



Annual Comprehensive Financial Report

For Years Ended June 30, 2024 and 2023

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.





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Virginia Railway Express

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrell

Executive Director/CEO

VIRGINIA RAILWAY EXPRESS

Annual Comprehensive Financial Report

YEARS ENDED JUNE 30, 2024 AND 2023



Prepared by:

Department of Finance

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Introductory Section





VIRGINIA RAILWAY EXPRESS

November 5, 2024

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

We are pleased to present the annual comprehensive financial report for the fiscal year ended June 30, 2024, 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 2024, VRE operated 32 daily trains in revenue service and carried an average daily ridership of 6,333 over 251 service days. VRE ridership throughout fiscal year 2024 continued to be materially affected by changes to employment and travel patterns resulting from the COVID-19 pandemic.

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

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

Economic Conditions

Major Initiatives

During fiscal year 2024, 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:** The new Lifecycle Overhaul and Upgrade (LOU) Facility at Crossroads Yard officially entered service in August 2023. The major rehabilitation work at Fredericksburg Station was completed (the station remained in service throughout), and a ribbon-cutting event was held there in May 2024. Major construction work continued on the Quantico Station Improvements project, with final permit approvals and official entry into service expected in November 2024. Construction also continued on the new parking garage and pedestrian bridge at Manassas Park Station. Development efforts continued on several VRE expansion projects that will allow for future system growth, including the Broad Run, Crystal City, Alexandria, and L’Enfant station projects.
- **Rolling Stock:** In fiscal year 2024, progress continued towards the delivery of twenty-one new passenger railcars from Alstom Transportation Inc. Once in service, the expanded railcar fleet will provide VRE with operational flexibility and the opportunity for longer trains and/or additional service frequency. The cars are expected to be completed and ready for revenue service in late fiscal year 2027 or early fiscal year 2028.
- **Systems:** In fiscal year 2024, VRE continued using the Automated Passenger Counter (APC) system for certain ridership tracking and planning purposes, although the system has not yet undergone Federal Transit Administration validation for use in reporting to the National Transit Database (NTD). The validation process is expected to be initiated soon following the resolution of back-end software issues related to train scheduling. VRE is continuing the deployment of a system-wide upgrade to the Variable Message Sign (VMS) network and improvements to station lighting. Work also continued on upgrades to the VRE Mobile ticketing system to allow for the reinstatement of the Amtrak Step-Up program. These upgrades will support the automatic transmission of VRE customer names to the Amtrak train manifest, meeting a new security requirement.

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 fuel 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 a landmark agreement between the Commonwealth and CSX Transportation (CSXT) for the acquisition of railroad right-of-way in the RF&P Corridor. This ambitious program of capital improvements, which includes the construction of a new passenger-dedicated two-track Long Bridge across the Potomac River, will occur in phases over the next decade. 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 its L'Enfant and Crystal City station improvement projects as well as the Track 22 rehabilitation project at Union Station. In March 2021, VRE entered into a Funding Agreement with the Virginia Passenger Rail Authority (VPRA) that commits VRE to use 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 double-A rated tax-exempt bonds generated approximately \$119 million in net proceeds that were then transferred to VPRA in July 2022. VRE continues to make PAYGO capital contributions in accordance with the Funding Agreement that are supporting the engineering and design efforts on the Long Bridge project.

On September 5, 2024, the Virginia Passenger Rail Authority (VPRA) purchased approximately 24 miles of the Manassas Line from Norfolk Southern Corporation (NS). Through this new agreement, VPRA also gained access to the railroad's main line (N-Line) in Christiansburg, Virginia, a key component to the Commonwealth's planned intercity rail service expansion to the New River Valley. VRE and VPRA have developed a draft Funding Agreement setting out the parameters for VRE's financial participation in the Manassas Line transaction, which is expected to 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. VRE is currently examining the feasibility of constructing a midday storage facility at the Seminary Yard location, which would replace the existing project to construct such a facility adjacent to New York Avenue in Washington, DC.

In October 2024, the Commissions approved a new operating access agreement between VRE and NS covering the small sections of the Manassas Line retained by NS. Commission approvals of the Manassas Line Funding Agreement and a long-term Manassas Line operating access agreement between VRE and VPRA are expected in the November 2024 to January 2025 timeframe.

Long-Term Financial Planning

In order to prioritize investment needs and identify future growth opportunities, the VRE System Plan 2040 was adopted by the VRE Operations Board in January 2014. The plan assesses the future long-term ridership demand for VRE service and identifies the service expansions and capital investments necessary to accommodate that demand. The plan provides a framework for VRE system investments and actions VRE should pursue to best meet long-term regional travel needs.

The TRV program of projects will address many of the needs identified in VRE's System Plan 2040, and VRE is contributing CROC funds to support key TRV projects in the VRE service area. The agreement between the Commonwealth and CSXT also will result in changes to operations in the corridor, with passenger and freight traffic being essentially segregated. This has resulted in changes to VRE's original plans for station expansions on the Fredericksburg Line. Similarly, VPRA's purchase of the Manassas Line from NS will significantly expand the potential for operational changes and improvements by VRE and may change VRE's current approach to the storage of trains during the midday.

