. Future minimum lease payments as of June 30, 2025 are shown below.

Years Ending June 30	Interest	Principal	Total
2026	\$ 360,954	\$ 150,033	\$ 510,986
2027	273,276	250,484	523,761
2028	251,326	285,529	536,855
2029	224,869	325,408	550,277
2030	195,574	368,460	564,034
2031 – 2035	408,798	2,096,745	2,505,543
Total	\$ 1,714,797	\$ 3,476,659	\$ 5,191,456

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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 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 \$667,807 at June 30, 2025. Future minimum lease payments for this amendment as of June 30, 2025 are shown below.

Years Ending June 30	Interest	Principal	Total
2026	\$ 53,196	\$ 43,289	\$ 96,485
2027	49,568	49,414	98,982
2028	45,430	55,963	101,393
2029	40,555	63,368	103,923
2030	35,195	71,331	106,526
2031 – 2035	73,170	399,917	473,087
Total	\$ 297,114	\$ 683,282	\$ 980,396

Subscription-Based Information Technology Arrangement (the “SBITA”)

In October 2022, the Authority entered into two subscription license agreements for an Enterprise Resource Planning (the “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 \$1,397,701 and \$1,817,011 at June 30, 2025 and 2024, respectively. Future minimum payments as of June 30, 2025 are shown below:

Year Ending June 30	Interest	Principal	Total
2026	\$ 33,067	\$ 114,299	\$ 147,366
2027	22,964	124,402	147,366
2028	11,968	135,398	147,366
Total	\$ 67,999	\$ 374,099	\$ 442,098

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 \$224,818 at June 30, 2025. Future minimum payments as of June 30, 2025 are shown below:

Year Ending June 30	Interest	Principal	Total
2026	\$ 5,190	\$ 42,810	\$ 48,000
2027	3,568	44,432	48,000
Total	\$ 8,758	\$ 87,242	\$ 96,000

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The Authority entered into a subscription-based information technology arrangement (“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. The software was placed into service in January 2025. 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 \$2,916,083 at June 30, 2025. Future minimum payments as of June 30, 2025 are shown below:

Year Ending June 30	Interest	Principal	Total
2026	\$ 108,531	\$ 416,149	\$ 524,680
2027	75,108	449,572	524,680
2028	39,110	485,570	524,680
Total	\$ 222,749	\$ 1,351,291	\$ 1,574,040

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, 2025 and 2024 was 12.52% and 14.46%, respectively, 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 and 2021, respectively. 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 \$1,245,195 and \$1,116,738 for the years ended June 30, 2025, and June 30, 2024, respectively.

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The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$81,756 and \$64,117 for the years ended June 30, 2025 and 2024, 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 \$171,320 and \$138,179 for the years ended June 30, 2025 and 2024, respectively. The total Hybrid plan participant covered payroll totaled \$8,291,549 and \$6,534,173 for the years ended June 30, 2025 and 2024.

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

At June 30, 2025 and 2024, the Authority reported a liability of \$6,033,344 and \$5,462,959, 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, 2024 and 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2023 and 2022, and rolled forward to the measurement date of June 30, 2024 and 2023. 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, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the Authority's proportion of the VRS State Employee Retirement Plan was 0.12249% as compared to 0.10797% at June 30, 2023.

For the years ended June 30, 2025 and 2024, the Authority recognized pension expense of \$2,670,378 and \$2,283,625, respectively, for the VRS State Employee Retirement Plan. Since there was a change in proportionate share between June 30, 2023 and June 30, 2024, 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, 2025, 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	\$ 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	<u>\$ 4,254,037</u>	<u>\$ 833,426</u>

The \$1,245,195 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ending June 30:	Deferred Outflows (Inflows) of Resources
2026	\$ 1,269,026
2027	1,081,280
2028	(6,716)
2029	(168,174)
Total	<u>\$ 2,175,416</u>

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At June 30, 2024, 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	\$ 530,629	\$ 157,807
Net difference between projected and actual earnings on plan investments	-	382,334
Change in assumptions	72,169	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,302,419	4,108
Employer contributions subsequent to the measurement date	914,442	-
Total	<u>\$ 4,819,659</u>	<u>\$ 544,249</u>

D. Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2023 and 2022 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024 and 2023.

