



# Annual Comprehensive Financial Report

**For Years Ended June 30, 2025 and 2024**

A commuter rail service jointly owned and operated by the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation Commission.  
**Headquartered in Alexandria, Virginia.**





Government Finance Officers Association

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Presented to

**Virginia Railway Express**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2024

*Christopher P. Morrill*

Executive Director/CEO

# **VIRGINIA RAILWAY EXPRESS**

**Annual Comprehensive Financial Report**

**YEARS ENDED JUNE 30, 2025 AND 2024**



Prepared by:

Department of Finance

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## **Introductory Section**





VIRGINIA RAILWAY EXPRESS

November 10, 2025

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

Citizens and Board Members:

We are pleased to present the annual comprehensive financial report for the fiscal year ended June 30, 2025, for the Virginia Railway Express (VRE). VRE is a commuter rail service jointly owned and operated by the Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC), collectively referred to as “the Commissions.” NVTC and PRTC are political subdivisions of the Commonwealth of Virginia. VRE is not a legal entity and is considered a joint venture of the two Commissions for accounting purposes. As used in this report, VRE refers to those activities that are carried out jointly or individually by NVTC and PRTC to operate the commuter rail activities described below.

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

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

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

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

VRE provides commuter rail service on two railroad lines originating near Fredericksburg and Manassas, Virginia, and terminating at Union Station in Washington, DC. VRE began operations in 1992 with 16 daily trains and 1,800 average daily ridership. During fiscal year 2025, VRE operated 32 daily trains in revenue service and carried an average daily ridership of more than 7,900 over 250 service days. VRE ridership in fiscal year 2025 increased significantly between January and May 2025 as a result of “Return to Office” (RTO) mandates for many federal employees in the region. Average daily ridership in May 2025 was approximately 11,800.

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

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

## **Economic Conditions**

### ***Major Initiatives***

During fiscal year 2025, VRE focused on improving its facilities, rolling stock, and systems to ensure the financial health and operational safety of the current rail service and to allow for future system expansion.

- **Facilities:** Construction was completed on the Quantico Station Improvements project, and the expanded facility was put into service, with a ribbon-cutting ceremony being held at the station in November 2024. Construction on a new parking garage and pedestrian bridge at Manassas Park Station also approached completion, with a ribbon-cutting expected in October 2025. An Invitation for Bids (IFB) was issued in June 2025 for construction of the Alexandria Station Improvements and King and Commonwealth Bridges project, with notice to proceed expected by December 2025. Engineering and design efforts continued on several other VRE expansion projects that will allow for future system growth, including the Crystal City, Franconia-Springfield, and L'Enfant station projects, as well as the maintenance and storage facility expansions at both Broad Run and Crossroads.
- **Rolling Stock:** In fiscal year 2025, progress continued towards the delivery of twenty-one (21) new passenger railcars from Alstom Transportation Inc. Once in service, the expanded railcar fleet will provide VRE with operational flexibility and the opportunity for longer trains and/or additional service frequency. The cars are expected to be completed and ready for revenue service in late fiscal year 2027 or early fiscal year 2028.
- **Systems:** In fiscal year 2025, VRE has continued using the Automated Passenger Counter (APC) system for certain ridership tracking and planning purposes and has initiated the process of validation with the Federal Transit Administration for use in reporting to the National Transit Database (NTD). VRE is continuing the deployment of a system-wide upgrade to the Variable Message Sign (VMS) network and improvements to station lighting. System upgrades to the VRE Mobile ticketing system to support the Amtrak Step-Up program were completed in fiscal year 2025, which will allow the reinstatement of the program in fiscal year 2026.

In 2018, the Virginia legislature created the Commuter Rail Operating and Capital (CROC) Fund. CROC funding is dedicated to “retaining, maintaining, improving, and developing commuter rail-related infrastructure improvements and operations” that are “essential to the Commonwealth’s continued economic growth, vitality, and competitiveness.” \$15 million annually is dedicated to the CROC Fund from fuels tax revenues generated in the NVTC and PRTC region, which is then available to VRE for its use on operating and capital projects.

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

To date, VRE has programmed \$45 million of CROC funds (covering fiscal years 2019 to 2021) towards the Crystal City station improvement projects, the Track 22 rehabilitation project at Union Station, and the purchase of certain railroad properties from the Virginia Passenger Rail Authority (VPRA) along the Manassas Line (see below). In 2021, VRE entered into a Funding Agreement with VPRA that committed VRE to using CROC funds to support the TRV program both through the issuance of debt and through pay-as-you-go (PAYGO) capital contributions. In June 2022, VRE and NVTC (with NVTC as the Issuer) closed the sale of the Transportation District Special Obligation Revenue Bonds (Transforming Rail in Virginia) Series 2022 (Green Bonds). The sale of these tax-exempt bonds generated approximately \$119 million in net proceeds that were then transferred to VPRA in July 2022. In September 2025, VRE was advised by S&P Global that the credit rating on the Series 2022 bonds had been raised from AA to AA+ based on the positive and stable outlook for the bonds and the underlying CROC revenues. VRE continues to make PAYGO capital contributions in accordance with the Funding Agreement that support the engineering and design efforts on the Long Bridge project.

In September 2024, VPRA purchased approximately 24 miles of the Manassas Line from Norfolk Southern Corporation (NS). As part of this transaction, 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. In April 2025, VRE and VPRA executed a Funding Agreement outlining the parameters for VRE's financial participation in the Manassas Line transaction, which will include acquisition by VRE of four separate property interests: Seminary Yard in Alexandria; the Broad Run Corridor in Manassas; permanent easements for five existing Manassas Line station platforms; and a permanent commuter rail operating easement over the line.

In June 2025, VRE made an initial payment of \$26 million (as required by the Funding Agreement) to VPRA as a deposit on the four property acquisitions. Full payment and closing on Seminary Yard, Broad Run Corridor, and the station easements are expected by December 2025. VRE has also initiated work to repair and rehabilitate the storage tracks at Seminary Yard. Seminary Yard will be upgraded and expanded in stages and will ultimately replace VRE's existing midday storage facility in the Amtrak-owned Ivy City coach yard north of Union Station.

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

In June 2025, the VRE Operations Board recommended the VRE System Plan 2050 to the Commissions, which then officially adopted the plan in July 2025. The VRE System Plan 2025 is a forward-looking strategy designed to guide the commuter rail system's evolution over the next 25 years.

Developed over a period of twenty-two months with extensive input from the public, stakeholders, and partner agencies, the VRE System Plan 2050 identifies strategic priorities that support VRE's mission to provide safe, reliable, and convenient commuter rail service in Northern Virginia and beyond. The plan lays the foundation for future service expansion, infrastructure investments, and enhanced regional connectivity to meet the region's evolving transportation needs as populations grow and travel behaviors shift.

Building on the progress of the existing 2040 plan, the System Plan 2050 and Service Vision aligns VRE with regional goals for sustainable transportation, economic growth, and environmental stewardship. Changes to travel behaviors, recent infrastructure investments, and shifting populations in communities across Northern Virginia meant the previous System Plan completed in 2014 needed several alterations to better meet travel needs in the region. The new System Plan 2050 accommodates non-traditional work schedules, changes in housing and employment demographics, and a major commitment by the Commonwealth of Virginia to grow and improve rail service through Transforming Rail in Virginia. In this vision, VRE shifts from a commuter focused rail service to a regional operation with increased frequency and the eventual addition of bi-directional and weekend service.

## ***Financial Environment***

As the regional road network has become more crowded over the last quarter century, particularly in the critical Interstate 95/395 and Interstate 66 Corridors of Statewide Significance, the VRE commuter rail system has provided an important travel alternative for Virginia commuters. VRE has remained competitive over time due to investments in new equipment and regular maintenance of existing equipment, a focus on reliability and on-time performance, and strong customer service, as well as growth in the overall economy of the Washington region. The Commonwealth's TRV program will address many of the major investment needs identified in VRE's System Plan 2050 – most notably, providing additional passenger capacity across the Potomac River – and will position VRE for continued long-term growth.

The near and medium-term environment remains highly uncertain. As of May 2025, midweek ridership on VRE remains approximately one-third lower than pre-pandemic levels. Ridership did see significant growth between January and May 2025 as "Return to Office" (RTO) mandates brought many federal government employees back to the office. However, remote work is still being heavily utilized in the Washington region, with some public and private sector organizations remaining fully remote while many others have transitioned to a hybrid approach. Broader political uncertainty regarding federal government employment also remains. The ultimate impacts on VRE's ridership will depend on many factors – economic, political, and organization-specific – that are not directly within VRE's control. VRE is focused on a range of actions, including marketing, promotional fares, and potential service modifications to expand beyond the traditional peak-hour federal employee commute market and grow ridership.

## **Awards and Acknowledgement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Virginia Railway Express for its annual comprehensive financial report for the fiscal year ended June 30, 2024 and 2023.

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

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

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

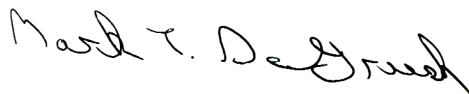
Respectfully submitted,



Dallas Richards  
Acting Chief Executive Officer



Mark Schofield  
Chief Financial Officer



Mark T. DeGrush  
Comptroller

**DIRECTORY OF PRINCIPAL OFFICIALS AND KEY PERSONNEL  
2025 VRE Operations Board**

Officers

Chair	Hon. Sarah Bagley, City of Alexandria
Vice - Chair	Hon. Andrea Bailey, Prince William County
Secretary	Hon. Daniel Storck, Fairfax County
Treasurer	Hon. Lori Hayes, Spotsylvania County

Members

Hon. Meg Bohmke, Stafford County  
Margaret Franklin, Prince William County  
Hon. Tom Gordy, Prince William County  
Hon. Jannan Holmes, City of Fredericksburg  
Hon. Takis Karantonis, Arlington County  
Tiffany Robinson, Commonwealth of Virginia  
Hon. Alanna Mensing, City of Manassas Park  
Hon. Sonia Vasquez Luna, City of Manassas  
Hon. James Walkinshaw, Fairfax County  
Hon. Pamela Yeung, Stafford County

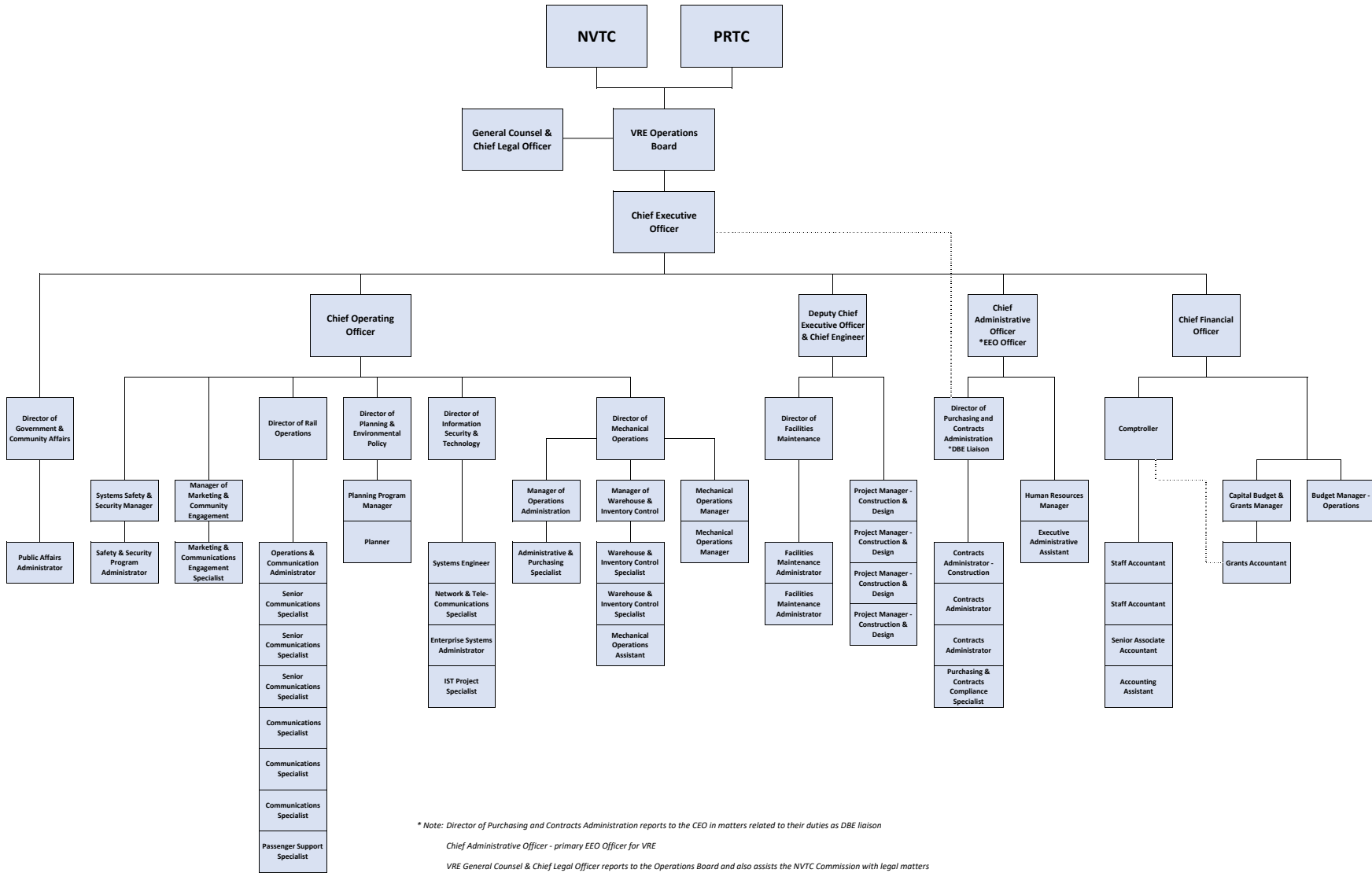
Alternates

Hon. Canek Aguirre, City of Alexandria  
Hon. Victor Angry, Prince William County  
Hon. James Bierman, Fairfax County  
Hon. Kenny Boddye, Prince William County  
Hon. Maureen Coffey, Arlington County  
Hon. Darrell English, Stafford County (Jan – June 2025)  
Hon. Pamela Yeung, Stafford County (Jul – Dec 2025)  
Hon. Deborah Frazier, Spotsylvania County  
Hon. William MacIntosh, City of Fredericksburg  
Michael McLaughlin, Commonwealth of Virginia  
Hon. Darrell Moore, City of Manassas Park  
Hon. Ralph Smith, City of Manassas

Management

Chief Executive Officer	Richard Dalton
Chief Financial Officer	Mark Schofield
Chief Administrative Officer	Anaya Farah
Chief Legal Officer	Stephen A. MacIsaac
Comptroller	Mark T. DeGrush
Director, Government and Community Affairs	Joseph Swartz
Director, Rail Operations	Chris Henry

**Virginia Railway Express  
Organizational Chart  
As of June 30, 2025**



\* Note: Director of Purchasing and Contracts Administration reports to the CEO in matters related to their duties as DBE liaison  
 Chief Administrative Officer - primary EEO Officer for VRE  
 VRE General Counsel & Chief Legal Officer reports to the Operations Board and also assists the NVTC Commission with legal matters

## Financial Section





## INDEPENDENT AUDITOR'S REPORT

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

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

#### ***Opinions***

We have audited the accompanying financial statements of the Virginia Railway Express (VRE), a joint venture of the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation Commission, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the VRE's basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of VRE, as of June 30, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audits 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 are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the VRE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the VRE's ability to continue as a going concern for 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, we

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the VRE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the VRE's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 10-19 and 62-70, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2025 on our consideration of the VRE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of VRE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the VRE's internal control over financial reporting and compliance.

***PBMares, LLP***

Harrisonburg, Virginia  
November 10, 2025



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides the reader with an overview of the activities and performance of the Virginia Railway Express (VRE) for the fiscal years ended June 30, 2025 and 2024. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the letter of transmittal on pages 1-4 of this report and the financial statements, which begin on page 20.

### Financial Operations and Highlights

- Operating revenues increased by 16.5 percent compared to the prior year, from \$16,168,731 to \$18,843,413. Ridership increased 25.0% percent from 1,589,675 to 1,987,269, reflecting the continued return of ridership following the COVID-19 pandemic and federal employee "Return to Office" mandates in fiscal year 2025. Average daily ridership was 7,949 in fiscal year 2025 compared to 6,333 in fiscal year 2024.
- Operating expenses decreased by 7.7 percent from \$106,046,460 to \$97,883,011. The primary causes of this reduction were lower costs in other operations and maintenance, property leases and access fees, and general and administrative expenses.
- Non-operating revenue increased by .2 percent from \$105,568,341 to \$105,757,600, primarily due to increased contributions from the Commonwealth of Virginia and jurisdictional subsidies, partially offset by a reduction in both federal and federal pandemic relief funds.
- Capital grants and assistance decreased 14.1 percent from \$44,374,000 to \$38,136,683; this is primarily attributable to a decrease in grant reimbursable capital project spending. VRE continues to have many capital projects in various stages of development, several of which were completed or near completion in fiscal year 2025.
- The operating loss before depreciation and amortization was \$79,039,598, a decrease from the previous year of 12.1 percent. Local, state, and federal support is accounted for as non-operating income and is used to offset these losses.
- VRE's total net position increased by \$34,682,365 from \$542,432,208 to \$577,114,573, or 6.4 percent, primarily due to an increase in passenger revenue, jurisdictional contributions, as well as an overall reduction in operating expenses. At the end of the fiscal year, unrestricted net position was \$132,422,199, a decrease of approximately \$19.2 million.
- During the fiscal year, capital assets, net of accumulated depreciation and amortization, increased by 7.5 percent, as the combined result of increased capital expenditures during the fiscal year and the recognition of annual depreciation and amortization.