In June 2022, VRE staff initiated the System Plan 2050 update process to reflect the planned TRV investments as well as significant changes in regional travel patterns since 2014. This comprehensive update should be completed in fiscal year 2025 and will allow VRE to identify ways to serve a greater number of people and support a variety of regional travel needs.

Financial Environment

As the regional road network has become more crowded over the last 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 2040 – most notably, providing additional passenger capacity across the Potomac River – and will position VRE for continued long-term growth.

The near and medium-term environment remains uncertain given the lasting impact of the COVID-19 pandemic on employment and travel patterns. As of September 2024, midweek ridership on VRE remains down approximately 60 percent from pre-pandemic levels. Ridership continued to increase in fiscal year 2024 as more employees returned to working in offices, and ridership is expected to continue to grow in fiscal year 2025. However, remote work is still being heavily utilized in the Washington region, with some public and private sector organizations remaining fully remote while many others have transitioned to a 'hybrid' approach. The federal government, in particular, has not taken a unified approach to remote work, with individual agencies and departments making separate policy decisions. The ultimate impact on VRE's ridership will depend on many factors – economic, political, and organization-specific – that are not directly within VRE's control. VRE is focused on a wide range of actions, including marketing, promotional fares, and potential service modifications to expand beyond the traditional peak-hour federal employee commute market and grow ridership.

Awards and Acknowledgement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Virginia Railway Express for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023 and 2022.

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.

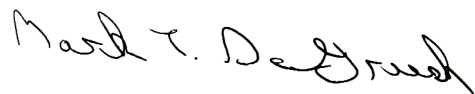
Respectfully submitted,



Rich Dalton
Chief Executive Officer



Mark Schofield
Chief Financial Officer



Mark T. DeGrush
Comptroller

DIRECTORY OF PRINCIPAL OFFICIALS AND KEY PERSONNEL 2024 VRE Operations Board

Officers

Chair	Hon. Meg Bohmke, Stafford County
Vice - Chair	Hon. Sarah Bagley, City of Alexandria
Secretary	Hon. Ralph Smith, City of Manassas
Treasurer	Hon. Daniel Storck, Fairfax County
At-Large	Hon. Andrea Bailey, Prince William County

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Hon. Monica Gary, Stafford County
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Zach Trogon, Commonwealth of Virginia
Hon. Alanna Mensing, City of Manassas Park
Hon. James Walkinshaw, Fairfax County