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:

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

The actuarial assumptions used in the June 30, 2023 and June 30, 2022, valuations were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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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 GAAP, less that plan’s fiduciary net position. As of June 30, 2024 and 2023, NPL amounts for the VRS State Employee Retirement Plan are as follows (amounts expressed in thousands):

	2024	2023
	State Employee Retirement Plan	State Employee Retirement Plan
Total Pension Liability	\$ 29,769,365	\$ 28,411,528
Plan Fiduciary Net Position	24,843,784	23,351,827
Employers' Net Pension Liability (Asset)	<u>\$ 4,925,581</u>	<u>\$ 5,059,701</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.45%	82.19%

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

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

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

** On June 15, 2023, the VRS Board elected a long-term rate of 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%.

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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 ending June 30, 2024 and 2023, 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 102% of the actuarially determined contribution rate. From July 1, 2024, 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 Rate 6.75%	1.00% Increase 7.75%
Authority's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability – 2024	\$ 10,284,191	\$ 6,033,344	\$ 2,488,372
Authority's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability – 2023	\$ 9,103,520	\$ 5,462,959	\$ 2,416,090

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 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, 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 \$146,346 and \$117,720 at June 30, 2025 and June 30, 2024, 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.

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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 Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board 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 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 \$9,532 and \$9,254 as of June 30, 2025, and June 30, 2024, respectively.

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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% and 1.12% of covered employee compensation as of June 30, 2025 and 2024, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023 and 2021, respectively. 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 \$118,767 and \$105,138 for the years ended June 30, 2025, and June 30, 2024, 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, 2025 and 2024, the Authority reported a liability of \$341,026 and \$311,342, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and 2023 and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023 and 2022 and rolled forward to the measurement date of June 30, 2024 and 2023. 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, 2024, the Authority's proportion was 0.03056% as compared to 0.02596% at June 30, 2023.

For the years ended June 30, 2025, and June 30, 2024, the Authority recognized GLI OPEB expense of \$76,983 and \$73,056, 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, 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	<u>\$ 426,308</u>	<u>\$ 54,207</u>

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The \$118,767 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ending June 30:	Deferred Outflows (Inflows) of Resources
2026	\$ 53,641
2027	74,839
2028	67,401
2029	43,829
2030	13,624
Total	<u>\$ 253,334</u>

At June 30, 2024, 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	\$ 31,095	\$ 9,451
Net difference between projected and actual earnings on plan investments	-	12,511
Change in assumptions	6,655	21,571
Changes in proportion and differences between employer contributions and proportionate share of contributions	264,111	64
Employer contributions subsequent to the measurement date	105,138	-
Total	<u>\$ 406,999</u>	<u>\$ 43,597</u>

V. Actuarial Assumptions

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2023, and June 30, 2022, 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 GLI OPEB Liability

The net GLI OPEB Liability (the "NOL") represents the program's total OPEB Liability determined in accordance with GAAP, less the associated plan fiduciary net position. As of the measurement date of June 30, 2024 and 2023, NOL amounts for the GLI are as follows (amounts expressed in thousands):

	2024 Group Life Insurance OPEB Program	2023 Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 4,196,055	\$ 3,907,052
Plan Fiduciary Net Position	3,080,133	2,707,739
GLI Net OPEB Liability	<u>\$ 1,115,922</u>	<u>\$ 1,199,313</u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	73.41%	69.30%
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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 year ending 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 113% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

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	Current Discount Rate	1.00% Increase
	<u>5.75%</u>	<u>6.75%</u>	<u>7.75%</u>
Authority's proportionate share of the GLI Plan Net OPEB Liability – 2024	\$ 530,339	\$ 341,026	\$ 188,085
Authority's proportionate share of the GLI Plan Net OPEB Liability – 2023	\$ 461,506	\$ 311,342	\$ 189,933

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 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, 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 \$10,453 and \$9,986 at June 30, 2025, and June 30, 2024, respectively.