### Overview of the Basic Financial Statements

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

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

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

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

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

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

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 24-61 of this report.

## Financial Analysis - Statements of Net Position

As noted earlier, net position may serve over time as an indicator of financial strength, although other indicators should be considered as well. A condensed summary of VRE’s Statements of Net Position at June 30, 2025, 2024, and 2023 is shown below.

### Condensed Statements of Net Position

	2025	2024	2023
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>			
Current and other assets	\$ 173,901,004	\$ 193,909,550	\$ 199,840,804
Capital assets, net	580,744,177	540,221,879	502,695,977
<b>Total assets</b>	<b>754,645,181</b>	<b>734,131,429</b>	<b>702,536,781</b>
Deferred outflows of resources	925,024	925,701	1,084,713
<b>Total assets and deferred outflows of resources</b>	<b>755,570,205</b>	<b>735,057,130</b>	<b>703,621,494</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>			
Current portion of long-term debt	5,198,280	6,907,400	6,720,018
Other current liabilities	20,656,397	27,465,576	18,372,265
Noncurrent liabilities	151,074,006	156,869,410	164,030,549
<b>Total liabilities</b>	<b>176,928,683</b>	<b>191,242,386</b>	<b>189,122,832</b>
Deferred inflows of resources	1,526,949	1,382,536	1,695,668
<b>Total liabilities and deferred inflows of resources</b>	<b>178,455,632</b>	<b>192,624,922</b>	<b>190,818,500</b>
<b>NET POSITION:</b>			
Net investment in capital assets	413,353,775	359,245,516	322,715,330
Restricted	31,338,599	31,567,568	35,490,743
Unrestricted	132,422,199	151,619,124	154,596,921
<b>Total net position, as restated</b>	<b>\$ 577,114,573</b>	<b>\$ 542,432,208</b>	<b>\$ 512,802,994</b>

## **Current Year**

Net position increased by approximately \$34.7 million, or 6.4 percent during the current fiscal year, due mainly to an increase in passenger revenue, jurisdictional contributions, as well as an overall reduction in operating expenses.

The largest portion of VRE's net position, \$413.4 million or 71.6 percent, represents its investment in capital assets (e.g., land, buildings, improvements, rolling stock, equipment, software, right-to-use assets and accumulated depreciation and amortization), less the related indebtedness outstanding used to acquire those capital assets. VRE uses these assets to provide services to its riders; consequently, these assets are not available for future spending. The resources required to repay this debt must be provided annually from operations and federal (with PRTC as grantee), state and local support, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

Restricted net position decreased approximately \$0.2 million or 0.7 percent, primarily related to Virginia Passenger Rail Authority (VPRA) capital project requisitions in support of the Long Bridge project. The majority of VRE's restricted net position, \$31.3 million, represents an insurance trust fund, restricted bond proceeds for potential debt service, as well as CROC fund deposits reserved for future VPRA capital project requisitions.

Capital assets, net of accumulated depreciation and amortization, increased approximately \$40.5 million or 7.5 percent as the result of increased capital project expenditures.

Current liabilities decreased approximately \$8.5 million or 24.8 percent because of a decrease in accounts payable as well as the final principal payment of the private placement note payable in May 2025.

Noncurrent liabilities and deferred inflows of resources decreased approximately \$5.7 million or 3.6 percent primarily because of scheduled bond repayments during the year.

## **Prior Year**

Net position increased by approximately \$29.6 million, or 5.8 percent during the prior fiscal year, due mainly to an increase in passenger revenue, jurisdictional subsidies, state, and federal grants including operating support related to the federal American Rescue Plan Act (ARPA), as well as investment revenue related to the LGIP CROC fund and the various funds supporting the Series 2022 bond issuance.

The largest portion of VRE's net position, \$359.2 million or 66.2 percent, represents its investment in capital assets (e.g., land, buildings, improvements, rolling stock, equipment, software, right-to-use assets and accumulated depreciation and amortization), less the related indebtedness outstanding used to acquire those capital assets. VRE uses these assets to provide services to its riders; consequently, these assets are not available for future spending. The resources required to repay this debt must be provided annually from operations and federal (with PRTC as grantee), state and local support, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

Restricted net position decreased approximately \$3.9 million or 11.1 percent, primarily related to debt service of the Series 2022 bond issuance offset by a portion of the monthly CROC fund deposits reserved for future Virginia Passenger Rail Authority (VPRA) capital project requisitions. The majority of VRE's restricted net position, \$31.6 million, represents an insurance trust fund, restricted bond proceeds for potential debt service, as well as CROC fund deposits reserved for future VPRA capital project requisitions.

Capital assets, net of accumulated depreciation and amortization, increased approximately \$37.5 million or 7.5 percent as the result of increased capital project expenditures.

Current liabilities increased approximately \$9.3 million or 37.0 percent because of increases in accounts payable and accrued expenses.

Noncurrent liabilities and deferred inflows of resources decreased approximately \$7.5 million or 4.5 percent primarily because of scheduled bond and capital lease repayments during the year.

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

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

	2025	2024	2023
Operating revenues:			
Passenger revenue	\$ 18,570,160	\$ 15,743,767	\$ 13,940,102
Equipment rentals and other	273,253	424,964	310,758
<b>Total operating revenues</b>	<b>18,843,413</b>	<b>16,168,731</b>	<b>14,250,860</b>
Nonoperating revenues:			
Subsidies:			
Commonwealth of Virginia	34,312,117	26,759,223	42,011,586
Federal – with PRTC as grantee	9,191,915	12,962,716	9,289,764
Federal Pandemic Relief Funds	31,772,470	37,488,029	20,267,695
Jurisdictional contributions	18,300,780	16,000,000	13,544,122
Commuter Rail Operating and Capital Fund	7,495,000	7,496,000	7,499,738
Interest income	4,353,114	4,722,280	3,803,323
Gain (loss) on disposal of assets	49,000	(59,780)	-
Increase in fair value of investments	283,204	199,873	15,835
<b>Total nonoperating revenues, net</b>	<b>105,757,600</b>	<b>105,568,341</b>	<b>96,432,063</b>
<b>Total revenues</b>	<b>124,601,013</b>	<b>121,737,072</b>	<b>110,682,923</b>
Operating expenses:			
Contract operations and maintenance	33,849,123	33,534,857	30,866,478
Other operations and maintenance	21,936,740	26,412,160	20,661,998
Property leases and access fees	18,839,231	20,403,054	18,436,123
Insurance	8,183,735	7,880,355	7,732,360
Marketing and sales	1,284,248	1,398,014	1,175,036
General and administrative	13,789,934	16,418,020	13,214,162
<b>Total operating expenses</b>	<b>97,883,011</b>	<b>106,046,460</b>	<b>92,086,157</b>
Other expenses:			
Depreciation and amortization	23,658,635	23,548,243	22,480,189
Interest, financing costs and other	6,513,685	6,887,155	7,285,456
<b>Total other expenses</b>	<b>30,172,320</b>	<b>30,435,398</b>	<b>29,765,645</b>
<b>Total expenses</b>	<b>128,055,331</b>	<b>136,481,858</b>	<b>121,851,802</b>
Deficit before capital contributions and extraordinary item	(3,454,318)	(14,744,786)	(11,168,879)
Capital grants and assistance:			
Commonwealth of Virginia grants	23,977,330	24,118,298	27,879,245
Federal grants – with PRTC as grantee	4,313,098	10,844,459	20,406,397
Commuter Rail Operating and Capital Fund	7,505,000	7,504,000	7,500,262
Regional transportation funding (NVTA)	2,347,325	1,907,243	1,702,500
Local contributions	(6,070)	-	-
<b>Total capital grants and assistance</b>	<b>38,136,683</b>	<b>44,374,000</b>	<b>57,488,404</b>
<b>Change in net position</b>	<b>34,682,365</b>	<b>29,629,214</b>	<b>46,319,525</b>
Net position - beginning of year	542,432,208	512,802,994	466,483,469
Net position - end of year	\$ 577,114,573	\$ 542,432,208	\$ 512,802,994

## Revenues

### Current Year

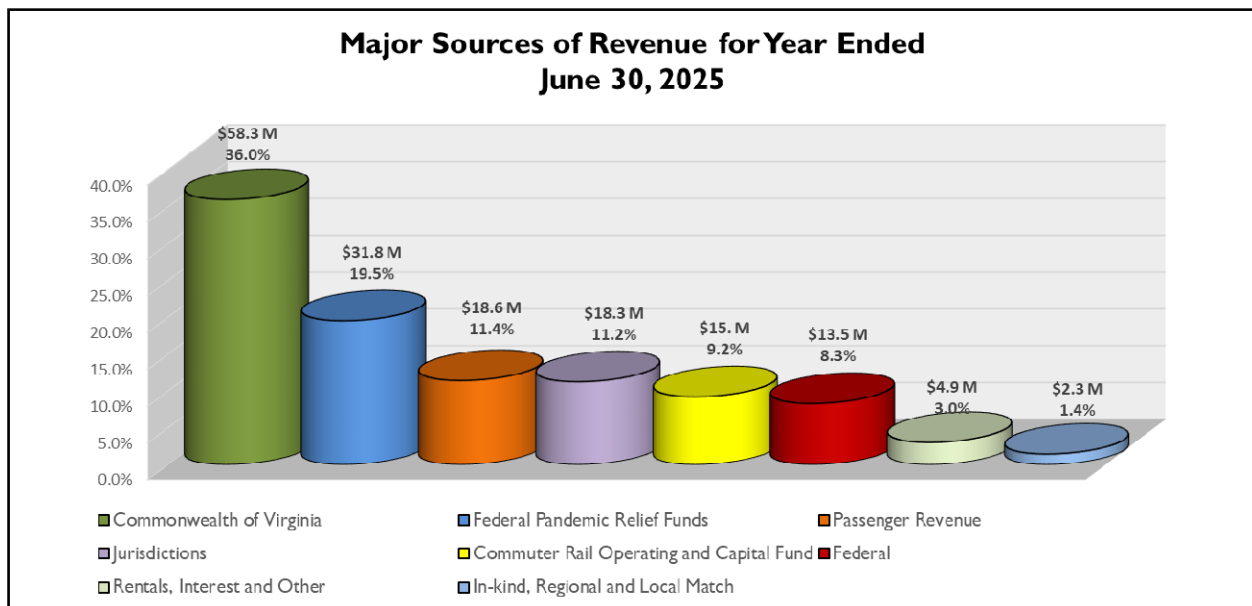
Total revenues for the current fiscal year increased approximately \$2.9 million or 2.4 percent. Operating revenues totaled approximately \$2.7 million, an increase of 16.5 percent from the prior year. Jurisdictional subsidies and contributions to project operating costs increased by approximately \$2.3 million or 14.4 percent. State, federal, and regional subsidies decreased by \$1.9 million, primarily due to reduction of federal funding, offset by increase in state funding. Fiscal year 2025 is the seventh year since the creation of the Commuter Rail Operating and Capital (CROC) Fund, with a total of \$15.0 million contributed to VRE each year, with approximately \$7.5 million of these funds classified as non-operating revenue.

Passenger revenue increased approximately \$2.8 million or 18 percent, due to the continued return of ridership after the COVID-19 pandemic and federal employee “Return to Office” mandates. Total ridership increased by 25.0 percent as the result of the same factor. Average daily ridership was 7,949 in fiscal year 2025 compared to 6,333 in fiscal year 2024 and 5,866 in fiscal year 2023.

	June 30,		
	2025	2024	2023
Ridership	1,987,269	1,589,675	1,466,480
% Increase	25.0%	8.4%	78.4%

Capital grants and assistance decreased approximately \$6.2 million or 14.1 percent; primarily attributable to a decrease in grant reimbursable capital project spending in fiscal year 2025, additionally impacted by a fiscal year 2024 reversal of a fiscal year 2023 over-accrual of approximately \$6.9 million related to Commonwealth of Virginia funding. VRE continues to have many capital projects in various stages of development, several of which were completed or near completion in fiscal year 2025.

The following chart shows the major sources of revenue for the year ended June 30, 2025:



## **Prior Year**

Total revenues for the current fiscal year increased approximately \$11.1 million or 10.0 percent. Operating revenues totaled approximately \$16.2 million, an increase of 13.5 percent from the prior year. Jurisdictional subsidies and contributions to project operating costs increased by approximately \$2.5 million or 18.1 percent. State, federal, and regional subsidies increased by \$5.6 million, primarily as a result of increased federal funding offset by reduction in state funding. Fiscal year 2024 is the sixth year since the creation of the Commuter Rail Operating and Capital (CROC) Fund, with a total of \$15.0 million contributed to VRE each year, with approximately \$7.5 million of these funds classified as non-operating revenue.

Passenger revenue increased approximately \$1.8 million or 12.9 percent, reflecting the effects of the return of ridership following the COVID-19 pandemic. Total ridership increased by 8.4 percent as the result of the same factor. Average daily ridership was 6,333 in fiscal year 2024 compared to 5,866 in fiscal year 2023 and 3,314 in fiscal year 2022.

Capital grants and assistance decreased approximately \$13.1 million or 22.8 percent; this decrease is attributed to an over-accrual of approximately \$6.9 million related to Commonwealth of Virginia funding made in fiscal year 2023, adjusted accordingly in fiscal year 2024, offset by increases in capital project spending in fiscal year 2024. VRE continues to have many capital projects in various stages of development, several of which are in the major construction phase in fiscal year 2024.

## **Expenses**

### **Current Year**

Total operating and other expenses, including depreciation and amortization, decreased by approximately \$8.4 million or 6.2 percent. Operating expenses decreased by approximately \$8.2 million or 7.7 percent. Total operating expenses were approximately \$97.9 million compared to \$106.0 million for the prior fiscal year.

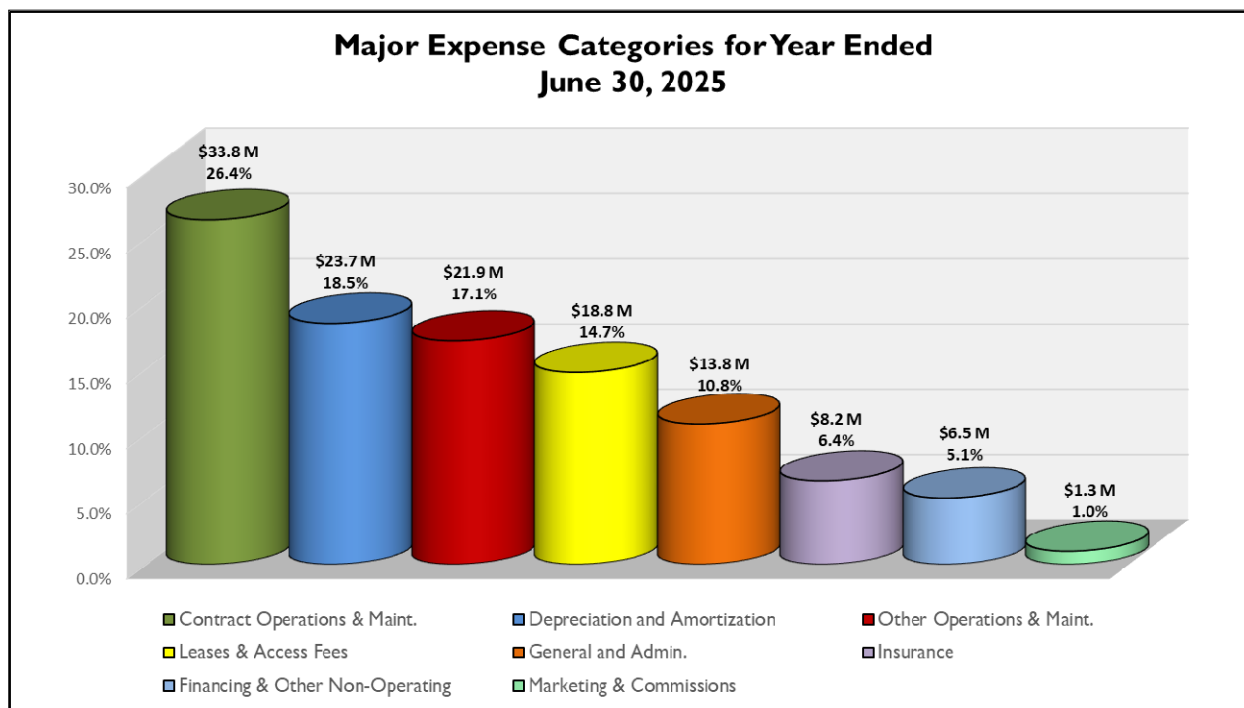
Insurance costs increased by \$.3 million or 3.8 percent due to ongoing changes in the global insurance market for commuter railroads. General and administrative costs decreased by \$2.6 million or 16.0 percent, primarily due to decreases in professional and administrative services.

Contract operations and maintenance increased by approximately \$.3 million or .9 percent, primarily due to increased contractual costs for train operations. Other operations and maintenance decreased by approximately \$4.5 million or 0.9 percent, primarily due to a decrease of approximately \$4.3 million in grant funded operations and maintenance expenses. Property leases and access fees decreased by approximately \$1.6 million or 7.7 percent primarily due to reduced costs under the Norfolk Southern contract, partially offset by escalations in other lease and access agreements.

Marketing and sales costs decreased by \$.1 million or 8.1 percent, primarily due to reduced marketing and public relations expenses. Despite the modest decrease, this reflects VRE's ongoing marketing efforts as part of broader initiatives to grow ridership and explore new markets.

Depreciation and amortization increased by approximately \$.1 million or .5 percent, primarily due to the capitalization of new depreciable assets. Net interest and financing costs decreased by approximately \$.4 million or 5.4 percent due to continued debt repayments.