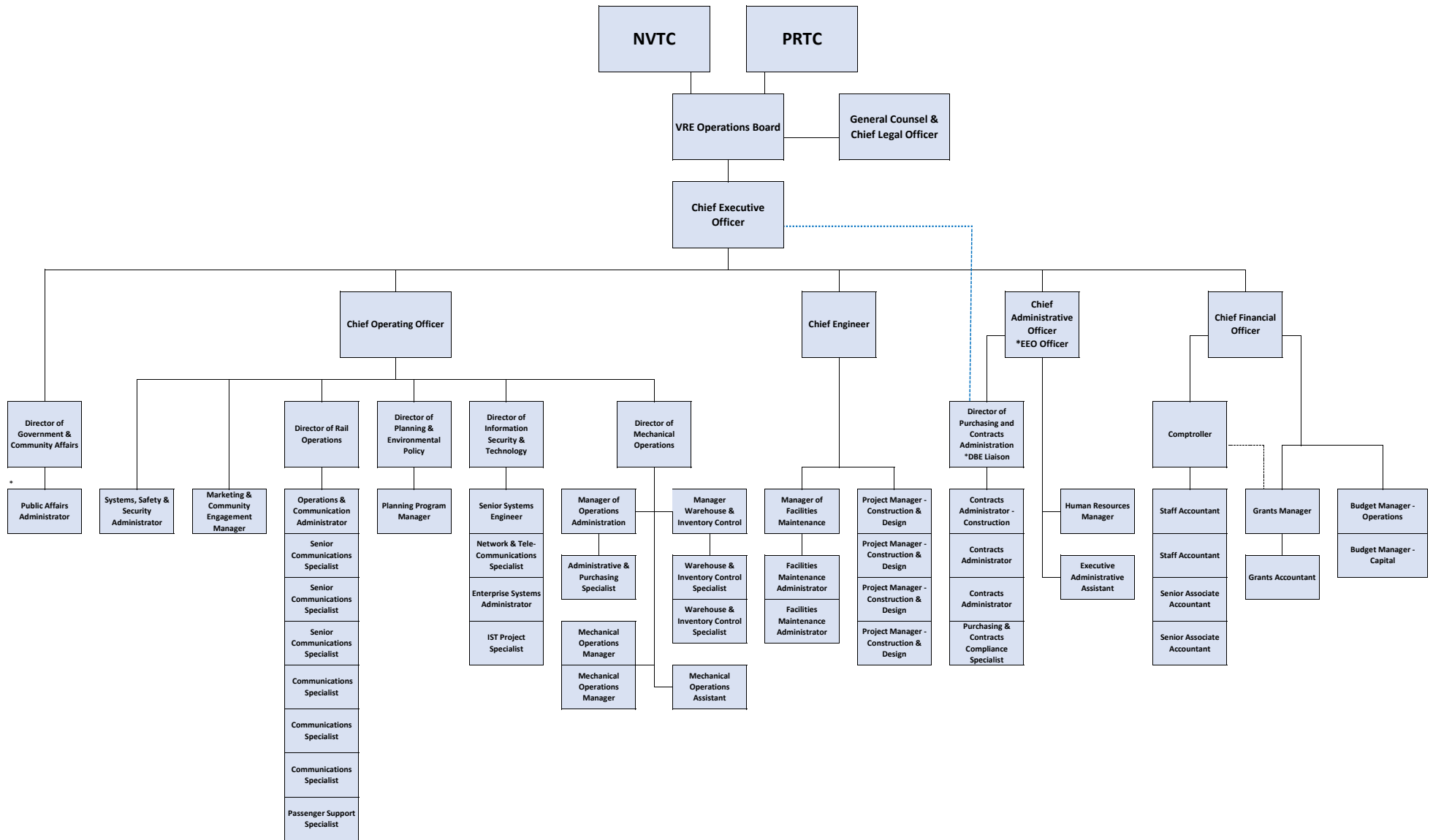
Alternates

Hon. Canek Aguirre, City of Alexandria
Hon. Tinehsa Allen, Stafford County
Hon. Victor Angry, Prince William County
Hon. Kenny Boddye, Prince William County
Hon. Deborah Frazier, Spotsylvania County
Hon. Libby Garvey, Arlington County
Hon. William MacIntosh, City of Fredericksburg
Michael McLaughlin, Commonwealth of Virginia
Hon. Darrell Moore, City of Manassas Park
Hon. Pamela Sebesky, City of Manassas
Hon. Pamela Yeung, Stafford County

Management

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

**Virginia Railway Express
Organizational Chart
As of June 30, 2024**



* Note: Director of Purchasing and Contracts Administration reports to the CEO in matters related to their duties as DBE liaison

Chief Administrative Officer - primary EEO Officer for VRE

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

Financial Section



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Virginia Railway Express (VRE), a joint venture of the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation Commission, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the VRE's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of VRE, as of June 30, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 63-71, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2024 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 5, 2024



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides the reader with an overview of the activities and performance of the Virginia Railway Express (VRE) for the fiscal year ended June 30, 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 13.5 percent compared to the prior year, from \$14,250,860 to \$16,168,731. Ridership increased 8.4 percent from 1,466,480 to 1,589,675, reflecting the continued return of ridership following the COVID-19 Coronavirus pandemic throughout fiscal years 2022, 2023, and 2024. Average daily ridership was 6,333 in fiscal year 2024 compared to 5,866 in fiscal year 2023.
- Operating expenses increased by 15.2 percent from \$92,086,157 to \$106,046,460. Primary drivers of increased costs include salaries and benefits, professional/administrative services, access fees, and contract and grant funded operations/maintenance.
- Non-operating revenue increased 9.5 percent from \$96,432,063 to \$105,568,341, primarily as the result of increased Federal pandemic relief funds and increased jurisdictional subsidy contributions (from reduced levels immediately following the pandemic), offset by a reduction in Commonwealth of Virginia funds.
- Capital grants and assistance decreased 22.8 percent from \$57,488,404 to \$44,374,000; this decrease is attributed to an over-accrual of approximately \$6.9 million related to Commonwealth of Virginia funding made in FY2023, which was adjusted accordingly in FY2024, and 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.
- The operating loss before depreciation and amortization was \$89,877,729, an increase from the previous year of 15.5 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 \$29,629,214 from \$512,802,994 to \$542,432,208, or 5.8 percent, primarily due 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. At the end of the fiscal year, unrestricted net position was \$151,619,124, a decrease of approximately \$3.0 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 24-65 of this report.

Financial Analysis - Statements of Net Position

As noted earlier, net position may serve over time as an indicator of financial strength, although other indicators should be considered as well. A condensed summary of VRE's Statements of Net Position at June 30, 2024, 2023, and 2022 is shown below.

Condensed Statements of Net Position

	2024	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Current and other assets	\$ 193,909,550	\$ 199,840,804	\$ 305,953,698
Capital assets, net	540,221,879	502,695,977	354,171,361
Total assets	734,131,429	702,536,781	660,125,059
Deferred outflows of resources	925,701	1,084,713	1,455,938
Total assets and deferred outflows of resources	735,057,130	703,621,494	661,580,997
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Current portion of long-term debt	6,907,400	6,720,018	6,819,694
Other current liabilities	27,465,576	18,372,265	14,241,895
Noncurrent liabilities	156,869,410	164,030,549	170,730,321
Total liabilities	191,242,386	189,122,832	191,791,910
Deferred inflows of resources	1,382,536	1,695,668	3,305,618
Total liabilities and deferred inflows of resources	192,624,922	190,818,500	195,097,528
NET POSITION:			
Net investment in capital assets	359,245,516	322,715,330	290,402,387
Restricted	31,567,568	35,490,743	27,573,603
Unrestricted	151,619,124	154,596,921	148,507,479
Total net position, as restated	\$ 542,432,208	\$ 512,802,994	\$ 466,483,469

Current Year

Net position increased by approximately \$29.6 million, or 5.8 percent during the current fiscal year, due mainly to an increase in passenger revenue, jurisdictional subsidies, state, and federal grants including operating support related to the federal 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.