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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, 2025 and 2024 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 and 2021. 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 \$112,728 and \$87,876 for the years ended June 30, 2025 and June 30, 2024, respectively.

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In June 2024, the Commonwealth made a special contribution of approximately \$52.8 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 1, 2024 Acts of Assembly, Special Session I, and is classified as a special employer contribution. The Authority's proportionate share is reflected in the general administrative expenses of the Statement of Revenues, Expenses, and Changes in Net Position.

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, 2025 and 2024, the Authority reported a liability of \$613,362 and \$612,437, 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, 2024 and 2023 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, 2023 and 2022, and rolled forward to the measurement date of June 30, 2024 and 2023. 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, 2024, the Authority's proportion of the VRS State Employee HIC was 0.08648% as compared to 0.07454% at June 30, 2023.

For the years ended June 30, 2025 and 2024, the Authority recognized VRS State Employee HIC OPEB expense of \$182,269 and \$209,834, 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, 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	<u>\$ 567,200</u>	<u>\$ 51,336</u>

The \$112,728 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, 2026. 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:	Deferred Outflows (Inflows) of Resources
2026	\$ 117,616
2027	122,522
2028	118,421
2029	37,628
2030	6,949
Total	<u>\$ 403,136</u>

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At June 30, 2024, 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	\$ 14	\$ 39,122
Net difference between projected and actual earnings on plan investments	1,598	-
Change in assumptions	14,472	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	474,384	405
Employer contributions subsequent to the measurement date	87,876	-
Total	<u>\$ 578,344</u>	<u>\$ 39,527</u>

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, 2023 and 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024 and 2023.

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, 2024 and 2023, NOL amounts for the VRS State Employee HIC are as follows (amounts expressed in thousands):

	2024 State Employee HIC OPEB Plan	2024 State Employee HIC OPEB Plan
Total State Employee HIC OPEB Liability	\$ 1,094,073	\$ 1,102,220
Plan Fiduciary Net Position	384,820	280,599
State Employee Net HIC OPEB Liability	<u>\$ 709,253</u>	<u>\$ 821,621</u>
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	35.17%	25.46%

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.

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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 year ending June 30, 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 108% of the actuarially determined contribution rate. From July 1, 2024 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 <u>5.75%</u>	Current Discount Rate <u>6.75%</u>	1.00% Increase <u>7.75%</u>
Authority's proportionate share of the Employee HIC OPEB Plan Net HIC OPEB Liability – 2024	\$ 703,117	\$ 613,362	\$ 536,321
Authority's proportionate share of the Employee HIC OPEB Plan Net HIC OPEB Liability - 2023	\$ 691,569	\$ 612,437	\$ 544,581

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 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, 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 \$9,922 and \$8,346 at June 30, 2025, and June 30, 2024, 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.

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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.

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Cost-of-Living Adjustment (the “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, 2025 and 2024, was 0.50% and 0.61%, respectively, of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023 and 2021. 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 \$50,325 and \$47,861 for the years ended June 30, 2025 and June 30, 2024, 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, 2025 and 2024, the Authority reported an asset of \$491,034 and \$381,233, respectively, for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB asset was measured as of June 30, 2024 and 2023, and the total VSDP OPEB liability used to calculate the Net VSDP OPEB asset was determined by an actuarial valuation as of June 30, 2023 and 2022 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, 2024, the Authority’s proportion was 0.13884% as compared to 0.12069% at June 30, 2023.

For the years ended June 30, 2025 and 2024, the Authority recognized VSDP OPEB expense of (\$37,365) and (\$29,342), 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.