The following chart shows the major expense categories for the year ended June 30, 2025:



### Prior Year

Total operating and other expenses, including depreciation and amortization, increased by approximately \$14.6 million or 12.0 percent. Operating expenses increased by approximately \$14.0 million or 15.2 percent. Total operating expenses were approximately \$106.0 million compared to \$92.1 million for the prior fiscal year.

Insurance costs increased by \$0.1 million or 2.0 percent due to ongoing changes in the global insurance market for commuter railroads. General and administrative costs increased by \$3.2 million or 24.2 percent, primarily due to increases in salaries and project contributions.

Contract operations and maintenance increased by approximately \$2.7 million or 8.6 percent, primarily due to increased contractual costs for train operations. Other operations and maintenance increased by approximately \$5.8 million or 27.8 percent, primarily due to an increase of approximately \$4.8 million in grant funded operations and maintenance expenses. Property leases and access fees increased by approximately \$2.0 million or 10.7 percent primarily due to contract escalations.

Marketing and sales costs increased by \$0.2 million or 19.0 percent, primarily due to increased marketing production efforts as part of broader initiatives to grow ridership and find new markets.

Depreciation and amortization increased by approximately \$1.1 million or 4.8 percent, primarily due to the capitalization of new depreciable assets. Net interest and financing costs decreased by approximately \$0.4 million or 5.5 percent due to continued debt repayments.

## Capital Assets and Debt Administration

### Capital Assets

VRE's investment in capital assets as of June 30, 2025 totals approximately \$580,744,177 million (net of accumulated depreciation and amortization). Investment in capital assets includes the items identified in the table below. Acquisitions are funded from a variety of sources, including loans and grants from various government agencies and other local sources.

	2025	2024	2023
Construction in progress	\$ 150,503,052	\$ 115,943,941	\$ 121,202,856
Intangible right-to-use lease buildings	1,463,568	1,463,568	1,463,568
Intangible right-to-use lease parking lots	-	-	273,503
Intangible right-to-use lease tower	211,144	211,144	99,581
Right-to-use subscription asset	1,815,971	1,815,971	1,534,524
Rolling stock	286,777,390	286,777,390	286,777,390
Vehicles	267,828	301,361	151,340
Facilities	204,939,737	183,625,720	119,028,802
Track and signal improvements	108,053,082	100,108,269	100,108,269
Equipment and software	15,222,568	14,911,976	13,917,147
Equity in property of others	124,946,482	124,946,482	124,946,482
Furniture, equipment and building improvements	7,416,408	7,416,408	7,532,000
	<b>901,617,230</b>	<b>837,522,230</b>	<b>777,035,462</b>
Less accumulated depreciation and amortization	<b>(320,873,053)</b>	<b>(297,300,351)</b>	<b>(274,339,485)</b>
<b>Total capital assets, net</b>	<b>\$ 580,744,177</b>	<b>\$ 540,221,879</b>	<b>\$ 502,695,977</b>

### Current Year

During fiscal year 2025, capital assets increased approximately \$40.5 million or 7.5 percent as the result of new project construction, existing asset improvements and direct asset purchases. This increase was offset by the recognition of annual depreciation and amortization. A completed project totaling approximately \$29.0 million was transferred from construction in progress to its respective capital account and an additional \$0.6 million was charged directly to the capital accounts.

The major project completed during the fiscal year was the Quantico Station Improvements (\$29.0 million).

The major additions to construction in progress during the fiscal year were costs related to the Manassas Line Property Acquisitions (\$26.0 million), the Manassas Park Parking Expansion project (\$12.0 million), the Equity in VPR Long Bridge project (\$7.5 million), the L'Enfant Station Improvements project (\$3.0 million), the Alexandria Station Improvements project (\$2.5 million), the Broad Run Expansion project (\$2.5 million), the Crystal City Station Improvements project (\$1.5 million), the 21 New Railcars project (\$1.1 million), and the Crossroads Long Term Expansion project (\$1.0 million).

Additional information on VRE's capital assets and contractual commitments can be found in Notes 3 and 12 to the financial statements.

## **Prior Year**

During fiscal year 2024, capital assets increased approximately \$37.5 million or 7.5 percent as the result of new project construction, existing asset improvements, direct asset purchases, and a new GASB 87 right-to-use lease asset. This increase was offset by the recognition of annual depreciation and amortization, and the write-off of a GASB 96 right-to-use SBITA asset (\$0.2 million). Completed projects totaling approximately \$65.1 million were transferred from construction in progress to their respective capital accounts and an additional \$0.6 million was charged directly to the capital accounts.

The major completed projects during the fiscal year were the Crossroads LOU Lifecycle Facility (\$52.5 million), the Fredericksburg Station rehab project (\$12.0 million), and the Website Redesign project (\$0.6 million).

The major additions to construction in progress during the fiscal year were costs related to the Manassas Park Parking Expansion project (\$15.8 million), the Equity in VPR Long Bridge project (\$14.4 million), the Quantico Station Improvements project (\$6.1 million), the 21 New Railcars project (\$6.1 million), the Broad Run Expansion project (\$1.8 million), the Franconia-Springfield Station Improvements project (\$1.3 million), the L'Enfant Station Improvements project (\$1.1 million), the Alexandria Station Improvements project (\$1.1 million), the Crystal City Station Improvements project (\$1.0 million), and the Crossroads Long Term Expansion Project (\$1.0 million).

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

## **Debt Administration**

At June 30, 2025, VRE had total debt outstanding of \$140,110,602.

The Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC) are co-lessees of the private placement note payable for rolling stock, which is secured by the related equipment. The final principal payment of the private placement note payable was paid in May 2025.

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

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

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

	<b>2025</b>	2024	2023
Bonds payable	<b>\$ 138,850,000</b>	\$ 143,645,000	\$ 148,210,000
Private placement note payable	-	1,866,848	3,650,870
Leases payable	<b>1,260,602</b>	1,399,668	1,381,122
Subscription liability	-	106,486	302,044
<b>Total</b>	<b>\$ 140,110,602</b>	<b>\$ 147,018,002</b>	<b>\$ 153,544,036</b>

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

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

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

The local subsidy for fiscal year 2025 increased by \$2,300,780 or 14.4 percent to \$18,300,780. Fares were increased by 5.0 percent for fiscal year 2025. The previous general fare increase was 3.0 percent in fiscal year 2020. In fiscal year 2019 VRE began to receive funding from the Commonwealth of Virginia Commuter Rail Operating and Capital (CROC) Fund, which will continue in fiscal year 2026. Additional sources of funding will be available in fiscal year 2026 from federal, state and regional sources, although the amounts received will continue to vary from year to year.

### **Requests for Information**

This financial report is designed to provide a general overview of VRE’s finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Virginia Railway Express, 1500 King Street, Suite 202, Alexandria, Virginia 22314-2730 or by e-mail to [mschofield@vre.org](mailto:mschofield@vre.org).

## **Basic Financial Statements**

# VIRGINIA RAILWAY EXPRESS

## STATEMENTS OF NET POSITION

June 30, 2025 and 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2025	2024
Current Assets:		
Cash and cash equivalents	\$ 62,815,961	\$ 53,492,961
Accounts receivable:		
Federal Due from PRTC	33,036,044	44,268,636
Federal Pandemic Relief Funds	4,987,149	5,801,627
Commonwealth of Virginia grants	28,976,830	47,722,157
Due from NVTA	3,144,223	1,973,499
Commuter Rail Operating and Capital (CROC) Fund	2,500,000	2,500,000
Trade receivables, net of allowance for doubtful accounts	376,116	341,496
Other receivables	705,589	1,011,271
Inventory	4,389,196	3,571,025
Prepaid expenses and other	561,875	594,414
Restricted cash, cash equivalents and investments	31,052,063	31,567,568
<b>Total current assets</b>	<b>172,545,046</b>	<b>192,844,654</b>
Noncurrent Assets:		
Capital assets:		
Construction in progress	150,503,052	115,943,941
Intangible right-to-use lease buildings	1,463,568	1,463,568
Intangible right-to-use lease tower	211,144	211,144
Right-to-use subscription assets	1,815,971	1,815,971
Rolling stock	286,777,390	286,777,390
Vehicles	267,828	301,361
Facilities	204,939,737	183,625,720
Track and signal improvements	108,053,082	100,108,269
Equipment and software	15,222,568	14,911,976
Equity in property of others	124,946,482	124,946,482
Furniture, equipment and building improvements	7,416,408	7,416,408
	901,617,230	837,522,230
Less accumulated depreciation and amortization	(320,873,053)	(297,300,351)
<b>Total capital assets, net</b>	<b>580,744,177</b>	<b>540,221,879</b>
Leases receivable, noncurrent portion	1,069,422	1,064,896
Net pension asset	286,536	-
<b>Total noncurrent assets</b>	<b>582,100,135</b>	<b>541,286,775</b>
<b>Total assets</b>	<b>754,645,181</b>	<b>734,131,429</b>
Deferred Outflows of Resources:		
Loss on refunding	239,139	269,996
Pension plan	574,793	544,731
Other postemployment benefits	111,092	110,974
<b>Total deferred outflows of resources</b>	<b>925,024</b>	<b>925,701</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 755,570,205</b>	<b>\$ 735,057,130</b>

# VIRGINIA RAILWAY EXPRESS

## STATEMENTS OF NET POSITION (Continued) June 30, 2025 and 2024

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

	2025	2024
Current Liabilities:		
Accounts payable	\$ 7,286,511	\$ 15,398,780
Payable to the Commissions	2,314,489	2,811,663
Compensated absences	226,929	58,622
Accrued expenses	6,267,376	5,328,551
Accrued interest	793,159	854,790
Unearned revenue	1,566,982	1,277,762
Contract retainage	2,200,951	1,735,408
Current portion of bonds payable	5,050,000	4,795,000
Subscription liability	-	106,486
Lease liability	148,280	139,366
Current portion of private placement note payable	-	1,866,848
<b>Total current liabilities</b>	<b>25,854,677</b>	<b>34,373,276</b>
Noncurrent Liabilities:		
Pension liability	-	70,526
Other postemployment benefits	335,648	367,853
Bonds payable	148,692,685	154,294,004
Lease liability	1,112,322	1,260,302
Compensated absences	933,351	876,425
<b>Total noncurrent liabilities</b>	<b>151,074,006</b>	<b>156,869,110</b>
<b>Total liabilities</b>	<b>176,928,683</b>	<b>191,242,386</b>
Deferred Inflows of Resources:		
Leases	994,311	1,019,503
Pension plan	475,713	304,000
Other postemployment benefits	56,925	59,033
<b>Total deferred inflows of resources</b>	<b>1,526,949</b>	<b>1,382,536</b>
Net Position:		
Net investment in capital assets	413,353,775	359,245,516
Restricted for liability insurance plan	10,965,502	10,553,006
Restricted for debt service	14,762,144	14,073,320
Restricted grants or contributions	5,324,417	6,941,242
Restricted pension asset	286,536	-
Unrestricted net position	132,422,199	151,619,124
<b>Total net position</b>	<b>577,114,573</b>	<b>542,432,208</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 755,570,205</b>	<b>\$ 735,057,130</b>

# VIRGINIA RAILWAY EXPRESS

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenues:		
Passenger revenue	\$ 18,570,160	\$ 15,743,767
Equipment rentals and other	273,253	424,964
<b>Total operating revenues</b>	<b>18,843,413</b>	<b>16,168,731</b>
Operating Expenses:		
Contract operations and maintenance	33,849,123	33,534,857
Other operations and maintenance	21,936,740	26,412,160
Property leases and access fees	18,839,231	20,403,054
Insurance	8,183,735	7,880,355
Marketing and sales	1,284,248	1,398,014
General and administrative	13,789,934	16,418,020
<b>Total operating expenses</b>	<b>97,883,011</b>	<b>106,046,460</b>
<b>Operating loss before depreciation and amortization</b>	<b>(79,039,598)</b>	<b>(89,877,729)</b>
Depreciation and Amortization	<b>(23,658,635)</b>	<b>(23,548,243)</b>
<b>Operating loss</b>	<b>(102,698,233)</b>	<b>(113,425,972)</b>
Nonoperating Revenues (Expenses):		
Subsidies:		
Commonwealth of Virginia grants	34,312,117	26,759,223
Federal grants – with PRTC as grantee	9,191,915	12,962,716
Federal Pandemic Relief Funds	31,772,470	37,488,029
Jurisdictional contributions	18,300,780	16,000,000
Commuter Rail Operating and Capital (CROC) Fund	7,495,000	7,496,000
Interest income:		
Operating funds	1,234,499	697,180
Insurance trust	433,402	444,946
Commuter Rail Operating and Capital (CROC) Fund	2,061,247	2,528,870
Leases	32,022	32,030
Other restricted funds	591,944	1,019,254
Interest, amortization and other nonoperating expenses, net	(6,513,685)	(6,887,155)
Increase in fair value of investments	283,204	199,873
Gain (loss) on disposal of assets	49,000	(59,780)
<b>Total nonoperating revenues, net</b>	<b>99,243,915</b>	<b>98,681,186</b>
Capital Grants and Assistance:		
Commonwealth of Virginia grants	23,977,330	24,118,298
Federal grants – with PRTC as grantee	4,313,098	10,844,459
Commuter Rail Operating and Capital (CROC) Fund	7,505,000	7,504,000
Regional transportation funding (NVTA)	2,347,325	1,907,243
Local contributions	(6,070)	-
<b>Total capital grants and assistance</b>	<b>38,136,683</b>	<b>44,374,000</b>
<b>Change in net position</b>	<b>34,682,365</b>	<b>29,629,214</b>
Net Position, beginning of year	<b>542,432,208</b>	<b>512,802,994</b>
Net Position, ending	<b>\$ 577,114,573</b>	<b>\$ 542,432,208</b>

# VIRGINIA RAILWAY EXPRESS

## STATEMENTS OF CASH FLOWS Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities:		
Receipts from customers	\$ 19,068,295	\$ 16,185,493
Payments to suppliers	(81,214,906)	(96,298,586)
Payments to employees	(11,128,783)	(9,061,955)
<b>Net cash used in operating activities</b>	<b>(73,275,394)</b>	<b>(89,175,048)</b>
Cash Flows from Noncapital Financing Activities:		
Governmental subsidies	97,148,319	82,068,459
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(77,735,571)	(53,040,583)
Capital grants and assistance	71,988,075	38,901,359
Private placement note payable	(1,866,848)	(1,784,022)
Principal paid on bonds	(4,795,000)	(4,565,000)
Lease liability	(139,066)	(192,598)
Subscription liability	(106,486)	(102,866)
Interest paid on private placement note payable	(64,509)	(147,336)
Interest paid on bonds and notes	(6,989,303)	(7,212,548)
Interest paid on leases	(39,450)	(40,444)
Interest paid on subscription liability	(2,516)	(4,935)
<b>Net cash used in capital and related financing activities</b>	<b>(19,750,674)</b>	<b>(28,188,973)</b>
Cash Flows from Investing Activities:		
Proceeds on sale of assets	49,000	-
Interest received on investments	4,636,244	4,921,915
<b>Net cash provided by investing activities</b>	<b>4,685,244</b>	<b>4,921,915</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>8,807,495</b>	<b>(30,373,647)</b>
Cash and Cash Equivalents, beginning	85,060,529	115,434,176
Cash and Cash Equivalents, ending	\$ 93,868,024	\$ 85,060,529
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating loss	\$ (102,698,233)	\$ (113,425,972)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	23,658,635	23,548,243
Special contributions - VRS	-	2,812
Write-off of construction in progress to expense	19,740	-
(Increase) decrease in:		
Accounts receivable	(34,620)	32,503
Inventory	(818,171)	(405,083)
Prepaid expenses and other	32,539	(21,709)
Lease receivable	(29,718)	(15,111)
Deferred outflows of resources – pension	(30,062)	150,218
Deferred outflows of resources – other postemployment benefits	(118)	(22,064)
Deferred inflows of resources - pension	171,713	(278,225)
Deferred inflows of resources - other postemployment benefits	(2,108)	(24,965)
Pension asset/liability	(357,062)	137,979
Other postemployment benefits	(32,205)	36,968
Increase (decrease) in:		
Accounts payable and accrued expenses	6,555,056	1,109,988
Unearned revenue	289,220	(630)
<b>Net cash used in operating activities</b>	<b>\$ (73,275,394)</b>	<b>\$ (89,175,048)</b>
Schedule of Noncash Capital Activities:		
Capital assets acquired through accounts payable	\$ 2,545,725	\$ 12,184,494
Capital assets acquired through accrued liabilities	502,778	4,864,450
Intangible right-to-use assets acquired through leases	-	211,144
Write off of subscription liability	-	92,692

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies

#### Reporting Entity

The Virginia Railway Express (VRE) is accounted for as a joint venture of the Northern Virginia Transportation Commission (NVTC) and the Potomac and Rappahannock Transportation Commission (PRTC). Pursuant to a Master Agreement signed in 1989, NVTC and PRTC (the Commissions) jointly own and operate VRE. VRE provides commuter rail service on two railroad lines, one originating in Fredericksburg and one originating in Manassas, Virginia, and both terminating at Union Station, Washington, D.C. The service uses existing tracks of the CSX Transportation Corporation (CSX), and the Norfolk Southern Railway Company, under respective operating access agreements. Trains are operated and maintained pursuant to an agreement between the Commissions and Keolis Rail Services Virginia, LLC, and Amtrak provides the Commissions with access to storage at Union Station and other services.

Assets for VRE operations have been purchased in the name of the Commissions and funded primarily by grants, loans or other financing arrangements for which one or both Commissions have served as grantee, issuer, borrower, or in other related capacities. In order to present a full and accurate picture of VRE operations and in accordance with the Master Agreement and related Appendices that established VRE, all financial transactions related to the commuter rail program are combined in this report. In addition, an allocation of the VRE assets, liabilities and operations are reflected in the financial reports of the Commissions based on asset ownership, named entity on debt instruments, and sources of funding.