Prior Year

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

The largest portion of VRE's net position, \$322.7 million or 62.9 percent, represents its investment in capital assets (e.g., land, buildings, improvements, rolling stock, equipment, software, right-to-use assets and accumulated depreciation and amortization), less the related indebtedness outstanding used to acquire those capital assets. VRE uses these assets to provide services to its riders; consequently, these assets are not available for future spending. The resources required to repay this debt must be provided annually from operations and federal (with PRTC as grantee), state and local support since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

Restricted net position increased approximately \$7.9 million or 28.7 percent, primarily related to the issuance of a Transportation District Special Obligation Revenue Bond in June 2022. The majority of VRE's restricted net position, \$35.5 million, represents resources that are restricted bond proceeds and for debt service.

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

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

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

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.

	2024	2023	2022
Operating revenues:			
Passenger revenue	\$ 15,743,767	\$ 13,940,102	\$ 10,517,221
Equipment rentals and other	424,964	310,758	116,857
Total operating revenues	16,168,731	14,250,860	10,634,078
Nonoperating revenues:			
Subsidies:			
Commonwealth of Virginia	26,759,223	42,011,586	21,975,609
Federal – with PRTC as grantee	12,962,716	9,289,764	8,070,012
Federal Pandemic Relief Funds	37,488,029	20,267,695	47,232,405
Jurisdictional contributions	16,000,000	13,544,122	4,756,658
Commuter Rail Operating and Capital Fund	7,496,000	7,499,738	5,811,156
Interest income	4,722,280	3,803,323	276,495
Gain (loss) on disposal of assets	(59,780)	-	-
Increase in fair value of investments	199,873	15,835	-
Total nonoperating revenues, net	105,568,341	96,432,063	88,122,335
Total revenues	121,737,072	110,682,923	98,756,413
Operating expenses:			
Contract operations and maintenance	33,534,857	30,866,478	28,495,740
Other operations and maintenance	26,412,160	20,661,998	17,763,617
Property leases and access fees	20,403,054	18,436,123	17,283,411
Insurance	7,880,355	7,732,360	7,431,921
Marketing and sales	1,398,014	1,175,036	795,787
General and administrative	16,418,020	13,214,162	10,558,848
Total operating expenses	106,046,460	92,086,157	82,329,324
Other expenses:			
Depreciation and amortization	23,548,243	22,480,189	21,552,764
Interest, financing costs and other	6,887,155	7,285,456	2,908,408
Total other expenses	30,435,398	29,765,645	24,461,172
Total expenses	136,481,858	121,851,802	106,790,496
Surplus (deficit) before capital contributions and extraordinary item	(14,744,786)	(11,168,879)	(8,034,083)
Capital grants and assistance:			
Commonwealth of Virginia grants	24,118,298	27,879,245	25,604,500
Federal grants – with PRTC as grantee	10,844,459	20,406,397	17,603,912
Commuter Rail Operating and Capital Fund	7,504,000	7,500,262	9,188,844
Regional transportation funding (NVT A)	1,907,243	1,702,500	875,805
In-kind and other local contributions	-	-	62,269
Total capital grants and assistance	44,374,000	57,488,404	53,335,330
Change in net position	29,629,214	46,319,525	45,301,247
Net position - beginning of year	512,802,994	466,483,469	421,182,222
Net position - end of year	\$ 542,432,208	\$ 512,802,994	\$ 466,483,469