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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	<u>\$ 72,937</u>	<u>\$ 330,536</u>

The \$50,325 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, 2026. 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 ending June 30:	Deferred Outflows (Inflows) of Resources
2026	\$ (76,419)
2027	(50,792)
2028	(52,487)
2029	(49,829)
2030	(43,230)
Thereafter	(35,167)
Total	<u>\$ (307,924)</u>

At June 30, 2024, 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	\$ 27,477	\$ 52,455
Net difference between projected and actual earnings on plan investments	-	10,453
Change in assumptions	1,308	4,192
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	244,765
Employer contributions subsequent to the measurement date	47,861	-
Total	<u>\$ 76,646</u>	<u>\$ 311,865</u>

V. Actuarial Assumptions

The total VSDP OPEB asset was based on an actuarial valuation as of June 30, 2023, and 2022, 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.

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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, 2024, and 2023, net OPEB asset amounts for the VSDP are as follows (amounts expressed in thousands):

	2024	2024
	Virginia Sickness and Disability OPEB Program	Virginia Sickness and Disability OPEB Program
Total VSDP OPEB Liability	\$ 339,007	\$ 318,901
Plan Fiduciary Net Position	692,870	634,779
VSDP Net OPEB Asset	<u>\$ (353,863)</u>	<u>\$ (315,878)</u>
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	204.38%	199.05%

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 liability 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 year ending June 30, 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 109% of the actuarially determined contribution rate. From July 1, 2024, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the 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 <u>5.75%</u>	Current Discount Rate <u>6.75%</u>	1.00% Increase <u>7.75%</u>
Authority's proportionate share of the VSDP Net OPEB Asset – 2024	\$ 457,553	\$ 491,034	\$ 521,195
Authority's proportionate share of the VSDP Net OPEB Asset - 2023	\$ 352,809	\$ 381,233	\$ 406,290

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X. VSDP OPEB Fiduciary Net Position

Detailed information about the VSDP Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, 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 \$4,429 and \$4,546 at June 30, 2025, and June 30, 2024, 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.*

Effective January 1, 2017**, 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.

****This change applies to ORP terminations effective January 1, 2017, or later. Eligibility for those who terminated employment prior to January 1 should be determined based on the policy in place at the time of their termination.**

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.

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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 3,235 retirees and 96,895 active employees in the program as of June 30, 2024. 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, 2024 (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 7.50 percent for medical and pharmacy and 4.00 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.00 percent for dental.

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, 2024 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollars, Closed
Effective Amortization Period	5.80 years
Discount Rate	3.93%
Projected Salary Increases	5.35% to 3.50% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical & Rx: 7.50% to 4.50%; Dental: 4.00%
Year of Ultimate Trend	2034
Mortality	Mortality rates vary by participant status and gender
Pre-Retirement:	Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years
Post-Retirement:	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females
Post-Disablement:	Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years
Beneficiaries and Survivors:	Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 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, 2024.

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

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

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, 2024. Additionally, the discount rate was increased from 3.65% to 3.93% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2024.

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

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

On June 30, 2025 and 2024, the employer reported a liability of \$175,715 and \$133,633, respectively, for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability \$356.5 million and \$351.9 million, respectively. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2024 and 2023, and was determined by an actuarial valuation as of June 30, 2024 and 2023. 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, 2024, the participating employer's proportion was 0.04929% as compared to 0.03797% on June 30, 2023. For the year ended June 30, 2025 and 2024, the participating employer recognized Pre-Medicare Retiree Healthcare OPEB expense of \$24,006 and (\$6,233), respectively.

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	<u>\$ 294,283</u>	<u>\$ 82,988</u>

Deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date were \$15,984. These amounts will be recognized as a reduction of the total Pre-Medicare Retiree Healthcare OPEB liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year ending June 30:	Deferred Outflows (Inflows) of Resources
2026	\$ 36,135
2027	51,911
2028	59,330
2029	38,108
2030	9,827
Total	<u>\$ 195,311</u>

At June 30, 2024, 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	\$ 3,428	\$ 32,304
Changes in assumptions	-	81,821
Changes in proportion	274,180	-
Subtotal	277,608	114,125
Amounts associated with transactions subsequent to the measurement date	10,594	-
Total	<u>\$ 288,202</u>	<u>\$ 114,125</u>