VRE is managed by the Commissions. Certain functions have been delegated to the VRE Operations Board, which consists of representatives of all contributing and participating jurisdictions and one representative of the Commonwealth of Virginia's Department of Rail and Public Transportation. The system is not currently configured for fare revenue alone to produce positive operating income. In addition to fares, the system is financed with proceeds from the Commuter Rail Revenue Bonds, a federal loan (refinanced in fiscal year 2018 to a bond), lease financing, Federal (with PRTC as grantee) and Commonwealth of Virginia (with NVTC as grantee) grants, NVTA regional grants, and jurisdictional contributions apportioned through a formula based on ridership, supplemented by voluntary donations from contributing jurisdictions. Grants and contributions fund both operations and capital projects. Participating jurisdictions include the counties of Fairfax, Prince William, Spotsylvania and Stafford; and the cities of Manassas, Manassas Park and Fredericksburg, Virginia. Contributing jurisdictions include Arlington County and the City of Alexandria.

In July 2007, the Commissions adopted amendments to the VRE Master Agreement that expanded the Operations Board to include all member jurisdictions and provided for board representation proportionate to system ridership, and weighted voting proportionate to jurisdictional subsidy. In addition, the amendments apportioned jurisdictional subsidies on system ridership only, rather than the former 90 percent system ridership and 10 percent population formula. The amendment to the subsidy formula was phased in over four years, beginning in fiscal year 2008. The amendments also allowed for greater autonomy for the Operations Board, with progressively more decisions made by the Board without referral to PRTC and NVTC.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

#### Measurement Focus, Basis of Accounting

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

**Revenues and expenses:** VRE distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses are those that result from providing services in connection with VRE’s principal ongoing operation. The principal operating revenues of VRE are fares paid by customers which result in passenger revenues. Passenger revenues are recorded as revenue at the time services are performed. Cash received for services in advance is deferred until earned. At times, proceeds from the sale of assets that have federal interest may be deferred until qualified expenditures have been incurred.

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

**Revenue recognition:** Intergovernmental revenues, consisting primarily of Federal (with PRTC as grantee) and Commonwealth of Virginia (with NVTC as grantee) grants, designated for payment of specific expenses, are recognized at the time the expenses are incurred. Capital grants and assistance are recognized as additions are made to capital assets and other contributions are included in the Statements of Revenues, Expenses and Changes in Net Position when expended. Any excess of grant revenues or expenses at year end are recorded as unearned revenue or accounts receivable, respectively.

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

**Restricted cash and cash equivalents:** Restricted cash, cash equivalents and investments of \$31,052,063 and \$31,567,568 at June 30, 2025 and 2024, respectively, are comprised of funds related to a property transfer with restricted future uses; a refund of the credit risk premium of a retired Railroad Rehabilitation & Improvement Financing (RRIF) loan; a small liability claims account; a debt service reserve fund for the Virginia Resources Authority (VRA) 2018A financing; a Liability Insurance Plan; a revenue fund, bond debt service fund, debt service reserve fund, and revenue stabilization fund related to the Series 2022 bond issuance; and a residual fund containing excess funds from the Series 2022 bond revenue fund that are restricted in use in accordance with the Funding Agreement between VRE and the Virginia Passenger Rail Authority (VPRA).

**Allowance for uncollectible accounts:** VRE calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The allowance was \$93,000 and \$79,000 at June 30, 2025 and 2024, respectively.

**Inventory:** VRE has purchased an inventory of spare parts for rolling stock that is maintained and managed at the Commission’s warehouse located at the Crossroads yard and warehouse facility. Inventory is stated at cost, which approximates market, and is valued using the first-in-first-out method.

**Prepaid expenses:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements using the consumption method.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Costs of improvements to track, stations and signal facilities owned by the railroads have been capitalized in recognition of the increased efficiency afforded VRE operations over their useful lives. The Commissions retain a residual interest in these assets such that net salvage value will be reimbursed by the railroads upon cessation of commuter rail service. Similarly, shared investments in jurisdictional facilities and other infrastructure (“equity in property of others”) recognizes the right of access for commuter rail patrons granted to the Commissions. This category represents investments in Amtrak infrastructure and facilities, as well as the recent contributions to the Virginia Passenger Rail Authority (VPRA) for the CSX right-of-way purchase and Long Bridge project, all which provide primary benefit to the commuter rail service and an expectation of continued use by the VRE.

VRE capitalizes assets that have an initial cost of \$5,000 or more per unit and a useable life of two or more years, with the exception of software purchases, which are only capitalized if the initial cost is \$15,000 or more.

Depreciation and amortization of all exhaustible equipment, buildings and intangibles including lease and subscription assets, is charged as an expense against operations using the straight-line method over the following estimated useful lives:

Rolling stock	10-25 years
Vehicles	5 years
Facilities	10-40 years
Track and signal improvements	5-30 years
Equipment and software	5-10 years
Equity in property of others	5-35 years
Furniture, equipment and building improvements	3-10 years
Intangible right-to-use lease assets and subscription assets	Life of lease or subscription

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2025 and 2024.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

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

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

Leases with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and expense is recognized as incurred over the lease term. At the commencement of a lease, VRE measures the lease liability at the present value of payments expected to be made during the lease term and then reduces the liability by the principal portion of lease payments made. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, then amortized on a straight line basis over a period that is the shorter of the lease term or the useful life of similar capital assets. Lease payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

Key estimates and judgements related to leases include the determination of a discount rate, lease term, lease payments, and residual value guarantees or other provisions as follows:

Discount Rate:	When readily available or easily determinable, VRE uses the interest rate charged by the lessor. If not readily available or easily determinable, VRE uses its estimated incremental borrowing rate.
Lease Term:	The lease term includes the non-cancellable period of the lease.
Lease Payments:	Lease payments included in the measurement of the lease liability are comprised of fixed payments and, if applicable, the purchase option price VRE is reasonably certain to exercise.

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

**Lessor:** For new or modified contracts, VRE determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), VRE will record a lease receivable and a deferred inflow of resources which is calculated based on the value of the discounted future lease payments over the term of the lease. If the interest rate implicit in the lease is not clear, VRE may apply the guidance for imputation of interest as a means of determining the interest rate.

VRE will not recognize a lease receivable and a deferred inflow of resources for leases with a noncancellable term of less than 12 months, and income is recognized as incurred.

At the commencement of a lease, VRE will measure the lease receivable as the present value of payments expected to be received during the lease term and will reduce the receivable by the principal portion of lease payments received after satisfaction of accrued interest on the lease receivable, calculated using the effective interest method. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date, then recognized on a straight-line basis as revenue over the lease term.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

**Compensated absences:** VRE implemented Governmental Accounting Standards Board (GASB) Statement No. 101 *Compensated Absences* during the fiscal year June 30, 2025. The implementation had no impact on beginning net position.

VRE employees are granted vacation leave based on length of employment. Employees with less than ten years of service may carry over up to 225 hours of vacation leave from year to year, while those with ten or more years may carry over up to 300 hours. Excess vacation leave may be converted to sick leave or paid out with approval from the Chief Executive Officer. Employees may accumulate sick leave without limitation. Upon separation in good standing after five or more years of service, employees are eligible to receive payment for 25 percent of their sick leave balance in excess of 450 hours. Certain employees may accumulate compensatory leave for overtime worked.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

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

**Compensated absences (continued):** In accordance with GASB Statement No. 101, the government recognizes a liability for compensated absences when:

- The leave is attributable to services already rendered,
- The leave accumulates (i.e., carries forward to future periods), and
- It is more likely than not that the leave will be used for time off or otherwise paid or settled.

The liability is measured using the employee's pay rate as of the financial statement date, and includes salary-related payments that are directly and incrementally associated with leave payments (e.g., payroll taxes and retirement contributions).

VRE has elected to use the Last-In, First-Out (LIFO) flow assumption for estimating the liability. Under this method, the most recently earned leave is assumed to be used first, which may result in a lower liability than FIFO in periods of rising pay rates.

**Deferred outflows/inflows of resources:** In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. VRE has several items that qualify for reporting in this category. The first item relates to the deferred loss on refinancing. The remaining items relate to the pension plan, group life insurance program (GLI) and health insurance credit program (HIC) other postemployment benefits (OPEB) plans. See Notes 6, 7 and 8 for details regarding these items.

In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. VRE has several items that qualify for reporting in this category. See Notes 5, 6, 7 and 8 for details regarding these items.

**Pensions:** The Virginia Retirement System (VRS) Political Subdivision Retirement Plan (the VRE's retirement plan) is a multi-employer, agent plan. For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS VRE's Retirement Plan and the additions to/deductions from the VRS VRE's Retirement Plan fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Since VRE is combined with PRTC for reporting purposes to VRS, amounts and disclosures included in this report are for PRTC as a whole unless otherwise indicated.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

**Estimates and assumptions:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassification:** Certain prior year amounts in the Change in Net Position have been reclassified for consistency with the current year presentation.

**Subsequent events:** VRE has evaluated subsequent events through November 10, 2025, which was the date the financial statements were available to be issued.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Cash, Cash Equivalents and Investments

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

**Investments:** Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers’ acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

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

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

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

**Custodial credit risk:** For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, VRE may not recover its deposits. All cash of VRE is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similarly to depository insurance. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act. At June 30, 2025 and 2024, the book balance of VRE's deposits with banks was \$5,263,327 and \$5,926,122, respectively.

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

**Concentration of credit risk:** VRE's investment policy provides limitations on the percentage of the portfolio that can be invested in each type of security, as indicated in the following chart.

The limitations provided in the investment policy for maximum maturity and percentage of the portfolio for each category of investment, are as follows:

Investment	Length of Maturity	Percent Allowed
Bonds, notes, and other evidence of indebtedness of the United States	60 months or less	100%
Bonds, notes, and other evidence of indebtedness of the Commonwealth of Virginia	60 months or less	100%
Bonds, notes, and other evidence of indebtedness of any county, city, town, district, authority or other public body of the Commonwealth of Virginia	36 months or less	100%
Bonds and notes of FNMA and FHLB	36 months or less	75%
Savings accounts or CD's of any bank or savings and loan association within the Commonwealth of Virginia	12 months or less	20%
Money market mutual funds	13 months or less	60%
Repurchase agreements	24 months or less	20%
Bankers' acceptances	24 months or less	10%
Prime Quality Commercial Paper (no more than 5% from one issuer)	270 days or less	35%
High Quality Corporate Notes	24 months or less	50%
Certificates representing ownership in treasury bond principal	24 months or less	50%
LGIP	N/A	100%
Negotiable CD's and negotiable bank deposit notes	24 months or less	25%

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

**Concentration of credit risk (continued):** At June 30, 2025 and 2024, VRE had investments of \$62,942,571 and \$54,570,558, respectively, in the LGIP. The LGIP is a professionally managed money market fund that invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at the Treasury Board's regularly scheduled monthly meetings. VRE's investments in the LGIP are stated at amortized cost and classified as cash and cash equivalents. The LGIP has been assigned an "AAAm" rating by Standard & Poor's. The maturity of the LGIP is less than one year.

The Commonwealth of Virginia Department of Treasury manages the VRE Insurance Trust. State statutes govern the portion of assets invested in the Commonwealth's pooled accounts, while the remainder is invested by an external portfolio manager. At June 30, 2025 and 2024, VRE had \$10,899,981 and \$10,490,529, respectively, invested in the Insurance Trust. In fiscal years 2025 and 2024, earnings on the Insurance Trust in the amount of \$433,402 and \$444,946, respectively, were credited to VRE. The Insurance Trust Fund has not been assigned a rating.

In accordance with the requirements of the Financing Agreement between the Virginia Resources Authority (VRA) and NVTC, a debt service reserve fund (DSRF) was established for the benefit of VRA. On the closing date of the VRA financing, VRE transferred \$2 million into the DSRF from its existing cash reserves. The funds in the DSRF shall be used solely to cure any deficiencies in the payment by VRE of any principal, premium, or interest associated with the VRA financing. The funds in the DSRF are held in custody at U.S. Bank and are managed by PFM Asset Management LLC through the Virginia State Non-Arbitrage Program (SNAP). The Virginia Treasury Board sponsors SNAP to provide comprehensive investment management, accounting and arbitrage rebate calculation services for the proceeds of tax-exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code. The funds in the DSRF are invested in U.S. Treasury notes rated AA+ by Standard and Poor's maturing in under two (2) years and in the SNAP Fund, a AAAm rated local government investment pool that complies with GASB Statement 79. At June 30, 2025 and 2024, VRE had \$2,103,153 and \$2,049,547, respectively, invested in the VRA Debt Service Reserve Fund.

In accordance with the issuance of the Northern Virginia Transportation Commission (NVTC) Transportation District Special Obligation Revenue Bonds (Transforming Rail in Virginia Program) Series 2022 (Green Bonds), a Debt Service Reserve Fund (DSRF), Revenue Stabilization fund (RS) and Cost of Issuance (COI) fund were established for the benefit of NVTC. The DSRF and RS are held in custody by U.S. Bank as the Trustee for the Series 2022 bonds. On the closing date of the bond transaction, VRE transferred \$7.5 million into the DSRF from the proceeds of the bond issuance. The funds in the DSRF and RS shall be used solely to cure any deficiencies in the payment by NVTC of any principal, premium, or interest associated with the NVTC financing. At June 30, 2025 and 2024, VRE had \$7,937,840 and \$7,610,664 invested in the Debt Service Reserve Fund, and \$3,957,744 and \$3,768,463 in the Revenue Stabilization Fund.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

**Concentration of credit risk (continued):** At June 30, 2022, the funds in the DSRF and RS were invested in a JP Morgan US Government Money Market Fund. In July 2022, the DSRF and RS were re-invested in the Virginia State Non-Arbitrage Program (SNAP), with management of the funds provided by PFM Asset Management LLC. The COI funds were invested in SNAP as of the closing of the bond transaction. The Virginia Treasury Board sponsors SNAP to provide comprehensive investment management, accounting and arbitrage rebate calculation services for the proceeds of tax-exempt borrowings and other financings of Virginia Issuers subject to Section 148 (and related sections) of the Internal Revenue Code. The funds in the DSRF are invested in U.S. Treasury notes rated AA+ by Standard and Poor's maturing in under two (2) years and in the SNAP Fund, a AAAM rated local government investment pool that complies with GASB Statement 79.

As of June 30, 2025 and 2024, the carrying values and maturity of VRE's investments were as follows:

Investment Type	2025	
	Fair Value	Maturities Less than 1 Year
LGIP	\$ 62,942,571	\$ 62,942,571
Insurance trust fund - pooled funds	10,899,981	10,899,981
Series 2022 debt service fund	763,407	763,407
Series 2022 debt service reserve fund	7,937,840	7,937,840
Series 2022 revenue stabilization fund	3,957,744	3,957,744
VRA debt service reserve fund	2,103,153	2,103,153
<b>Total investments</b>	<b>\$ 88,604,696</b>	<b>\$ 88,604,696</b>

Investment Type	2024	
	Fair Value	Maturities Less than 1 Year
LGIP	\$ 54,570,558	\$ 54,570,558
Insurance trust fund - pooled funds	10,490,529	10,490,529
Series 2022 debt service fund	644,646	644,646
Series 2022 debt service reserve fund	7,610,664	7,610,664
Series 2022 revenue stabilization fund	3,768,463	3,768,463
VRA debt service reserve fund	2,049,547	2,049,547
<b>Total investments</b>	<b>\$ 79,134,407</b>	<b>\$ 79,134,407</b>

When applicable, VRE categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

VRE has the following investments subject to fair value measurements:

- Securities issued or guaranteed by the U.S. government and other commercial instruments of \$14,762,144 as of June 30, 2025, which are valued using quoted prices in an active market for identical assets (Level 1 inputs).