Revenues

Current Year

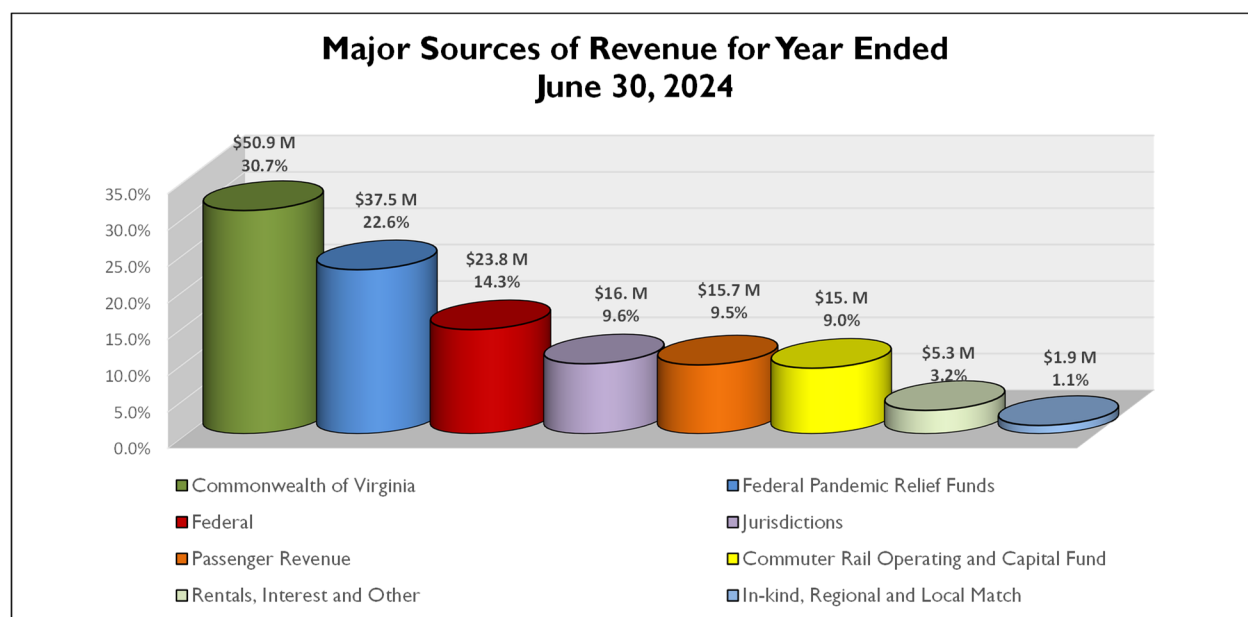
Total revenues for the current fiscal year increased approximately \$11.1 million or 10.0 percent. Operating revenues totaled approximately \$16.2 million, an increase of 13.5 percent from the prior year. Jurisdictional subsidies and contributions to project operating costs increased by approximately \$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.

	June 30,		
	2024	2023	2022
Ridership	1,589,675	1,466,480	821,828
% Increase (Decrease)	8.4%	78.4%	140.5%

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 FY2023, adjusted accordingly in FY2024, 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.

The following chart shows the major sources of revenue for the year ended June 30, 2024:



Prior Year

Total revenues for the prior fiscal year increased approximately \$11.9 million or 12.1 percent. Operating revenues totaled approximately \$14.3 million, an increase of 34.0 percent from the prior year. Jurisdictional subsidies and contributions to project operating costs increased by approximately \$8.8 million. State, federal, and regional subsidies decreased by \$5.7 million, primarily as the result of a reduction of \$27.0 million in CARES Act funding related to the COVID-19 pandemic, \$15.9 million increase from return of federal and state operating support for railroad access fees and an additional \$4.1 million in state operating subsidy. Fiscal year 2023 is the fifth year since the creation of the Commuter Rail Operating and Capital (C-ROC) Fund, with \$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 \$3.4 million or 32.5 percent, reflecting the effects of the return of ridership in the early period following the COVID-19 pandemic. Total ridership increased by 78.4 percent as the result of the same factor. Average daily ridership was 5,866 in fiscal year 2023 compared to 3,314 in fiscal year 2022 and 1,389 in fiscal year 2021.

Capital grants and assistance increased approximately \$4.2 million or 7.8 percent; this increase is attributed to increases in capital project spending in fiscal year 2023. VRE continues to have many capital projects in various stages of development, several of which are in the major construction phase in fiscal year 2023.

Expenses

Current 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.

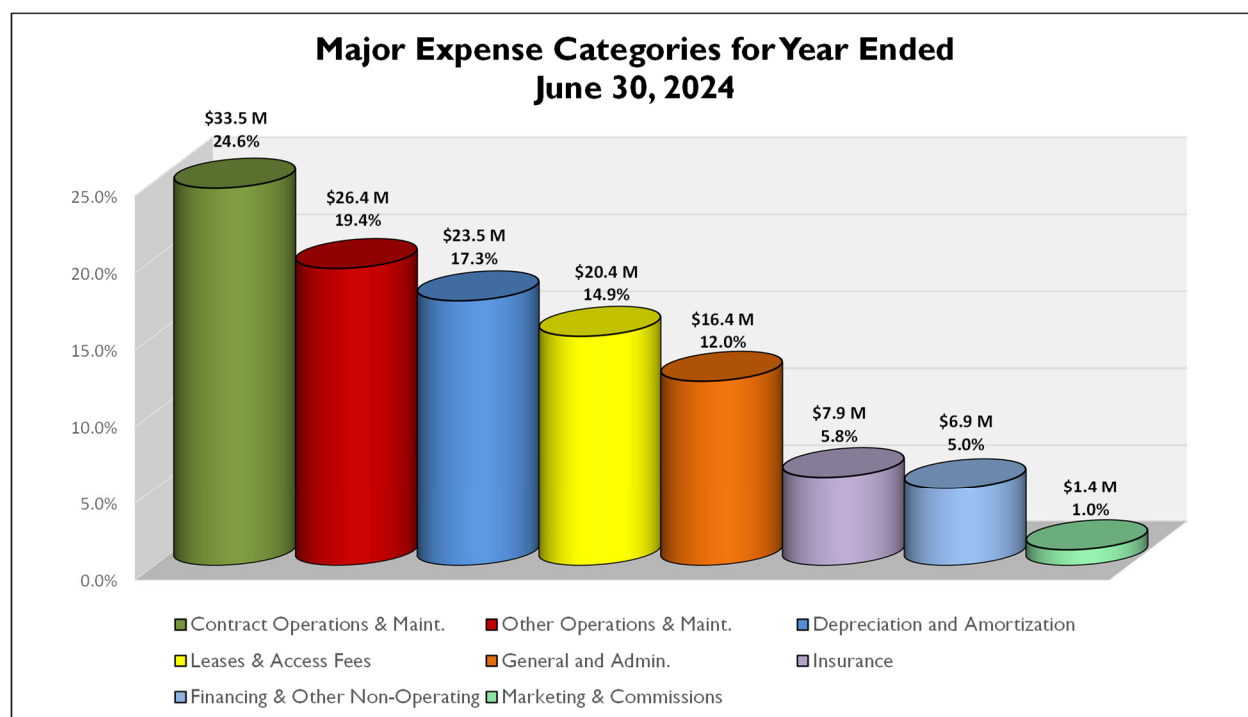
Insurance costs increased by \$0.1 million or 2.0 percent due to ongoing changes in the global insurance market for commuter railroads. General and administrative costs increased by \$3.2 million or 24.2 percent, primarily due to increases in salaries and project contributions.