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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 3.93% and 3.65% as of June 30, 2024 and 2023, 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 - 2024	\$ 186,408	\$ 175,715	\$ 165,576
	1.00% Decrease 2.65%	Current Discount Rate 3.65%	1.00% Increase 4.65%
Other postemployment liability - 2023	\$ 141,533	\$ 133,633	\$ 126,092

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 7.50% and 7.75% decreasing to 4.50% as of June 30, 2024 and 2023, 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 - 2024	\$159,699	\$175,715	\$194,292
	1.00% Decrease (6.75% decreasing to 3.50%)	Trend Rate (7.75% decreasing to 4.50%)	1.00% Increase (8.75% decreasing to 5.50%)
Other postemployment liability - 2023	\$121,568	\$133,633	\$147,629

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, 2025 and 2024, 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.

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – COMMITMENTS

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.

At June 30, 2024, the Authority had capital grant commitments outstanding of \$222.6 million and other contractual commitments of \$93.3 million, both net of expenses incurred. The Authority also had \$10.9 million of funding committed to reimburse the DRPT for expenses related to grants managed by DRPT.

NOTE 11 – SUBSEQUENT EVENTS

From June 30, 2025 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, 2025, 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. 103, *Financial Reporting Model Improvements*, will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Statement No. 103 will be effective for fiscal years beginning after June 15, 2025.

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

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

Required Supplementary Information

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

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
Employer's proportion of the net pension liability	0.29500%	4.99300%	10.79700%	12.24900%
Employer's proportionate share of the net pension liability	\$ 107,004	\$ 2,266,033	\$ 5,462,959	\$ 6,033,344
Employer's covered payroll	\$ 127,625	\$ 2,464,546	\$ 6,114,889	\$ 7,722,948
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	83.84%	91.95%	89.34%	78.12%
Plan fiduciary net position as a percentage of the total pension liability	86.44%	83.26%	82.19%	83.45%

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

	Fiscal Year June 30,				
	2021	2022	2023	2024	2025
Contractually required contribution (CRC)	\$ 18,455	\$ 356,373	\$ 861,077	\$ 1,116,738	\$ 1,245,915
Contributions in relation to the CRC	18,455	356,373	861,077	1,116,081	1,245,915
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 657	\$ -
Employer's covered payroll	\$ 127,625	\$ 2,464,546	\$ 6,114,889	\$ 7,722,948	\$ 9,951,400
Contributions as a percentage of covered payroll	14.46%	14.46%	14.08%	14.45%	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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability, Salary, Line of Duty, and Discount Rates	No change

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year June 30,			
	2021	2022	2023	2024
Employer's proportion of the net GLI OPEB liability	0.00062%	0.01133%	0.02596%	0.03056%
Employer's proportionate share of the net GLI OPEB liability	\$ 7,219	\$ 136,424	\$ 311,342	\$ 341,026
Employer's covered payroll	\$ 127,625	\$ 2,464,546	\$ 6,114,889	\$ 7,846,114
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%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	67.45%	67.21%	69.30%	73.41%

**Schedule of the Employer Contributions
Group Life Insurance Program**

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

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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. 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)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability, Salary, Line of Duty, and Discount Rates	No change

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year June 30,			
	2021	2022	2023	2024
Employer's proportion of the net HIC OPEB liability	0.00177%	0.03253%	0.07454%	0.08648%
Employer's proportionate share of the net HIC OPEB liability	\$ 14,948	\$ 266,477	\$ 612,437	\$ 613,362
Employer's covered payroll	\$ 127,625	\$ 2,464,546	\$ 6,114,889	\$ 7,846,114
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%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	19.75%	21.52%	25.46%	35.17%