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Capital Assets

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

	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Capital assets not being depreciated or amortized:					
Construction in progress	\$ 115,943,941	\$ 63,555,007	\$ (19,740)	\$ (28,976,156)	\$ 150,503,052
Capital assets being depreciated or amortized:					
Intangible right-to-use lease buildings	1,463,568	-	-	-	1,463,568
Intangible right-to-use lease tower	211,144	-	-	-	211,144
Right-to-use subscription assets	1,815,971	-	-	-	1,815,971
Rolling stock	286,777,390	-	-	-	286,777,390
Vehicles	301,361	52,400	(85,933)	-	267,828
Facilities	183,625,720	121,174	-	21,192,843	204,939,737
Track and signal improvements	100,108,269	161,500	-	7,783,313	108,053,082
Equipment and software	14,911,976	310,592	-	-	15,222,568
Equity in property of others	124,946,482	-	-	-	124,946,482
Furniture, equipment and building improvements	7,416,408	-	-	-	7,416,408
<b>Total capital assets being depreciated or amortized</b>	<b>721,578,289</b>	<b>645,666</b>	<b>(85,933)</b>	<b>28,976,156</b>	<b>751,114,178</b>
Less accumulated depreciation or amortization for:					
Intangible right-to-use lease buildings	353,979	121,893	-	-	475,872
Intangible right-to-use lease tower	17,595	42,229	-	-	59,824
Right-to-use subscription assets	1,055,650	651,704	-	-	1,707,354
Rolling stock	151,784,924	11,748,314	-	-	163,533,238
Vehicles	162,295	36,400	(85,933)	-	112,762
Facilities	61,843,012	5,358,570	-	-	67,201,582
Track and signal improvements	58,674,134	4,363,646	-	-	63,037,780
Equipment and software	12,898,283	928,174	-	-	13,826,457
Equity in property of others	4,791,471	164,593	-	-	4,956,064
Furniture, equipment and building improvements	5,719,008	243,112	-	-	5,962,120
<b>Total accumulated depreciation or amortization</b>	<b>297,300,351</b>	<b>23,658,635</b>	<b>(85,933)</b>	<b>-</b>	<b>320,873,053</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>424,277,938</b>	<b>(23,012,969)</b>	<b>-</b>	<b>28,976,156</b>	<b>430,241,125</b>
<b>Total capital assets</b>	<b>\$ 540,221,879</b>	<b>\$ 40,542,038</b>	<b>\$ (19,740)</b>	<b>\$ -</b>	<b>\$ 580,744,177</b>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Capital Assets (Continued)

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

	Beginning Balance	Increases	Deletions	Transfers	Ending Balance
Capital assets not being depreciated or amortized:					
Construction in progress	\$ 121,202,856	\$ 60,623,033	\$ -	\$ (65,881,948)	\$ 115,943,941
Capital assets being depreciated or amortized:					
Intangible right-to-use lease buildings	1,463,568	-	-	-	1,463,568
Intangible right-to-use lease parking lots	273,503	-	(273,503)	-	-
Intangible right-to-use lease tower	99,581	211,144	(99,581)	-	211,144
Right-to-use subscription assets	1,534,524	-	(243,954)	525,401	1,815,971
Rolling stock	286,777,390	-	-	-	286,777,390
Vehicles	151,340	150,021	-	-	301,361
Facilities	119,028,802	82,905	-	64,514,013	183,625,720
Track and signal improvements	100,108,269	-	-	-	100,108,269
Equipment and software	13,917,147	152,295	-	842,534	14,911,976
Equity in property of others	124,946,482	-	-	-	124,946,482
Furniture, equipment and building improvements	7,532,000	7,218	(122,810)	-	7,416,408
<b>Total capital assets being depreciated or amortized</b>	<b>655,832,606</b>	<b>603,583</b>	<b>(739,848)</b>	<b>65,881,948</b>	<b>721,578,289</b>
Less accumulated depreciation or amortization for:					
Intangible right-to-use lease buildings	232,086	121,893	-	-	353,979
Intangible right-to-use lease parking lots	218,803	54,700	(273,503)	-	-
Intangible right-to-use lease tower	77,095	40,081	(99,581)	-	17,595
Right-to-use subscription assets	498,284	648,849	(91,483)	-	1,055,650
Rolling stock	140,036,610	11,748,314	-	-	151,784,924
Vehicles	143,285	19,010	-	-	162,295
Facilities	57,769,192	4,073,820	-	-	61,843,012
Track and signal improvements	53,098,457	5,575,677	-	-	58,674,134
Equipment and software	12,078,786	819,497	-	-	12,898,283
Equity in property of others	4,626,878	164,593	-	-	4,791,471
Furniture, equipment and building improvements	5,560,009	281,809	(122,810)	-	5,719,008
<b>Total accumulated depreciation or amortization</b>	<b>274,339,485</b>	<b>23,548,243</b>	<b>(587,377)</b>	<b>-</b>	<b>297,300,351</b>
<b>Total capital assets being depreciated or amortized, net</b>	<b>381,493,121</b>	<b>(22,944,660)</b>	<b>(152,471)</b>	<b>65,881,948</b>	<b>424,277,938</b>
<b>Total capital assets</b>	<b>\$ 502,695,977</b>	<b>\$ 37,678,373</b>	<b>\$ (152,471)</b>	<b>\$ -</b>	<b>\$ 540,221,879</b>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Long-Term Obligations

The following is a summary of long-term liability activity for the year ended June 30, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Private placement note payable	\$ 1,866,848	\$ -	\$ (1,866,848)	\$ -	\$ -
Bonds payable	143,645,000	-	(4,795,000)	138,850,000	5,050,000
Premiums	15,444,004	-	(551,319)	14,892,685	-
Compensated absences*	935,047	225,233	-	1,160,280	226,929
Subscription liability	106,486	-	(106,486)	-	-
Lease liability	1,399,668	-	(139,066)	1,260,602	148,280
	<u>\$ 163,397,053</u>	<u>\$ 225,233</u>	<u>\$ (7,458,719)</u>	<u>\$ 156,163,567</u>	<u>\$ 5,425,209</u>

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

\*As of June 30, 2025, the increase in the liability is a net change for the year. The increase includes new accruals for sick leave based on historical usage in compliance with GASB Statement No. 101.

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

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

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

VRA Bond payable, \$46,640,000 Bond, due in variable bi-annual amounts, plus a bi-annual variable interest rate of 3.13% to 5.13% through October 1, 2032. The carrying value of the railcars was \$37,661,597 at June 30, 2025. \$ 29,060,000

NVTC Bond payable, \$115,670,000 Bond, due in variable annual amounts, plus a bi-annual interest rate of 5.00% through June 1, 2052. \$ 109,790,000

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

Mandatory debt service on Bonds payable requirements as of June 30, 2025 are as follows:

Years Ending June 30,	NVTC Bond		VRA Bond		Total Required	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 2,010,000	\$ 5,489,500	\$ 3,040,000	\$ 1,252,475	\$ 5,050,000	\$ 6,741,975
2027	2,110,000	5,389,000	3,200,000	1,092,575	5,310,000	6,481,575
2028	2,215,000	5,283,500	3,365,000	924,347	5,580,000	6,207,847
2029	2,325,000	5,172,750	3,545,000	747,278	5,870,000	5,920,028
2030	2,440,000	5,056,500	3,725,000	566,584	6,165,000	5,623,084
2031-2035	14,160,000	23,325,250	12,185,000	687,522	26,345,000	24,012,772
2036-2040	18,070,000	19,413,500	-	-	18,070,000	19,413,500
2041-2045	23,075,000	14,420,000	-	-	23,075,000	14,420,000
2046-2050	29,445,000	8,045,000	-	-	29,445,000	8,045,000
2051-2052	13,940,000	1,054,000	-	-	13,940,000	1,054,000
Subtotal	109,790,000	92,649,000	29,060,000	5,270,781	138,850,000	97,919,781
Unamortized premium	11,806,951	-	3,085,734	-	14,892,685	-
<b>Total</b>	<b>\$ 121,596,951</b>	<b>\$ 92,649,000</b>	<b>\$ 32,145,734</b>	<b>\$ 5,270,781</b>	<b>\$ 153,742,685</b>	<b>\$ 97,919,781</b>

### Subscription Liability

During the current fiscal year, VRE had multiple subscription agreements as lessee for software each ranging for 3 years. As of June 30, 2025, the balance of the subscription liability was \$0.

VRE has no remaining subscription payments as of June 30, 2025. The subscriptions had interest rates ranging from 2.35% to 2.8%. The value of the intangible right-to-use subscription assets as of the end of the current fiscal year was \$1,815,971 and had accumulated amortization of \$1,707,354.

Annual requirements to amortize subscription obligations are as follows:

	2025	2024
Subscription liability for an enterprise resource planning (ERP) system. VRE was required to make annual principal and interest payments in the amount of \$106,762 through August 2025. The subscription included an interest rate of 2.35%. An initial subscription liability was recorded in the amount of \$311,754. The ERP system has an estimated thirty-eight month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was \$1,810,148 and had accumulated amortization of \$1,701,895.	\$ -	\$ 104,307
Subscription liability for an ERP module. VRE was required to make annual principal and interest payments of \$2,240 through August 2025. The subscription had an interest rate of 2.80%. An initial subscription liability was recorded in the amount of \$5,823. The ERP module has an estimated thirty-one month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was \$5,823 and had accumulated amortization of \$5,459.	-	2,179
	<b>\$ -</b>	<b>\$ 106,486</b>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Leases

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

	<u>2025</u>	<u>2024</u>
Lease liability for a building. VRE is required to make monthly principal and interest payments ranging from \$10,927 to \$13,438 through April 2033. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$1,363,291. The building has an estimated 141 month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$1,363,291 and had accumulated amortization of \$460,831.	<b>\$ 1,014,222</b>	\$ 1,110,167
Lease liability for a building roof. VRE is required to make monthly principal and interest payments ranging from \$650 to \$787 through March 2038. The lease has an interest rate of 3.40%. An initial lease liability was recorded in the amount of \$100,214 during the current fiscal year. The building roof has an estimated 180 month useful life. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$100,277 and had accumulated amortization of \$15,041.	<b>89,652</b>	94,317
Lease liability for a tower. VRE is required to make monthly principal and interest payments ranging from \$3,627 to \$3,963 through January 2029. The lease has an interest rate of 2.43%. An initial lease liability was recorded in the amount of \$211,144. The tower has an estimated useful life of sixty months. The value of the intangible right-to-use lease asset as of the end of the current fiscal year was \$211,144 and had accumulated amortization of \$59,824.	<b>156,728</b>	195,184
	<b><u>\$ 1,260,602</u></b>	<b><u>\$ 1,399,668</u></b>

The following table summarized the total minimum lease payments due:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 148,280	\$ 35,358
2027	157,918	30,996
2028	168,191	26,350
2029	158,839	21,475
2030	139,720	17,172
2031-2035	462,909	26,712
2036-2038	24,745	1,210
<b>Total minimum lease payments</b>	<b><u>\$ 1,260,602</u></b>	<b><u>\$ 159,273</u></b>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### Note 5. Leases (Continued)

VRE is a lessor for a lease related to a communication tower. The lease term is for 518 months. The exercise of lease renewal options is at the Lessees discretion. VRE monitors changes in circumstances that would require a re-measurement of a lease and will re-measure the lease receivable and related deferred inflows of resources if changes occur that are expected to significantly affect the amount of the lease receivable. VRE will receive annual payments ranging from \$28,244 to \$86,843 through December 2064. An initial lease receivable was recorded in the amount of \$1,437,167. During fiscal year 2023, there was a remeasurement of the lease receivable due to a contract amendment that resulted in a lease receivable of \$1,054,723. As of June 30, 2025, the receivable for lease payments was \$1,069,422.

VRE has a deferred inflow of resources associated with its lease that will be recognized as revenue over the term of the lease. As of June 30, 2025, the balance of the deferred inflow was \$994,311. Lease revenue for the year ended June 30, 2025 was \$25,192 and lease interest income for the same year was \$32,022.

Future minimum lease amounts as of June 30, 2025 are as follows:

Years Ending June 30,	Principal	Interest
2026	\$ (3,839)	\$ 32,083
2027	(3,107)	32,198
2028	(2,327)	32,291
2029	(1,498)	32,361
2030	(617)	32,406
2031-2035	12,113	161,720
2036-2040	43,390	158,130
2041-2045	84,323	149,294
2046-2050	137,194	133,632
2051-2055	204,768	109,194
2056-2060	290,387	73,580
2061-2064	308,635	23,853
<b>Total minimum lease amounts</b>	<b>\$ 1,069,422</b>	<b>\$ 970,742</b>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

#### A. Plan Description

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

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

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

#### B. Employees Covered by Benefit Terms

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	42
Inactive members:	
Vested	32
Non-vested	28
Active elsewhere in VRS	11
Active members	<u>98</u>
<b>Total covered employees</b>	<b><u><u>211</u></u></b>

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Pension Plan (Continued)

#### C. Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

VRE's contractually required contribution rate for the year ended June 30, 2025 was 4.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This 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 to the pension plan from VRE were \$354,263 and \$329,577 for the years ended June 30, 2025 and 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled \$48,092 for the year ended June 30, 2025. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll; which would require the employer a mandatory additional contribution rate of up to 2.5%. This additional employer mandatory contribution totaled \$95,504 for the year ended June 30, 2025. The total Hybrid plan participant covered payroll totaled \$4,855,510 for the year ended June 30, 2025.

#### D. Net Pension Asset/Liability

VRE's net pension asset/liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2023 rolled forward to the measurement date of June 30, 2024.

#### E. Actuarial Assumptions

The total pension asset for VRE's retirement plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Pension Plan (Continued)

#### E. Actuarial Assumptions (Continued)

##### *Mortality Rates*

Mortality Rates:	15% of deaths are assumed to be service-related.
Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 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 as follows:

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

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

The long-term expected rate of return on pension System investments was determined using 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.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Pension Plan (Continued)

#### F. Long-Term Expected Rate of Return (Continued)

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	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%)
<b>Total</b>	<b>100.00%</b>		<b>7.07%</b>

\* Expected arithmetic nominal return

7.07%

\* 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 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

#### G. Discount Rate

The discount rate used to measure the total pension asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the employer contribution rate is 100% of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations. 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Pension Plan (Continued)

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension (Asset) Liability
Balances at June 30, 2023	\$ 27,672,807	\$ 27,552,413	\$ 120,394
Changes for the Year:			
Service cost	916,058	-	916,058
Interest	1,897,796	-	1,897,796
Difference between expected and actual experience	350,000	-	350,000
Contributions – employer	-	564,407	(564,407)
Contributions – employee	-	522,161	(522,161)
Net investment income	-	2,693,946	(2,693,946)
Benefit payments, including refunds of employee contributions	(946,736)	(946,736)	-
Pension Plan Administrative expense	-	(16,680)	16,680
Other changes	-	603	(603)
<b>Net changes</b>	<b>2,217,118</b>	<b>2,817,701</b>	<b>(600,583)</b>
Balances at June 30, 2024	\$ 29,889,925	\$ 30,370,114	\$ (480,189)

The information above is derived from the actuarial valuation report for the Potomac and Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE. VRE has recorded a net pension asset of \$286,536 on its Statements of Net Position based on a percentage of contributions to the plan for fiscal year 2025. VRE's percentage of total contributions to the plan was 59.67 percent. This percentage was used to allocate a portion of the net pension asset to VRE.

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
	VRE's net pension liability (asset)	\$ 2,139,785	\$ (286,536)

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Pension Plan (Continued)

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

For the year ended June 30, 2025, VRE recognized pension expense of \$143,087. At June 30, 2025, VRE also reported deferred outflows and inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 220,530	\$ (25,109)
Net difference between projected and actual earnings on pension plan investments	-	(450,604)
Employer contributions subsequent to the measurement date	354,263	-
<b>Total</b>	<b>\$ 574,793</b>	<b>\$ (475,713)</b>

The \$354,263 reported as deferred outflows of resources related to pensions resulting from VRE's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2026	\$ (297,657)
2027	206,362
2028	(64,835)
2029	(99,053)
	<u>\$ (255,183)</u>

#### K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report is publicly available through the About VRS link on the VRS website at [www.varetire.org/media/shared/pdf/publications/2024-annual-report.pdf](http://www.varetire.org/media/shared/pdf/publications/2024-annual-report.pdf), or a copy may be obtained by submitting a request to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

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

#### A. Plan Description

The VRS Group Life Insurance Program (GLI) is an other postemployment benefits (OPEB) plan. All full-time, salaried permanent employees of VRE are automatically covered by the GLI upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

#### A. Plan Description (Continued)

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI OPEB.

Specific information for the GLI is available at:

- <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>.

#### B. Contributions

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.18% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71% (1.18% X 60%) and the employer component was 0.47% (1.18% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025 was 0.47% of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from VRE were \$36,040 and \$38,390 for the years ended June 30, 2025 and June 30, 2024, respectively.

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

At June 30, 2025, VRE reported a liability of \$308,504 for its proportionate share of the Net GLI OPEB liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. VRE's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, VRE's proportion was \$38,390 or 0.04635% as compared to \$36,026 or 0.04639% at June 30, 2023.

**VIRGINIA RAILWAY EXPRESS**

**NOTES TO FINANCIAL STATEMENTS**

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

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

For the year ended June 30, 2025, VRE recognized GLI OPEB expense of \$6,808. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 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	\$ 48,659	\$ (7,535)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(26,004)
Change in assumptions	1,758	(15,289)
Changes in proportionate share	16,200	(7,379)
Employer contributions subsequent to the measurement date	36,040	-
<b>Total</b>	<b>\$ 102,657</b>	<b>\$ (56,207)</b>

The \$36,040 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,	Amount
2026	\$ (13,869)
2027	8,529
2028	5,431
2029	5,570
2030	4,749
<b>Total</b>	<b>\$ 10,410</b>

The information above is derived from the actuarial valuation report for the Potomac and Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE. VRE has recorded a net GLI OPEB liability of \$308,504 on its Statements of Net Position based on a percentage of contributions to the plan for fiscal year 2024. VRE’s percentage of total contributions to the plan was 59.65 percent. This percentage was used to allocate a portion of the net GLI OPEB liability to VRE.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

#### D. Actuarial Assumptions

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

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

Pre-retirement: Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 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 are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

#### E. Net GLI OPEB Liability

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

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 4,196,055
Plan fiduciary net position	3,080,133
<b>GLI net OPEB liability</b>	<b>\$ 1,115,922</b>

Plan fiduciary net position as a percentage of the total GLI OPEB liability 73.41%

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

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

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long- Term Expected Rate of Return*
Public Equity	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%)
<b>Total</b>	<b>100.00%</b>		<b>7.07%</b>

\* Expected arithmetic nominal return

7.07%

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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

#### F. Long-Term Expected Rate of Return (Continued)

\* 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 6.75% which is roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

#### G. Discount Rate

The discount rate used to measure the total 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 employers for the VRS 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 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 current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents VRE's proportionate share of the net GLI OPEB Liability using the discount rate of 6.75%, as well as what VRE's proportionate share of the net GLI OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
VRE	\$ 479,763	\$ 308,504	\$ 170,149

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

Detailed information about the GLI'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/2024-annual-report.pdf](http://varetire.org/Pdf/Publications/2024-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### Note 8. Other Postemployment Benefits – Health Insurance Credit Program

#### A. Plan Description

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. This plan is administered by the Virginia Retirement System (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. The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is available at:

- <https://www.varetire.org/retirees/insurance/healthinscredit/>.