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.

The following chart shows the major expense categories for the year ended June 30, 2024:



Prior Year

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

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

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

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

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

Capital Assets and Debt Administration

Capital Assets

VRE's investment in capital assets as of June 30, 2024 totals approximately \$540.2 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.

	2024	2023	2022
Construction in progress	\$ 115,943,941	\$ 121,202,856	\$ 80,340,785
Intangible right-to-use lease buildings	1,463,568	1,463,568	1,385,031
Intangible right-to-use lease parking lots	-	273,503	579,328
Intangible right-to-use lease tower	211,144	99,581	99,581
Right-to-use subscription asset	1,815,971	1,534,524	-
Rolling stock	286,777,390	286,777,390	285,303,075
Vehicles	301,361	151,340	145,560
Facilities	183,625,720	119,028,802	112,979,178
Track and signal improvements	100,108,269	100,108,269	100,108,269
Equipment and software	14,911,976	13,917,147	13,370,290
Equity in property of others	124,946,482	124,946,482	5,787,287
Furniture, equipment and building improvements	7,416,408	7,532,000	6,259,838
	837,522,230	777,035,462	606,358,222
Less accumulated depreciation and amortization	(297,300,351)	(274,339,485)	(252,186,861)
Total capital assets, net	\$ 540,221,879	\$ 502,695,977	\$ 354,171,361

Current 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 \$65.9 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 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), Equity in VPRA Long Bridge (\$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.

Prior Year

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

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

The major additions to construction in progress during the fiscal year were costs related to the Crossroads LOU Lifecycle Facility (\$21.2 million), the Quantico Station Improvements project (\$10.2 million), the contribution to the Equity in VPRA Long Bridge (\$7.5 million), the 21 New Railcars project (\$4.3 million), the Fredericksburg Station rehab project (\$2.9 million), the Broad Run Expansion project (\$2.7 million), the Manassas Park Parking Expansion project (\$0.7 million), and the Crossroads MSF expansion project (\$0.5 million).

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

Debt Administration

At June 30, 2024, VRE had total debt outstanding of \$147,018,002.

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

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

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

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

	2024	2023	2022
Bonds payable	\$ 143,645,000	\$ 148,210,000	\$ 152,965,000
Private placement note payable	1,866,848	3,650,870	5,355,739
Leases payable	1,399,668	1,381,122	1,640,618
Subscription liability	106,486	302,044	-
Total	\$ 147,018,002	\$ 153,544,036	\$ 159,961,357

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

Economic Factors and Next Year’s Budget

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

The local subsidy for fiscal year 2024 increased by \$2,455,878 or 18.1 percent to \$16,000,000. Fares were held constant; the previous general fare increase was 3.0 percent in fiscal year 2020. In fiscal year 2019 VRE began to receive funding from the Commonwealth of Virginia Commuter Rail Operating and Capital (CROC) Fund, which will continue in fiscal year 2024. Additional sources of funding will be available in fiscal year 2024 from federal, state and regional sources, although the amounts received will continue to vary from year to year.