**Schedule of the Employer's Contributions
Health Insurance Credit Program**

	Fiscal Year June 30,				
	2021	2022	2023	2024	2025
Contractually required contribution (CRC)	\$ 1,429	\$ 27,603	\$ 68,487	\$ 87,876	\$ 112,728
Contributions in relation to the CRC	1,429	27,603	68,487	87,876	112,728
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 127,625	\$ 2,464,546	\$ 6,114,889	\$ 7,846,114	\$ 10,064,974
Contributions as a percentage of covered payroll	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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are detailed below:

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

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

	Fiscal Year June 30,				
	2021	2022	2023	2024	2025
Contractually required contribution (CRC)	\$ 779	\$ 15,034	\$ 37,031	\$ 47,861	\$ 50,325
Contributions in relation to the CRC	779	15,034	37,031	47,861	50,325
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 127,625	\$ 2,464,546	\$ 6,114,889	\$ 7,846,114	\$ 10,064,974
Contributions as a percentage of covered payroll	0.61%	0.61%	0.61%	0.61%	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, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are detailed below:

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

VIRGINIA PASSENGER RAIL AUTHORITY
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

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
Employer's proportion of the collective total OPEB liability	0.00000%	0.00036%	0.01591%	0.03797%	0.04929%
Employer's proportionate share of the collective total OPEB liability	\$ -	\$ 1,637	\$ 57,820	\$ 133,633	\$ 175,715
Employer's covered-employee payroll	\$ 127,625	\$ 2,464,546	\$ 6,114,889	\$ 7,846,114	\$ 10,064,975
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%

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, 2024. Additionally, the discount rate was increased from 3.65% to 3.93% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2024.

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.

FINANCIAL TRENDS

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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)

	2025	2024	2023	2022	2021
Operating revenues					
Virginia passenger revenues	\$ 89,934,392	\$ 81,433,052	\$ 82,591,598	\$ 52,355,858	\$ 22,232,251
Other revenues	1,787,859	2,904,873	2,783,762	-	-
Total operating revenues	91,722,251	84,337,925	85,375,360	52,355,858	22,232,251
Operating expenses					
Amtrak operating	105,820,045	101,462,062	99,820,395	52,642,527	22,721,825
Amtrak capital	9,790,109	8,781,025	8,667,909	5,408,470	6,141,541
Amtrak marketing	887,942	890,968	877,685	989,782	631,426
General administrative expenses	3,601,682	6,670,719	9,582,405	5,672,060	2,672,368
Total operating expenses	120,099,778	117,804,774	118,948,394	64,712,839	32,167,160
Operating loss before depreciation and amortization	(28,377,527)	(33,466,849)	(33,573,034)	(12,356,981)	(9,934,909)
Depreciation and amortization	(6,554,938)	(3,951,564)	(3,391,283)	(1,659,707)	-
Net operating loss	(34,932,465)	(37,418,413)	(36,964,317)	(14,016,688)	(9,934,909)
Nonoperating revenues(expenses)					
Transfer In: Commonwealth of Virginia	-	-	-	-	320,002,684
Commonwealth Rail Fund	165,440,493	157,790,263	186,793,598	172,852,567	97,760,332
Commonwealth Priority Transportation Fund	-	-	-	112,810,942	74,692,622
Contributions from funding partners	-	-	134,911,097	1,543,658	-
Other Commonwealth of Virginia contributions	4,562,177	-	133,272,406	70,205,632	-
Federal Grant Funds	18,248,708	-	-	-	-
Investment income, net	21,598,031	37,255,724	19,875,601	811,708	2,066,058
Unrealized gain (loss) on investment	5,123,703	(152,901)	374,611	(236,182)	-
Loss on disposal of assets	(5,664,259)	-	-	-	-
Impairment loss	(5,043,826)	-	-	-	-
Pass-through grants and access fees	(8,061,909)	(9,984,879)	(37,681,848)	(14,998,347)	(18,804,427)
Other nonoperating revenues (expenses)	222,611	(305,263)	107,418	(90,230)	-
Total nonoperating revenues, net	196,425,729	184,602,944	437,652,883	342,899,748	475,717,269
Capital Grants and Assistance					
Contributions from funding partners	40,934,948	39,445,901	-	-	-
Other Commonwealth of Virginia Contributions	185,865,001	50,416,370	-	-	-
Federal grant funds	25,706,633	-	-	-	-
Capital grants	(52,267,842)	(27,007,919)	-	-	-
Total capital grants and assistance, net	200,238,740	62,854,352	-	-	-
Change in net positions	361,732,004	210,038,883	400,688,566	328,883,060	465,782,360
Net position, beginning of the year	1,451,960,228	1,241,921,345	841,232,779	465,782,360	-
Net position, ending	\$ 1,813,692,232	\$ 1,451,960,228	\$ 1,241,921,345	\$ 794,665,420	\$ 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)