#### B. Employees Covered by Benefit Terms

As of the June 30, 2024 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	7
Inactive members:	
Disabled	2
Active elsewhere in VRS	9
Active members	<u>98</u>
<b>Total covered employees</b>	<u><u>116</u></u>

#### C. Contributions

The contribution requirement for active employees is governed by Section 51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. VRE's contractually required employer contribution rate for the year ended June 30, 2025 was .11% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from VRE to the Political Subdivision HIC program were \$8,435 and \$11,375 for the years ended June 30, 2025 and 2024, respectively.

#### D. Net HIC OPEB Liability

At June 30, 2025, VRE reported a net HIC OPEB liability of \$27,144. The net HIC OPEB liability was measured as of June 30, 2024. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2023, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

#### E. Actuarial Assumptions

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

Inflation	2.50%
Salary increases, including inflation:	
General employees	3.50%-5.35%
Investment rate of return	6.75%, net of plan investment expenses, including inflation
Mortality Rates:	15% of deaths are assumed to be service-related.
Pre-retirement:	Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.
Post-retirement:	Pub-2010 Amount Weighted Safety Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.
Post-disablement:	Pub-2010 Amount Weighted General Disabled Rate projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.
Beneficiaries and Survivors	Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.
Mortality Improvement	Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 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 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 Rates	No change
Salary Scale	No change
Discount Rate	No change

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

#### 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 as 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%)
<b>Total</b>	100.00%		7.07%

\* Expected arithmetic nominal return

7.07%

\* 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 6.75%, which was roughly at the 45<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation at the time, providing a median return of 7.14%, including expected inflation of 2.50%.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Other Postemployment Benefits – Health Insurance Credit Program (Continued)

#### G. Discount Rate

The discount rate used to measure the total HIC 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 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 year ending June 30, 2024, the rate contributed by VRE for the HIC OPEB was 100% of actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC 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 HIC OPEB liability.

#### H. Changes in Net HIC OPEB Liability

	Increase (Decrease)		
	Total HIC OPEB Liability	Plan Fiduciary Net Position	Net HIC OPEB Liability
	(a)	(b)	(a-b)
Balances at June 30, 2023	\$ 95,495	\$ 36,019	\$ 59,476
Changes for the Year:			
Service cost	2,863	-	2,863
Interest	6,551	-	6,551
Contributions – employer	-	19,044	(19,044)
Net investment income	-	4,405	(4,405)
Benefit payments, including refunds of employee contributions	(2,621)	(2,621)	-
Administrative expense	-	(69)	69
<b>Net changes</b>	<b>6,793</b>	<b>20,759</b>	<b>(13,966)</b>
Balances at June 30, 2024	\$ 102,288	\$ 56,778	\$ 45,510

#### I. Sensitivity of the Net HIC OPEB Liability to Changes in the Discount Rate

The following presents VRE's HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the net HIC OPEB liability would be if it were calculated using a discount rate that is 1% point lower (5.75%) or 1% point higher (7.75%) than the current rate:

	Current Discount		
	1% Decrease (5.75%)	Rate (6.75%)	1% Increase (7.75%)
VRE	\$ 34,989	\$ 27,144	\$ 20,576

**VIRGINIA RAILWAY EXPRESS**

**NOTES TO FINANCIAL STATEMENTS**

**Note 8. Other Postemployment Benefits – Health Insurance Credit Program (Continued)**

**J. HIC OPEB Liabilities, HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the HIC Insurance Program OPEB**

For the year ended June 30, 2025, VRE recognized HIC Program OPEB expense of \$3,695. At June 30, 2025, VRE reported deferred outflows of resources and deferred inflows of resources related to the HIC OPEB Program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB program investments	\$ -	\$ (718)
Employer contributions subsequent to the measurement date	8,435	-
<b>Total</b>	<b>\$ 8,435</b>	<b>\$ (718)</b>

The \$8,435 reported as deferred outflows of resources related to the HIC OPEB resulting from VRE’s contributions subsequent to the measurement date will be recognized as a reduction of the Net 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 HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ (182)
2027	(182)
2028	(183)
2029	(171)
<b>Total</b>	<b>\$ (718)</b>

The information above is derived from the actuarial valuation report for the Potomac and Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE. VRE has recorded a net HIC OPEB liability of \$27,144 on its Statements of Net Position based on a percentage of contributions to the plan for fiscal year 2024. VRE’s percentage of total contributions to the plan was 59.65 percent. This percentage was used to allocate a portion of the net HIC OPEB liability to VRE.

**K. Health Insurance Credit Program Plan Data**

Detailed information about the VRS Political Subdivision HIC Program 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 <https://www.varetire.org/pdf/publications/2024-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### Note 9. Operating Leases and Agreements

Operating Access Agreements with CSX Transportation and Norfolk Southern railroads provide the Commissions with the right to use tracks owned by the railroads in the provision of commuter rail passenger service. These agreements require the Commissions to pay the railroads a monthly base fee and to reimburse the railroads for any incremental cost incurred by the railroads as a result of providing track access for commuter rail service. For the years ended June 30, 2025 and 2024, annual track usage fees totaled approximately \$10,398,000 and \$12,411,000, respectively, and facility and other identified costs totaled approximately \$504,000 and \$492,000, respectively. The overall decrease in track usage fees is primarily due to the VPRA's acquisition of the Manassas Line from Norfolk Southern, which reduced the portion of track VRE operates on under NS ownership and led to a significant decrease in related costs. This decrease was partially offset by annual contractual escalations with CSX Transportation.

The agreement between Amtrak and the Commissions for access to and storage of equipment at Union Station and midday services and electrical power became effective on July 1, 2015. For the years ended June 30, 2025 and 2024, costs for track access and equipment storage totaled approximately \$8,442,000 and \$7,992,000, respectively, and midday maintenance, utility and other services totaled approximately \$4,715,000 and \$5,226,000, respectively. The increase in these costs is primarily driven by annual contract escalations tied to the Association of American Railroads (AAR) cost index, partially offset by reduced usage of maintenance and other services. Cost adjustments will be made in fiscal year 2026 to reflect changes to various published cost indices and the number of trains that have access to and are stored and serviced at the terminal. After October 1, 2015, charges for terminal access are determined in accordance with the cost-sharing arrangement for the Northeast Corridor passenger rail infrastructure mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA).

The Commissions signed a contract with Keolis Rail Services Virginia, LLC, for train operations and maintenance for a five-year period beginning July 1, 2015. Separate contracts for maintenance of equipment and facilities became effective for the period beginning July 1, 2016. In May 2020, the Commissions authorized the Chief Executive Officer to amend the contract for Operating Services for Commuter Rail with Keolis Rail Services Virginia, LLC (KRSV) thereby exercising the second five-year option period, effective July 1, 2020 through June 30, 2025.

Subsequently, in May 2021, the Commissions authorized the Chief Executive Officer to amend the contract for Maintenance Services for Commuter Rail with Keolis Rail Services Virginia, LLC (KRSV) thereby exercising the first five-year option period, effective July 1, 2021 through June 30, 2026. The cost of train operations and maintenance for the years ended June 30, 2025 and 2024 totaled approximately \$29,207,000 and \$28,391,000, respectively. The increase in train operation and maintenance costs is primarily a result of annual contract escalations. Costs are based on an annual budget prepared in advance. Costs for fiscal year 2026 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### Note 10. Related Party Transactions

VRE reimburses the Commissions for expenses made on behalf of VRE. During 2025 and 2024, these payments included \$10,839,988 and \$9,868,530 of salary-related costs and \$60,404 and \$35,256 of administrative costs, respectively, which are functionally classified with similar payments made directly to vendors and contractors. In addition, VRE pays the Commissions for direct labor and associated indirect costs incurred for services rendered under budgeted activities for VRE. These staff support payments totaled \$80,000 to NVTC for both periods, and \$105,949 and \$93,072 to PRTC during 2025 and 2024, respectively.

VRE also contracts with PRTC for connecting bus service to selected stations on an as needed basis. PRTC bus service costs amounted to approximately \$- and \$3,338 in 2025 and 2024, respectively. Amounts payable to NVTC and PRTC were \$- and \$2,314,489, respectively, at June 30, 2025, and \$21,876 and \$2,789,787, respectively, at June 30, 2024.

### Note 11. Liability Insurance Plan

VRE is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; and natural disasters. The Virginia Department of Treasury, Division of Risk Management has established the terms of VRE's Commuter Rail Operations Liability Plan (the Insurance Plan). The Insurance Plan consists of a combination of self-insurance reserves and purchased insurance in amounts actuarially determined to meet the indemnification requirements of the Operating Access Agreements and the Purchase of Services Agreement and VRE's own need for liability and property coverage. The Commissions indemnify each of the railroads in an amount up to the passenger rail liability cap (currently approximately \$323 million) for any claims against persons or property associated with commuter rail operations. Settled claims have not exceeded commercial coverage during any of the past three fiscal years. The liability for incurred but not reported claims was approximately \$70,600 at June 30, 2025 and \$78,700 at June 30, 2024.

The Division of Risk Management manages the Insurance Trust Fund pursuant to provisions of the Insurance Plan. Since November 2006, all plan assets have been invested in the Department of Treasury common pool. Activity in the Insurance Trust Fund for the years ended June 30, 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Beginning balance, July 1	\$ 10,490,529	\$ 10,088,248
Insurance premiums paid	(7,530)	(7,310)
Claims mitigation and losses incurred	-	(4,808)
Investment income	433,402	444,946
Actuarial and administrative charges	(16,420)	(30,547)
	<u>          </u>	<u>          </u>
Ending balance, June 30	<u>\$ 10,899,981</u>	<u>\$ 10,490,529</u>

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### Note 12. Contingencies and Contractual Commitments

At June 30, 2025, there were disputes between VRE and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal and Commonwealth of Virginia grants and local funds will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenses incurred as of June 30, 2025:

Stations and Parking Lots	\$ 16,360,114
Rolling Stock	66,381,089
Maintenance and Layover Yards	2,670,571
Track and Signal Improvements	84
Other Administrative	<u>102,200</u>
<b>Total</b>	<b><u><u>\$ 85,514,058</u></u></b>

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

The federal grant agreements control the use and disposal of property acquired with federal grant funds. If property is removed from service prior to the end of its useful life, the grant recipient may be required to return to the grantor agency the federal assistance expended on that property. In addition, permission of the grantor agency is required if property is disposed of prior to the end of its useful life or at any time for an amount in excess of \$5,000.

The Master Agreement for the use of Commonwealth of Virginia Transportation Funds controls the use and disposal of property acquired with state grant funds. If any project equipment are not used for the purpose for which they were purchased for the duration of their useful lives, the Commonwealth has the option of requiring the grantee to relinquish title to the project equipment or remit an amount equal to the proportional share of the fair market value based upon the ratio of participation by the state. For facilities, the Commonwealth requires an amount equal to the proportional share of fair market value based upon the ratio of participation by the state to be remitted.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### Note 13. Pending GASB Statements

At June 30, 2025, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the VRE reporting entity. The statements which might impact VRE are as follows:

GASB Statement No. 103, *Financial Reporting Model Improvements*, provides guidance to 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. This Statement also addresses certain application issues. Statement 103 will be effective for VRE beginning with its year ending June 30, 2026.

GASB Statement No. 104, *Disclosure 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 VRE beginning with its year ending June 30, 2026.

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

# VIRGINIA RAILWAY EXPRESS

## NOTES TO FINANCIAL STATEMENTS

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### Note 14. Subsequent Events

In June 2025, the VRE Operations Board recommended that the Commissions approve a Purchase and Sale Agreement with Spotsylvania County for acquisition by the Commissions of a parking lot at the Spotsylvania VRE Station for a nominal fee of \$10, and authorized the VRE Chief Executive Officer to execute the agreement on behalf of the Commissions and to further execute all documents necessary to conclude the transfer of the property to the Commissions. The parking lot will be appraised and included in VRE's Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position at the acquisition value yet to be determined. As of October 2025, the execution of the agreement as well as the appraisal are still pending; however, both are expected to be finalized by the end of November 2025.

In February 2025, the Commissions approved an Amended Manassas Line Funding Agreement with the Virginia Passenger Rail Authority (VPRRA) authorizing payment by the Commissions of \$155 million to VPRRA over a five-year period to acquire four Manassas Line Property Interests from VPRRA which are critical to VRE's current and future commuter rail operations. The agreement was executed by the VRE Chief Executive Officer in April 2025 with a purchase deposit of \$26 million paid to VPRRA in June 2025. In July 2025, the VRE Operations Board recommended that the Commissions approve a Contract of Purchase and Sale with VPRRA for acquisition by the Commissions of the four Manassas Line Property Interests, and authorized the VRE Chief Executive Officer to execute the agreement on behalf of the Commissions and to further execute all documents necessary to conclude the transfer of the four property interests to the Commissions. As of October 2025, the execution of the agreement is still pending; however, the agreement is expected to be finalized by the end of December 2025 with the remaining purchase price of \$129 million currently expected to be fully paid by July 2027.

In September 2025, the VRE Operations Board authorized the Chief Executive Officer to amend the current General Engineering Consulting (GEC VIII) Services Task Orders with HDR Engineering, Inc. for Final Engineering Design Support for the Alexandria Station Improvements and King Street and Commonwealth Avenue Bridge Replacement Project in the amount of \$1,309,000, increasing the authorization for these Task Orders from \$1,412,400 to a total amount not to exceed \$2,721,400. In the course of advancing the final design for both the station improvements, as well as the replacement of the railroad bridges, the need for additional related efforts were identified, including design enhancements and schedule coordination.

In September 2025, the Manassas Park Parking Expansion project was placed in service at an estimated cost of \$33 million pending receipt and payment of all final project vendor invoices. The additional parking will increase station parking capacity for VRE riders, providing an additional 540 spaces for VRE and 196 for the City of Manassas Park, addressing increasing demand for parking at the Manassas Park station.

## **Required Supplementary Information**

# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Contractually required contribution (CRC)	\$ 478,465	\$ 419,283	\$ 413,760	\$ 354,543	\$ 323,989	\$ 421,362	\$ 454,868	\$ 523,246	\$ 564,407	\$ 593,689	
Contributions in relation to the CRC	478,465	419,283	413,760	354,543	323,989	421,362	454,868	523,246	564,407	593,689	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,294	\$ 8,866,711	\$ 9,705,606	\$ 10,928,358	\$ 11,901,932	\$ 12,850,404	
Contributions as a percentage of covered payroll	6.15%	4.86%	4.66%	4.93%	4.93%	6.23%	6.23%	6.49%	6.49%	4.62%	

### Notes to Schedule:

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

See Notes to Required Supplementary Information – Virginia Retirement System.

# VIRGINIA RAILWAY EXPRESS

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

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Pension Liability</b>										
Service cost	\$ 743,258	\$ 778,686	\$ 756,831	\$ 796,518	\$ 747,243	\$ 766,964	\$ 718,141	\$ 781,338	\$ 867,475	\$ 916,058
Interest	850,266	942,652	1,051,830	1,132,348	1,233,409	1,339,757	1,481,325	1,668,067	1,763,608	1,897,796
Changes of assumptions	-	-	(243,263)	108,387	631,239	-	803,822	-	-	-
Differences between expected and actual experience	92,275	284,843	38,724	-	312,560	743,287	(221,363)	(239,320)	280,263	350,000
Benefit payments, including refunds of employee contributions	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)	(676,419)	(829,005)	(764,428)	(997,173)	(946,736)
<b>Net change in total pension liability</b>	<b>1,409,867</b>	<b>1,550,103</b>	<b>1,167,210</b>	<b>1,566,424</b>	<b>2,208,235</b>	<b>2,173,589</b>	<b>1,952,920</b>	<b>1,445,657</b>	<b>1,914,173</b>	<b>2,217,118</b>
Total pension liability - beginning	12,284,629	13,694,496	15,244,599	16,411,809	17,978,233	20,186,468	22,360,057	24,312,977	25,758,634	27,672,807
Total pension liability - ending (a)	\$ 13,694,496	\$ 15,244,599	\$ 16,411,809	\$ 17,978,233	\$ 20,186,468	\$ 22,360,057	\$ 24,312,977	\$ 25,758,634	\$ 27,672,807	\$ 29,889,925
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	\$ 460,763	\$ 478,465	\$ 419,283	\$ 413,760	\$ 354,543	\$ 323,989	\$ 421,362	\$ 454,868	\$ 523,246	\$ 564,407
Contributions - employee	494,240	375,574	407,825	411,106	414,063	419,869	399,479	435,662	482,987	522,161
Net investment income	603,590	259,738	1,829,732	1,265,980	1,249,744	378,372	5,570,288	(41,059)	1,687,642	2,693,946
Benefit payments, including refunds of employee contributions	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)	(676,419)	(829,005)	(764,428)	(997,173)	(946,736)
Pension Plan Administrative expense	(7,442)	(8,396)	(9,970)	(10,415)	(11,937)	(12,621)	(13,494)	(15,836)	(16,364)	(16,680)
Other	(131)	(107)	(1,654)	(1,150)	(791)	(457)	530	608	683	603
<b>Net change in plan fiduciary net position</b>	<b>1,275,088</b>	<b>649,196</b>	<b>2,208,304</b>	<b>1,608,452</b>	<b>1,289,406</b>	<b>432,733</b>	<b>5,549,160</b>	<b>69,815</b>	<b>1,681,021</b>	<b>2,817,701</b>
Plan fiduciary net position - beginning	12,789,238	14,064,326	14,713,522	16,921,826	18,530,278	19,819,684	20,252,417	25,801,577	25,871,392	27,552,413
Plan fiduciary net position - ending (b)	14,064,326	14,713,522	16,921,826	18,530,278	19,819,684	20,252,417	25,801,577	25,871,392	27,552,413	30,370,114
PRTC's net pension (asset) liability - ending (a) - (b)	\$ (369,830)	\$ 531,077	\$ (510,017)	\$ (552,045)	\$ 366,784	\$ 2,107,640	\$ (1,488,600)	\$ (112,758)	\$ 120,394	\$ (480,189)
Plan fiduciary net position as a percentage of the total pension liability	102.70%	96.52%	103.11%	103.07%	98.18%	90.57%	106.12%	100.44%	99.56%	101.61%
Covered payroll	\$ 7,265,941	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,294	\$ 8,866,711	\$ 9,705,606	\$ 10,928,358	\$ 11,901,932
PRTC's net pension (asset) liability as a percentage of covered payroll	-5.09%	6.82%	-5.91%	-6.22%	4.04%	23.49%	-16.79%	-1.16%	1.10%	-4.03%

### Notes to Schedule:

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

See Notes to Required Supplementary Information – Virginia Retirement System.