Requests for Information

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

Basic Financial Statements

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF NET POSITION

June 30, 2024 and 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2024	2023
Current Assets:		
Cash and cash equivalents	\$ 53,492,961	\$ 80,010,886
Accounts receivable:		
Federal Due from PRTC	44,268,636	32,091,015
Federal Pandemic Relief Funds	5,801,627	3,264,673
Commonwealth of Virginia grants	47,722,157	37,323,122
Commuter Rail Operating and Capital (C-ROC) Fund	2,500,000	2,500,000
Trade receivables, net of allowance for doubtful accounts	341,496	373,999
Other receivables	2,984,770	3,987,992
Inventory	3,571,025	3,165,942
Prepaid expenses and other	594,414	572,705
Restricted cash, cash equivalents and investments	31,567,568	35,423,290
Total current assets	192,844,654	198,713,624
Noncurrent Assets:		
Capital assets:		
Construction in progress	115,943,941	121,202,856
Intangible right-to-use lease buildings	1,463,568	1,463,568
Intangible right-to-use lease parking lots	-	273,503
Intangible right-to-use lease tower	211,144	99,581
Right-to-use subscription assets	1,815,971	1,534,524
Rolling stock	286,777,390	286,777,390
Vehicles	301,361	151,340
Facilities	183,625,720	119,028,802
Track and signal improvements	100,108,269	100,108,269
Equipment and software	14,911,976	13,917,147
Equity in property of others	124,946,482	124,946,482
Furniture, equipment and building improvements	7,416,408	7,532,000
	837,522,230	777,035,462
Less accumulated depreciation and amortization	(297,300,351)	(274,339,485)
Total capital assets, net	540,221,879	502,695,977
Leases receivable, noncurrent portion	1,064,896	1,059,727
Net pension asset	-	67,453
Total noncurrent assets	541,286,775	503,823,157
Total assets	734,131,429	702,536,781
Deferred Outflows of Resources:		
Loss on refunding	269,996	300,853
Pension plan	544,731	694,950
Other postemployment benefits	110,974	88,910
Total deferred outflows of resources	925,701	1,084,713
Total assets and deferred outflows of resources	\$ 735,057,130	\$ 703,621,494

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF NET POSITION (Continued) June 30, 2024 and 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2024	2023
Current Liabilities:		
Accounts payable	\$ 15,398,780	\$ 9,045,422
Payable to the Commissions	2,811,663	1,937,977
Compensated absences	58,622	52,732
Accrued expenses	5,328,551	3,682,809
Accrued interest	854,790	913,781
Unearned revenue	1,277,762	1,266,371
Contract retainage	1,735,408	1,473,173
Current portion of bonds payable	4,795,000	4,565,000
Subscription liability	106,486	195,558
Lease liability	139,366	175,438
Current portion of private placement note payable	1,866,848	1,784,022
Total current liabilities	34,373,276	25,092,283
Noncurrent Liabilities:		
Pension liability	70,526	-
Other postemployment benefits	367,853	328,073
Bonds payable	154,294,004	159,591,000
Private placement note payable	-	1,866,848
Subscription liability	-	106,486
Lease liability	1,260,302	1,205,684
Compensated absences	876,425	932,458
Total noncurrent liabilities	156,869,110	164,030,549
Total liabilities	191,242,386	189,122,832
Deferred Inflows of Resources:		
Leases	1,019,503	1,029,445
Pension plan	304,000	582,225
Other postemployment benefits	59,033	83,998
Total deferred inflows of resources	1,382,536	1,695,668
Net Position:		
Net investment in capital assets	359,245,516	322,715,330
Restricted for liability insurance plan	10,553,006	10,147,403
Restricted for debt service	14,073,320	22,521,722
Restricted grants or contributions	6,941,242	2,754,165
Restricted pension asset	-	67,453
Unrestricted net position	151,619,124	154,596,921
Total net position	542,432,208	512,802,994
Total liabilities, deferred inflows of resources and net position	\$ 735,057,130	\$ 703,621,494

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION Years Ended June 30, 2024 and 2023

	2024	2023
Operating Revenues:		
Passenger revenue	\$ 15,743,767	\$ 13,940,102
Equipment rentals and other	424,964	310,758
Total operating revenues	16,168,731	14,250,860
Operating Expenses:		
Contract operations and maintenance	33,534,857	30,866,478
Other operations and maintenance	26,412,160	20,661,998
Property leases and access fees	20,403,054	18,436,123
Insurance	7,880,355	7,732,360
Marketing and sales	1,398,014	1,175,036
General and administrative	16,418,020	13,214,162
Total operating expenses	106,046,460	92,086,157
Operating loss before depreciation and amortization	(89,877,729)	(77,835,297)
Depreciation and Amortization	(23,548,243)	(22,480,189)
Operating loss	(113,425,972)	(100,315,486)
Nonoperating Revenues (Expenses):		
Subsidies:		
Commonwealth of Virginia grants	26,759,223	42,011,586
Federal grants – with PRTC as grantee	12,962,716	9,289,764
Federal Pandemic Relief Funds	37,488,029	20,267,695
Jurisdictional contributions	16,000,000	13,544,122
Commuter Rail Operating and Capital (C-ROC) Fund	7,496,000	7,499,738
Interest income:		
Operating funds	697,180	1,069,411
Insurance trust	444,946	183,169
Commuter Rail Operating and Capital (C-ROC) Fund	2,528,870	1,894,380
Leases	32,030	19,778
Other restricted funds	1,019,254	636,585
Interest, amortization and other nonoperating expenses, net	(6,887,155)	(7,285,456)
Increase in fair value of investments	199,873	15,835
Loss on disposal of assets	(59,780)	-
Total nonoperating revenues, net	98,681,186	89,146,607
Capital Grants and Assistance:		
Commonwealth of Virginia grants	24,118,298	27,879,245
Federal grants – with PRTC as grantee	10,844,459	20,406,397
Commuter Rail Operating and Capital (C-ROC) Fund	7,504,000	7,500,262
Regional transportation funding (NVTa)	1,907,243	1,702,500
Total capital grants and assistance	44,374,000	57,488,404
Change in net position	29,629,214	46,319,525
Net Position, beginning of year	512,802,994	466,483,469
Net Position, ending	\$ 542,432,208	\$ 512,802,994