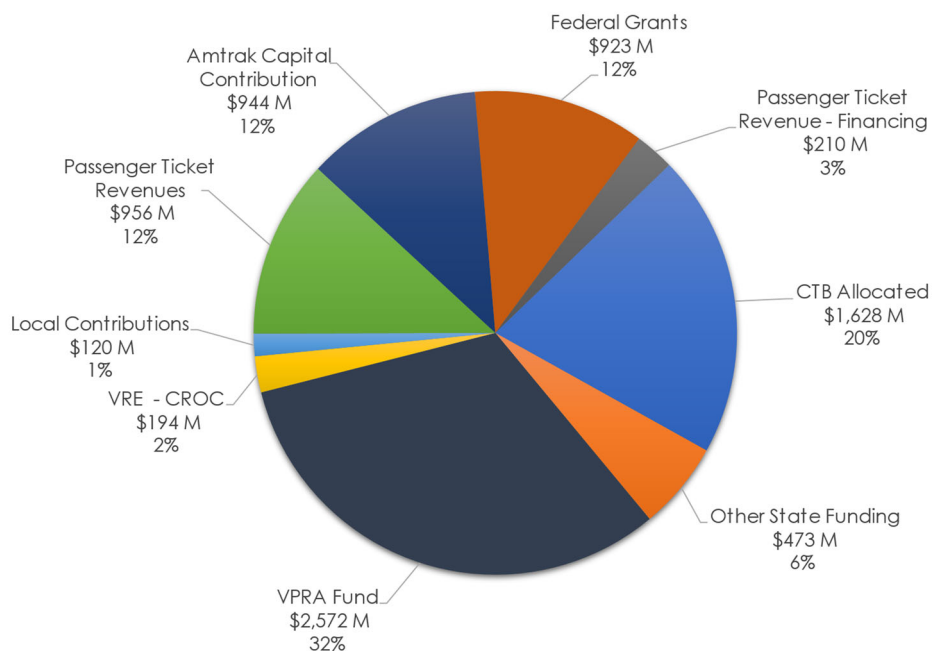
	2025	2024	2023	2022	2021
Net position:					
Net investment in capital assets	\$ 1,193,235,871	\$ 714,995,959	\$ 627,289,104	\$ 470,191,756	\$ 224,771,672
Restricted	50,068,465	102,194,713	129,579,384	-	-
Unrestricted	570,387,896	634,769,556	485,052,857	324,473,664	241,010,688
Total net position	\$ 1,813,692,232	\$ 1,451,960,228	\$ 1,241,921,345	\$ 794,665,420	\$ 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 FUNDING OF PROJECTED FUNDING (Unaudited)

Funding through FY31



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 RIDERSHIP AND REVENUE (Unaudited)

	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
Revenues													
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													
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													
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													
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													
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)