## VIRGINIA RAILWAY EXPRESS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – VIRGINIA RETIREMENT SYSTEM Year Ended June 30, 2025

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#### Note 1. Changes of Benefit Terms

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

#### Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 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 as follows:

##### Non-Hazardous Duty

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

# VIRGINIA RAILWAY EXPRESS

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

	Fiscal Year June 30,							
	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Group Life Insurance OPEB Liability</b>								
The Commission's Portion of the Net GLI OPEB Liability	0.04678%	0.04670%	0.04626%	0.04360%	0.04294%	0.04462%	0.04639%	0.04635%
The Commission's Proportionate Share of the Net GLI OPEB Liability	\$ 703,000	\$ 709,000	\$ 752,773	\$ 727,613	\$ 499,938	\$ 537,268	\$ 556,362	\$ 517,230
The Commission's Covered Payroll	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,619	\$ 8,866,711	\$ 9,705,606	\$ 10,928,358	\$ 11,901,932
The Commission's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.15%	7.99%	8.29%	8.11%	5.64%	5.54%	5.09%	4.35%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%	51.22%	52.00%	52.64%	52.64%	67.21%	69.30%	73.41%

### Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.
- (2) The information on this schedule is derived from the actuarial valuation report for the Potomac & Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE.

See Notes to Required Supplementary Information – Other Postemployment Benefits.

**VIRGINIA RAILWAY EXPRESS**

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

	Fiscal Year June 30,										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Contractually required contribution (CRC)	\$ 41,266	\$ 44,865	\$ 46,151	\$ 47,196	\$ 46,660	\$ 47,879	\$ 52,410	\$ 58,998	\$ 64,270	\$ 60,397	
Contributions in relation to the CRC	41,266	44,865	46,151	47,196	46,660	47,879	52,410	58,998	64,270	60,397	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,619	\$ 8,866,711	\$ 9,705,606	\$ 10,928,358	\$ 11,901,932	\$ 12,850,404	
Contributions as a percentage of covered payroll	0.48%	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%	0.54%	0.54%	0.47%	

**Note to Schedule:**

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

See Notes to Required Supplementary Information – Other Postemployment Benefits.

## VIRGINIA RAILWAY EXPRESS

### SCHEDULE OF CHANGES IN THE NET OPEB – HEALTH INSURANCE CREDIT LIABILITY AND RELATED RATIOS

	Fiscal Year June 30,	
	2023	2024
Total HIC OPEB Liability		
Service cost	\$ -	\$ 2,863
Interest	(48)	6,551
Changes of benefit terms	96,968	-
Benefit payments	(1,425)	(2,621)
<b>Net change in total HIC OPEB liability</b>	<b>95,495</b>	<b>6,793</b>
Total HIC OPEB liability - beginning	-	95,495
Total HIC OPEB liability - ending (a)	<u>\$ 95,495</u>	<u>\$ 102,288</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 36,215	\$ 19,044
Net investment income	1,279	4,405
Benefit payments, including refunds	(1,425)	(2,621)
Administrative expense	(50)	(69)
<b>Net change in plan fiduciary net position</b>	<b>36,019</b>	<b>20,759</b>
Plan fiduciary net position - beginning	-	36,019
Plan fiduciary net position - ending (b)	<u>36,019</u>	<u>56,778</u>
PRTC's net HIC OPEB liability - ending (a) - (b)	<u>\$ 59,476</u>	<u>\$ 45,510</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	37.72%	55.51%
Covered payroll	\$ 3,696,519	\$ 11,901,932
PRTC's net HIC OPEB liability as a percentage of covered payroll	1.61%	0.38%

#### Notes to Schedule:

- (1) The information on this schedule is derived from the actuarial valuation report for the Potomac & Rappahannock Transportation Commission, which consolidates information for both PRTC and VRE employees. No separate data on funding progress is available solely for VRE.
- (2) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years which information is available.

See Notes to Required Supplementary Information – Other Postemployment Benefits.

## VIRGINIA RAILWAY EXPRESS

### SCHEDULE OF THE VRE'S CONTRIBUTIONS – OPEB – HEALTH INSURANCE CREDIT PROGRAM

	Fiscal Year June 30,		
	2023	2024	2025
Contractually required contribution (CRC)	\$ 5,914	\$ 19,044	\$ 14,135
Contributions in relation to the CRC	5,914	19,044	14,135
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 3,696,519	\$ 11,901,932	\$ 12,850,404
Contributions as a percentage of covered payroll	0.16%	0.16%	0.11%

#### Notes to Schedule:

(1) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for those years which information is available.

(2) Covered payroll for 2023 reflects a partial year of activity due to the program's mid-year implementation, resulting in a lower total compared to a full fiscal year.

# VIRGINIA RAILWAY EXPRESS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2025

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### Note 1. Group Life Insurance Program

#### A. Changes of Benefit Terms

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

#### B. Changes of Assumptions

The actuarial assumptions used in the June 30, 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 as follows:

#### Non-Largest Ten Locality Employers – General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

### Note 2. Health Insurance Credit Program

#### A. Changes of Benefit Terms

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

## VIRGINIA RAILWAY EXPRESS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS

Year Ended June 30, 2025

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#### Note 2. Health Insurance Credit Program (Continued)

##### B. 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 as follows:

##### Non-Largest Ten Locality Employers – General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Update to PUB-2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

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## Statistical Section



## STATISTICAL SECTION

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

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

# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF CHANGE IN NET POSITION

### Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Operating Revenues:</b>										
Passenger revenue	\$ 18,570,160	\$ 15,743,767	\$ 13,940,102	\$ 10,517,221	\$ 7,251,796	\$ 34,701,955	\$ 41,990,599	\$ 42,221,002	\$ 42,280,669	\$ 37,696,913
Equipment rentals and other	273,253	424,964	310,758	116,857	165,478	267,816	314,236	269,168	301,621	240,052
<b>Total operating revenues</b>	<b>18,843,413</b>	<b>16,168,731</b>	<b>14,250,860</b>	<b>10,634,078</b>	<b>7,417,274</b>	<b>34,969,771</b>	<b>42,304,835</b>	<b>42,490,170</b>	<b>42,582,290</b>	<b>37,936,965</b>
<b>Nonoperating Revenues:</b>										
<b>Subsidies:</b>										
Commonwealth of Virginia grants	34,312,117	26,759,223	42,011,586	21,975,609	14,110,733	18,712,734	17,447,509	17,145,270	18,265,581	16,572,077
Federal grants - with PRTC as grantee	9,191,915	12,962,716	9,289,764	8,070,012	21,741,238	15,271,669	15,229,460	15,362,802	15,937,225	13,917,534
Federal Pandemic Relief Funds	31,772,470	37,488,029	20,267,695	47,232,405	28,305,131	2,688,095	-	-	-	-
Jurisdictional contributions	18,300,780	16,000,000	13,544,122	4,756,658	18,300,780	17,767,748	17,767,748	17,250,240	17,250,240	16,428,800
Commuter Rail Operating and Capital (CROC) Fund	7,495,000	7,496,000	7,499,738	5,811,156	-	-	-	-	-	-
Regional transportation funding (NVTA)	-	-	-	-	-	-	194,506	766,586	461,889	542,671
<b>Capital Grants and Assistance:</b>										
Commonwealth of Virginia grants	23,977,330	24,118,298	27,879,245	25,604,500	2,339,034	2,110,561	1,417,527	13,010,326	3,033,657	9,826,429
Federal grants - with PRTC as grantee	4,313,098	10,844,459	20,406,397	17,603,912	8,738,493	3,696,057	3,541,398	9,559,056	15,204,474	22,125,460
Commuter Rail Operating and Capital (CROC) Fund	7,505,000	7,504,000	7,500,262	9,188,844	15,000,000	15,000,000	15,000,000	-	-	-
Regional transportation funding (NVTA)	2,347,325	1,907,243	1,702,500	875,805	528,067	1,758,116	2,304,206	615,190	651,163	-
In-kind and other local contributions	(6,070)	-	-	62,269	518,086	-	-	12,842	162,839	851,659
<b>Interest income:</b>										
Operating funds	1,234,499	697,180	1,069,411	101,474	89,187	1,009,626	1,360,241	616,228	285,495	93,677
Insurance trust	433,402	444,946	183,169	19,451	67,921	67,921	221,184	132,037	98,560	69,444
Commuter Rail Operating and Capital (CROC) Fund	2,061,247	2,528,870	1,894,380	139,208	50,085	294,176	117,075	-	-	-
Lease	32,022	32,030	19,778	29,174	-	-	-	-	-	-
Other restricted funds	591,944	1,019,254	636,585	(12,812)	6,701	48,899	63,483	797	402	197
Increase in fair value of investments	283,204	199,873	15,835	-	-	-	-	-	-	-
Gain (loss) on sale of assets	49,000	(59,780)	-	-	-	-	-	(551,457)	3,500	-
<b>Total nonoperating revenues</b>	<b>143,894,283</b>	<b>149,942,341</b>	<b>153,920,467</b>	<b>141,457,665</b>	<b>109,795,456</b>	<b>78,576,302</b>	<b>74,664,337</b>	<b>73,919,917</b>	<b>71,355,025</b>	<b>80,427,948</b>
<b>Total revenues</b>	<b>162,737,696</b>	<b>166,111,072</b>	<b>168,171,327</b>	<b>152,091,743</b>	<b>117,212,730</b>	<b>113,546,073</b>	<b>116,969,172</b>	<b>116,410,087</b>	<b>113,937,315</b>	<b>118,364,913</b>
<b>Operating Expenses:</b>										
Contract operations and maintenance	33,849,123	33,534,857	30,866,478	28,495,740	28,125,410	28,076,445	26,946,284	26,917,081	25,873,933	24,082,615
Other operations and maintenance	21,936,740	26,412,160	20,661,998	17,763,617	15,603,856	15,446,821	16,579,038	17,492,047	14,461,209	13,662,606
Property leases and access fees	18,839,231	20,403,054	18,436,123	17,283,411	17,354,979	17,425,916	16,698,897	16,693,442	16,236,606	15,175,732
Insurance	8,183,735	7,880,355	7,732,360	7,431,921	7,100,216	4,370,863	3,945,668	3,766,321	3,970,753	4,046,198
Marketing and sales	1,284,248	1,398,014	1,175,036	795,787	979,335	2,189,698	2,574,583	2,529,388	2,532,214	2,393,332
General and administrative	13,789,934	16,418,020	13,214,162	10,558,848	12,659,432	11,015,700	10,937,062	11,651,412	10,904,945	10,514,343
Depreciation and amortization	23,658,635	23,548,243	22,480,189	21,552,764	21,118,165	19,690,320	18,542,805	18,201,071	17,737,170	16,953,565
<b>Total operating expenses</b>	<b>121,541,646</b>	<b>129,594,703</b>	<b>114,566,346</b>	<b>103,882,088</b>	<b>102,941,393</b>	<b>98,215,763</b>	<b>96,224,337</b>	<b>97,250,762</b>	<b>91,716,830</b>	<b>86,828,391</b>
<b>Nonoperating (Revenues) Expenses:</b>										
Interest and amortization	6,513,685	6,887,155	7,285,456	2,908,408	1,904,569	2,089,883	2,188,383	3,147,164	3,217,756	3,384,762
<b>Total nonoperating expenses</b>	<b>6,513,685</b>	<b>6,887,155</b>	<b>7,285,456</b>	<b>2,908,408</b>	<b>1,904,569</b>	<b>2,089,883</b>	<b>2,188,383</b>	<b>3,147,164</b>	<b>3,217,756</b>	<b>3,384,762</b>
<b>Special items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,372,379)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,882,945</b>
<b>Total expenses</b>	<b>128,055,331</b>	<b>136,481,858</b>	<b>121,851,802</b>	<b>106,790,496</b>	<b>104,845,962</b>	<b>98,933,267</b>	<b>98,412,720</b>	<b>100,397,926</b>	<b>94,934,586</b>	<b>92,096,098</b>
<b>Change in net position</b>	<b>\$ 34,682,365</b>	<b>\$ 29,629,214</b>	<b>\$ 46,319,525</b>	<b>\$ 45,301,247</b>	<b>\$ 12,366,768</b>	<b>\$ 14,612,806</b>	<b>\$ 18,556,452</b>	<b>\$ 16,012,161</b>	<b>\$ 19,002,729</b>	<b>\$ 26,268,815</b>

Source: VRE's Audited Financial Statements.

# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF COMPONENTS OF NET POSITION

### Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Net investment in capital assets	\$ 413,353,775	\$ 359,245,516	\$ 322,715,330	\$ 290,402,387	\$ 274,934,995	\$ 279,674,828	\$ 282,554,207	\$ 289,271,966	\$ 279,920,481	\$ 274,136,653
Restricted for liability insurance plan	10,965,502	10,553,006	10,147,403	10,022,903	10,252,938	10,320,199	10,527,621	10,536,336	10,470,506	10,439,990
Restricted for debt service	14,762,144	14,073,320	22,521,722	14,122,731	1,998,519	2,016,642	2,029,382	1,996,544	-	-
Restricted grants or contributions	5,324,417	6,941,242	2,754,165	2,536,576	2,530,013	2,526,137	1,120,762	1,094,246	779,223	779,223
Restricted pension asset	286,536	-	67,453	891,393	-	-	-	-	-	-
Unrestricted net position	<u>132,422,199</u>	<u>151,619,124</u>	<u>154,596,921</u>	<u>148,507,479</u>	<u>131,465,757</u>	<u>114,277,648</u>	<u>97,970,676</u>	<u>72,747,104</u>	<u>68,885,778</u>	<u>55,697,393</u>
<b>Total net position</b>	<b><u>\$ 577,114,573</u></b>	<b><u>\$ 542,432,208</u></b>	<b><u>\$ 512,802,994</u></b>	<b><u>\$ 466,483,469</u></b>	<b><u>\$ 421,182,222</u></b>	<b><u>\$ 408,815,454</u></b>	<b><u>\$ 394,202,648</u></b>	<b><u>\$ 375,646,196</u></b>	<b><u>\$ 360,055,988</u></b>	<b><u>\$ 341,053,259</u></b>

Source: VRE's Audited Financial Statements.

# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF OUTSTANDING DEBT

### Last Ten Fiscal Years

#### (Unaudited)

	June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Bonds Payable:										
\$46,640,000 Virginia Resources Authority (VRA) Bond 2018	\$ 29,060,000	\$ 31,945,000	\$ 34,690,000	\$ 37,295,000	\$ 39,770,000	\$ 42,120,000	\$ 44,360,000	\$ 46,640,000	\$ -	\$ -
\$5,972,388 Unamortized Premium on VRA Bond 2018	3,085,734	3,483,893	3,882,052	4,280,212	4,678,371	5,076,530	5,474,689	5,872,848	-	-
\$115,670,000 Transportation District Special Obligation Revenue Bonds (Transforming Rail in Virginia) Series 2022 (Green Bonds)										
\$12,136,265 Unamortized Premium on Series 2022 Bonds	119,790,000	111,700,000	113,520,000	115,670,000	-	-	-	-	-	-
Private Placement Notes Payable:										
\$25,100,000 Private Placement Note - Gallery IV Cars	-	1,866,848	3,650,870	5,355,739	6,984,969	8,541,916	10,029,785	11,451,643	12,810,417	14,108,906
\$74,425 Private Placement Note - Equipment	-	-	-	-	-	-	2,628	17,559	34,287	50,048
Leases Payable:										
\$1,363,291 Intangible right-to-use asset - building	1,014,222	1,110,167	1,200,812	1,284,251	-	-	-	-	-	-
\$21,740 Intangible right-to-use asset - building	-	-	-	1,693	-	-	-	-	-	-
\$273,503 Intangible right-to-use asset - parking lot	-	-	57,791	168,852	-	-	-	-	-	-
\$305,825 Intangible right-to-use asset - parking lot	-	-	-	124,850	-	-	-	-	-	-
\$99,581 Intangible right-to-use asset - tower	-	-	23,692	62,665	-	-	-	-	-	-
\$100,277 Intangible right-to-use asset - roof	89,652	94,317	98,827	-	-	-	-	-	-	-
\$211,144 Intangible right-to-use asset - tower	156,728	195,184	-	-	-	-	-	-	-	-
Subscription Payable:										
\$311,753 Intangible right-to-use ERP system	-	104,307	206,214	-	-	-	-	-	-	-
\$5,823 Intangible right-to-use ERP module	-	2,179	4,338	-	-	-	-	-	-	-
\$182,276 Intangible right-to-use Microsoft office	-	-	91,492	-	-	-	-	-	-	-
Notes Payable:										
\$63,844,842 FRA Notes	-	-	-	-	-	-	-	-	53,440,159	55,628,942
Outstanding as of June 30	\$ 155,003,287	\$ 162,462,006	\$ 169,490,036	\$ 176,379,527	\$ 51,433,340	\$ 55,738,446	\$ 59,867,102	\$ 63,982,050	\$ 66,284,863	\$ 69,787,896
Debt per Capita:										
Outstanding as of June 30	\$ 155,003,287	\$ 162,462,006	\$ 169,490,036	\$ 176,379,527	\$ 51,433,340	\$ 55,738,446	\$ 59,867,102	\$ 63,982,050	\$ 66,284,863	\$ 69,787,896
Total Participating Jurisdictional Population	N/A	N/A	2,479,647	2,455,385	2,430,827	2,416,813	2,387,125	2,358,994	2,337,904	2,318,025
Debt per Capita	N/A	N/A	\$ 68.35	\$ 71.83	\$ 21.16	\$ 23.06	\$ 25.08	\$ 27.12	\$ 28.35	\$ 30.11
Outstanding Debt as a Percentage of Personal Income:										
Outstanding as of June 30	\$ 155,003,287	\$ 162,462,006	\$ 169,490,036	\$ 176,379,527	\$ 51,433,340	\$ 55,738,446	\$ 59,867,102	\$ 63,982,050	\$ 66,284,863	\$ 69,787,896
Total Personal Income	N/A	N/A	220,494,863,539	206,695,615,980	198,884,904,894	188,751,374,280	178,198,120,512	169,437,842,800	164,094,041,097	158,592,162,364
Total Outstanding Debt as a Percentage of Personal Income	N/A	N/A	0.08%	0.09%	0.03%	0.03%	0.03%	0.04%	0.04%	0.04%