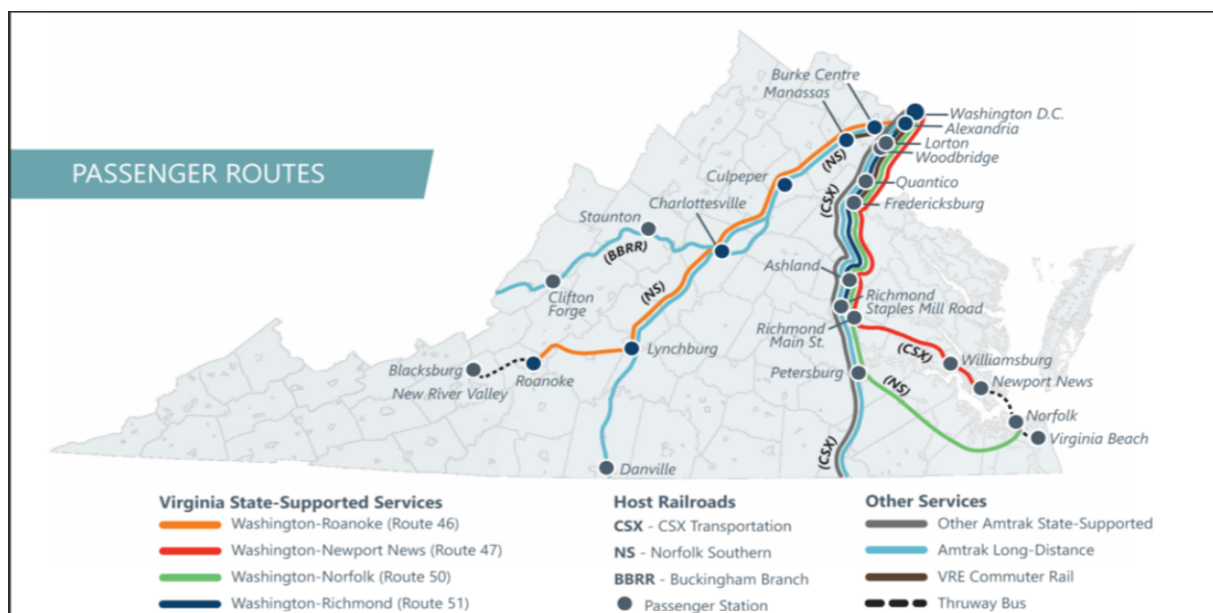
Revenues	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022	January 2023	February 2023	March 2023	April 2023	May 2023	June 2023	Annual Total
Ticket Revenue	\$ 3,198,736	\$ 3,308,941	\$ 3,403,771	\$ 3,845,037	\$ 4,765,445	\$ 4,598,253	\$ 2,890,843	\$ 2,637,293	\$ 3,898,539	\$ 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	\$ 52,200,050
Food Service Revenue	97,168	99,980	73,627	113,452	156,713	88,370	98,697	84,588	104,863	138,159	113,167	127,665	1,296,449
Other Revenue	82,465	84,097	67,342	28,858	58,691	88,252	42,987	73,223	39,690	195,837	61,008	60,788	883,238
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	35,306,135
Ticket & NEC Thru Revenues	\$ 7,501,801	\$ 7,395,763	\$ 6,169,118	\$ 6,646,651	\$ 7,963,802	\$ 9,971,024	\$ 5,817,199	\$ 5,077,023	\$ 7,884,831	\$ 8,257,871	\$ 8,447,333	\$ 8,553,456	\$ 89,685,872
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

Source: Revenue data for fiscal years 2017–2020 was obtained from the Virginia Department of Rail and Public Transportation.
Source: Revenue data 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
OTHER STATISTICAL INFORMATION
PASSENGER ROUTE MAP (Unaudited)

Amtrak passenger routes in Virginia:	
Routes	Trains
<i>Route 46: Washington-Roanoke</i>	2
<i>Route 47: Washington-Newport News</i>	2
<i>Route 50: Washington-Norfolk</i>	3
<i>Route 51: Washington-Richmond</i>	1



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
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 2024 is estimated.

(3) PY Personal income and per capita income amounts for 2015 - 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 2018-2024

Virginia Employment Commission - Unemployment Rate

U.S. Bureau of Economic Analysis - Personal Income

Weldon Cooper Center at UVA - Population 2015-2017

COMPLIANCE SECTION

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

To the 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, 2025, 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, 2025.

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, 2025