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

- (1) Fairfax County fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table 4.1, page 309.
- (2) Prince William County fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table 16, page 293
- (3) City of Manassas fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 198
- (4) City of Manassas Park fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 13, page 216.
- (5) Stafford County fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table S-15; page 167
- (6) City of Fredericksburg fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 212
- (7) Spotsylvania County fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table S-13, page 194
- (8) City of Alexandria fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table XI and Table XIV, page 226 and Page 228
- (9) Arlington County fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table K, page 284

**VIRGINIA RAILWAY EXPRESS**

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

	June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Fairfax County	\$ 5,473,928	\$ 5,005,547	\$ 4,721,011	\$ 1,658,006	\$ 6,379,017	\$ 6,253,022	\$ 5,385,794	\$ 6,099,300	\$ 5,160,910	\$ 4,847,284
City of Fredericksburg	698,263	518,584	271,677	95,412	367,089	321,028	436,568	417,278	483,524	439,366
City of Manassas	760,700	659,532	597,421	209,813	807,234	694,742	785,898	684,586	749,372	766,491
City of Manassas Park	531,102	450,426	346,629	121,735	468,364	405,485	511,311	474,718	511,777	576,699
Prince William County	5,468,148	4,924,666	4,389,276	1,541,501	5,930,777	6,098,311	6,183,745	5,363,372	5,968,406	5,309,674
Stafford County	2,782,517	2,306,625	1,833,319	643,856	2,477,175	2,352,820	2,475,127	2,344,514	2,647,221	2,855,607
Spotsylvania County	2,218,752	1,813,436	1,112,905	390,849	1,503,754	1,285,670	1,632,635	1,520,191	1,382,749	1,303,888
City of Alexandria	149,151	130,400	110,384	38,767	149,151	144,807	144,807	140,589	140,589	133,894
Arlington County	218,219	190,784	161,500	56,719	218,219	211,863	211,863	205,692	205,692	195,897
<b>Total contributions</b>	<b>\$ 18,300,780</b>	<b>\$ 16,000,000</b>	<b>\$ 13,544,122</b>	<b>\$ 4,756,658</b>	<b>\$ 18,300,780</b>	<b>\$ 17,767,748</b>	<b>\$ 17,767,748</b>	<b>\$ 17,250,240</b>	<b>\$ 17,250,240</b>	<b>\$ 16,428,800</b>

Source: VRE's Department of Finance

# VIRGINIA RAILWAY EXPRESS

## SCHEDULE OF MISCELLANEOUS STATISTICS

### Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Rolling Stock (Owned or Leased)										
Locomotives	20	20	20	20	20	20	20	20	20	20
Railcars	100	100	100	100	100	100	100	100	98	100
<b>Total rolling stock</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>120</b>	<b>118</b>	<b>120</b>
Stations	19	19	19	19	19	19	19	19	19	19
Parking Spaces	10,544	10,548	10,842	10,842	10,763	10,763	10,842	10,733	10,733	10,743
Employees	61	56	56	56	55	50	50	50	49	45
Ridership and Fare Revenue Data:										
Total Ridership	1,987,269	1,589,675	1,466,480	821,828	341,662	3,273,884	4,477,266	4,705,529	4,761,035	4,441,858
Average Daily Ridership	7,949	6,333	5,866	3,314	1,389	12,922	18,053	18,974	18,968	17,767
Average Fare Per Trip	\$ 9.35	\$ 9.91	\$ 9.51	\$ 12.82	\$ 21.23	\$ 10.60	\$ 9.38	\$ 8.97	\$ 8.88	\$ 8.49

Notes:

(1) Ridership in the fourth quarter of fiscal year 2020 was negatively affected by the COVID-19 Novel Coronavirus pandemic. Since the onset of the COVID-19 pandemic in 2020, ridership has been and continues to be significantly affected by the pandemic's lasting impacts on employment and travel patterns, particularly due to the rise of remote work.

(2) In fiscal year 2023, VRE conducted fare free Fridays from June 2nd to September 1st.

(3) Ridership in fiscal year 2025 increased significantly between January and May 2025 as a result of the "Return to Office" (RTO) mandates for many federal employees in the region.

Source: VRE staff



# VIRGINIA RAILWAY EXPRESS

## PRINCIPAL EMPLOYERS OF PARTICIPATING JURISDICTIONS

Current Year and Nine Years Ago

(Unaudited)

Employers	2024			2015		
	Rank	Employees	Percentage of Total Jurisdictional Employment	Rank	Employees	Percentage of Total Jurisdictional Employment
Federal Government (1) (4) (6) (3)	1	43,556	N/A	1	30,134	N/A
Inova Health System (1) (6)	2	26,500	N/A	4	8000 - 11,000	N/A
Fairfax County Public Schools (1)	3	26,235	N/A	2	24,181	N/A
Fairfax County Government (1)	4	12,000	N/A	3	12,326	N/A
Amazon (1) (4)	5	6000 - 10,999	N/A	-	-	N/A
Booz-Allen Hamilton (1)	6	5,000 - 9,999	N/A	7	4000 - 6999	N/A
Capital One (1)	7	5,000 - 9,999	N/A	-	-	N/A
Federal Home Loan Mortgage (1)	8	5,000 - 9,999	N/A	8	4,000-6,999	N/A
George Mason University (1)	9	5,000-9,999	N/A	5	5000 - 10,000	N/A
Science Applications International Corporation (1)	10	5,000-9,999	N/A	10	4,000-6,999	N/A
General Dynamics (1)	-	-	N/A	9	4,000-6,999	N/A
Mary Washington Healthcare (9)	-	-	N/A	6	4,465	N/A

### Sources:

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

- (1) County of Fairfax fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table 4.2, page 310
- (2) County of Arlington fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table L, page 285 - Number of Employees not Included
- (3) County of Prince William fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table 17, page 298
- (4) County of Stafford fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table S-17, page 169
- (5) County of Spotsylvania fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table S-14, page 195
- (6) City of Alexandria fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table XIX, page 229
- (7) City of Manassas fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 198 - Number of Employees are for FY 2023 & 2014
- (8) City of Manassas Park fiscal year 2024 Annual Comprehensive Financial Report not available

**DEMOGRAPHICS AND ECONOMIC STATISTICS OF PARTICIPATING JURISDICTIONS**

**Fiscal Years 2015 to 2024**

**(Unaudited)**

	Fairfax County (1)	Prince William County (2)	City of Manassas (3)	City of Manassas Park (4)	Stafford County (5)	City of Fredericksburg (6)	Spotsylvania County (7)	City of Alexandria (8)	Arlington County (9)
<b>2024</b>									
Population	N/A	482,204	N/A	N/A	167,421	27,711	150,965	166,000	240,900
Personal Income (in thousands)	N/A	\$37,751,353	N/A	N/A	\$8,852,899	\$1,821,500	\$9,901,784	\$16,367,274	\$27,056,202
Per Capita Personal Income	N/A	\$68,802	N/A	N/A	\$52,878	\$65,590	\$65,590	N/A	\$112,313
Unemployment Rate	N/A	2.9%	2.8%	N/A	3.4%	3.9%	3.2%	2.4%	2.1%
<b>2023</b>									
Population	1,185,980	491,693	42,696	17,002	163,417	27,667	148,192	165,700	237,300
Personal Income (in thousands)	\$120,258,372	\$36,199,969	\$2,910,330	\$635,246	\$8,471,740	\$1,732,425	\$9,279,324	\$15,473,266	\$25,534,192
Per Capita Personal Income	\$101,400	\$64,695	\$68,164	\$37,363	\$51,841	\$62,617	\$62,617	N/A	\$107,603
Unemployment Rate	2.1%	2.7%	2.5%	2.5%	2.7%	3.4%	2.9%	2.3%	2.1%
<b>2022</b>									
Population	1,172,646	492,576	42,642	17,002	156,927	27,596	144,796	163,400	237,800
Personal Income (in thousands)	\$111,022,605	\$34,799,313	\$2,716,338	\$605,577	\$7,975,775	\$1,639,589	\$9,066,677	\$14,894,033	\$23,975,709
Per Capita Personal Income	\$94,677	\$63,701	\$63,701	\$35,618	\$50,825	\$59,414	\$62,617	\$105,239	\$100,823
Unemployment Rate	2.5%	2.8%	2.7%	2.4%	2.8%	3.5%	3.0%	2.4%	2.3%
<b>2021</b>									
Population	1,170,033	482,204	42,708	17,219	153,392	28,500	139,971	161,300	235,500
Personal Income (in thousands)	\$105,777,709	\$33,838,564	\$2,682,489	\$591,059	\$7,643,245	\$1,569,695	\$8,706,055	\$14,665,740	\$23,410,349
Per Capita Personal Income	\$88,971	\$62,083	\$62,810	\$34,326	\$49,828	\$55,077	\$60,595	\$100,017	\$99,407
Unemployment Rate	3.5%	4.5%	4.4%	4.3%	4.3%	5.3%	4.4%	4.3%	4.3%
<b>2020</b>									
Population	1,171,848	467,935	42,772	17,478	151,689	28,532	138,449	159,467	238,643
Personal Income (in thousands)	\$100,944,159	\$31,773,057	\$2,558,279	\$549,159	\$7,410,183	\$1,449,140	\$7,221,134	\$14,127,927	\$22,718,336
Per Capita Personal Income	\$86,141	\$58,552	\$59,812	\$31,420	\$48,851	\$50,790	\$55,077	\$93,835	\$95,198
Unemployment Rate	5.6%	9.6%	8.8%	9.9%	7.5%	9.4%	8.6%	8.3%	1.9%
<b>2019</b>									
Population	1,166,965	463,867	41,085	17,307	149,110	29,144	136,447	156,800	226,400
Personal Income (in thousands)	\$96,205,762	\$29,767,221	\$2,315,797	\$512,997	\$7,141,369	\$1,422,898	\$7,116,715	\$13,455,505	\$20,259,857
Per Capita Personal Income	\$82,441	\$55,297	\$56,366	\$29,641	\$47,893	\$48,823	\$52,157	\$89,884	\$89,487
Unemployment Rate	2.3%	2.5%	2.6%	2.1%	2.7%	3.5%	2.9%	2.2%	2.0%
<b>2018</b>									
Population	1,152,873	459,966	41,641	16,528	145,699	28,360	134,227	154,500	225,200
Personal Income (in thousands)	\$90,357,574	\$28,565,133	\$2,276,430	\$489,907	\$6,841,181	\$1,339,443	\$6,795,518	\$12,958,210	\$19,814,447
Per Capita Personal Income	\$78,376	\$53,655	\$54,668	\$29,641	\$46,954	\$47,230	\$50,627	\$87,761	\$87,986
Unemployment Rate	2.4%	2.9%	2.8%	2.7%	3.3%	4.3%	3.2%	2.4%	2.5%

**DEMOGRAPHICS AND ECONOMIC STATISTICS OF PARTICIPATING JURISDICTIONS**  
**Fiscal Years 2015 to 2024**  
**(Unaudited)**

	Fairfax County (1)	Prince William County (2)	City of Manassas (3)	City of Manassas Park (4)	Stafford County (5)	City of Fredericksburg (6)	Spotsylvania County (7)	City of Alexandria (7)	Arlington County (8)
<b>2017</b>									
Population	1,142,888	456,126	41,501	16,591	144,612	28,297	132,889	152,200	222,800
Personal Income (in thousands)	\$86,834,344	\$27,520,527	\$2,196,606	\$478,667	\$6,657,002	\$1,313,009	\$6,505,098	\$12,692,748	\$19,896,040
Per Capita Personal Income	\$75,978	\$52,157	\$52,929	\$28,851	\$46,034	\$46,401	\$48,951	\$83,477	\$89,300
Unemployment Rate	3.0%	3.5%	3.4%	3.4%	3.6%	4.6%	3.7%	2.8%	2.6%
<b>2016</b>									
Population	1,138,652	449,864	41,483	15,827	142,380	28,118	131,401	149,900	220,400
Personal Income (in thousands)	\$85,311,224	\$26,373,844	\$2,128,617	\$456,625	\$6,425,740	\$1,256,818	\$6,247,711	\$11,789,823	\$18,601,760
Per Capita Personal Income	\$74,923	\$50,769	\$51,313	\$28,851	\$45,131	\$44,698	\$47,547	\$81,887	\$84,400
Unemployment Rate	3.2%	3.7%	3.4%	3.9%	4.0%	4.8%	4.1%	2.9%	2.9%
<b>2015</b>									
Population	1,142,234	441,627	41,764	15,625	142,299	28,213	130,042	147,650	216,700
Personal Income (in thousands)	\$85,675,546	\$25,526,460	\$2,101,356	\$440,063	\$6,296,162	\$1,201,676	\$6,024,994	\$12,071,851	\$18,614,530
Per Capita Personal Income	\$75,007	\$49,762	\$50,315	\$28,164	\$44,246	\$42,593	\$46,331	\$82,253	\$85,900
Unemployment Rate	3.1%	4.4%	4.1%	4.4%	5.2%	6.2%	4.7%	3.5%	3.4%

Note: Data for participating jurisdictions not available for 2024.

Sources:

- (1) Fairfax County fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table 4.1, page 309.
- (2) Prince William County fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table 16, page 293
- (3) City of Manassas fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 198
- (4) City of Manassas Park fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 13, page 216.
- (5) Stafford County fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table S-15; page 167
- (6) City of Fredericksburg fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 212
- (7) Spotsylvania County fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table S-13, page 194
- (8) City of Alexandria fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table XI and Table XIV, page 226 and Page 228
- (9) Arlington County fiscal year 2024 Annual Comprehensive Financial Report, Statistical Section, Table K, page 284

## VIRGINIA RAILWAY EXPRESS

### PLEGGED REVENUE COVERAGE

Beginning Fiscal Year 2018

(Unaudited)

Fiscal Year Ended June 30,	Revenues <sup>(1)</sup>	Less: Operating Expenses <sup>(2)</sup>	Net Revenues Available for Debt Service	Annual VRA Debt Service	Coverage
<b>2025</b>	<b>\$ 124,601,013</b>	<b>\$ (97,883,011)</b>	<b>\$ 26,718,002</b>	<b>\$ 4,292,475</b>	<b>6.22</b>
2024	121,796,852	(106,046,460)	15,750,392	4,289,303	3.67
2023	110,897,729	(92,086,157)	18,811,572	4,293,572	4.38
2022	105,036,849	(82,329,324)	22,707,525	4,290,841	5.29
2021	103,184,481	(81,823,229)	21,361,252	4,289,481	4.98
2020	103,891,456	(78,525,443)	25,366,013	4,290,400	5.91
2019	107,517,658	(77,681,532)	29,836,126	4,290,993	6.95
2018	90,065,509	(79,049,691)	11,015,818	N/A	N/A

Source: VRE audited financials

Notes:

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

(2) Net of depreciation and amortization

# VIRGINIA RAILWAY EXPRESS

## WORKING CAPITAL RESERVE FUND

Beginning Fiscal Year 2018

(Unaudited)

Fiscal Year Ended June 30,	Unrestricted Cash & Cash Equivalents	Operating Expenses	Less: Depreciation/ Amortization	Cash Expenses	90 Days of Cash Expenses (25%)	Ratio
<b>2025</b>	<b>\$ 62,815,961</b>	<b>\$ 121,541,646</b>	<b>\$ (23,658,635)</b>	<b>\$ 97,883,011</b>	<b>\$ 24,470,753</b>	<b>2.6x</b>
2024	53,492,961	129,594,703	(23,548,243)	106,046,460	26,511,615	2.0x
2023	80,010,886	114,566,346	(22,480,189)	92,086,157	23,021,539	3.5x
2022	92,348,143	103,882,088	(21,552,764)	82,329,324	20,582,331	4.5x
2021	113,216,934	102,941,394	(21,118,165)	81,823,229	20,455,807	5.5x
2020	97,142,781	98,215,763	(19,690,320)	78,525,443	19,631,361	4.9x
2019	75,278,280	96,224,337	(18,542,805)	77,681,532	19,420,383	3.9x
2018	51,186,348	97,250,762	(18,201,071)	79,049,691	19,762,423	2.6x

## Compliance Section





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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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 Virginia Railway Express (VRE), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise VRE's basic financial statements, and have issued our report thereon dated November 10, 2025.

**Report on Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of VRE's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether VRE's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of VRE's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VRE's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PBMares, LLP*

Harrisonburg, Virginia  
November 10, 2025