VIRGINIA RAILWAY EXPRESS

STATEMENTS OF CASH FLOWS Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities:		
Receipts from customers	\$ 16,185,493	\$ 14,252,225
Payments to suppliers	(96,298,586)	(82,754,681)
Payments to employees	(9,061,955)	(9,019,027)
Net cash used in operating activities	(89,175,048)	(77,521,483)
Cash Flows from Noncapital Financing Activities:		
Governmental subsidies	82,068,459	81,116,539
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(53,040,583)	(166,991,329)
Capital grants and assistance	38,901,359	51,183,285
Private placement note payable	(1,784,022)	(1,704,869)
Principal paid on bonds	(4,565,000)	(4,755,000)
Lease liability	(192,598)	(359,710)
Subscription liability	(102,866)	(197,809)
Interest paid on private placement note payable	(147,336)	(211,845)
Interest paid on bonds and notes	(7,212,548)	(7,095,831)
Interest paid on leases	(40,444)	(44,234)
Interest paid on subscription liability	(4,935)	(4,084)
Net cash used in capital and related financing activities	(28,188,973)	(130,181,426)
Cash Flows from Investing Activities:		
Interest received on investments	4,921,915	3,830,999
Decrease in cash and cash equivalents	(30,373,647)	(122,755,371)
Cash and Cash Equivalents, beginning	115,434,176	238,189,547
Cash and Cash Equivalents, ending	\$ 85,060,529	\$ 115,434,176
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:		
Operating loss	\$ (113,425,972)	\$ (100,315,486)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	23,548,243	22,480,189
Special contributions - VRS	2,812	8,294
Write-off of construction in progress to expense	-	704,293
(Increase) decrease in:		
Accounts receivable	32,503	95,434
Inventory	(405,083)	(17,168)
Prepaid expenses and other	(21,709)	(98,260)
Lease receivable	(15,111)	(30,282)
Deferred outflows of resources – pension	150,218	337,177
Deferred outflows of resources – other postemployment benefits	(22,064)	3,192
Deferred inflows of resources - pension	(278,225)	(1,179,380)
Deferred inflows of resources - other postemployment benefits	(24,965)	(57,066)
Pension asset/liability	137,979	823,940
Other postemployment benefits	36,968	14,194
Increase (decrease) in:		
Accounts payable and accrued expenses	1,109,988	(225,767)
Unearned revenue	(630)	(64,787)
Net cash used in operating activities	\$ (89,175,048)	\$ (77,521,483)
Schedule of Noncash Capital Activities:		
Capital assets acquired through accounts payable	\$ 12,184,494	\$ 6,157,795
Capital assets acquired through accrued liabilities	4,864,450	3,160,495
Right-to-use assets acquired through subscriptions	-	583,559
Intangible right-to-use assets acquired through leases	211,144	100,277
Write off of subscription liability	92,692	-

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting

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

Revenues and expenses: VRE distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses are those that result from providing services in connection with VRE’s principal ongoing operation. The principal operating revenues of VRE are fares paid by customers which result in passenger revenues. Passenger revenues are recorded as revenue at the time services are performed. Cash received for services in advance is deferred until earned.

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

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

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

Restricted cash and cash equivalents: Restricted cash, cash equivalents and investments of \$31,567,568 and \$35,423,290 at June 30, 2024 and 2023, 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 \$79,000 and \$70,000 at June 30, 2024 and 2023, 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

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting (Continued)

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

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

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

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

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

Rolling stock	8-25 years
Vehicles	5 years
Facilities	30-40 years
Track and signal improvements	5-30 years
Equipment and software	5-10 years
Equity in property of others	3-35 years
Furniture, equipment and building improvements	3-10 years
Intangible right-to-use lease assets and subscription assets	2-15 years

When, in the opinion of management, certain assets are impaired, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2024 and 2023.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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

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 employees are granted vacation leave based on length of employment. Employees with less than ten years of service may carry over a total of 225 hours of leave from year to year, while those with more than ten years may carry over 300 hours. Excess leave may convert to sick leave or may be paid out with the approval of the Chief Executive Officer. Employees may accumulate sick leave without limitation. Employees who separate in good standing after five or more years of service will be paid for 25 percent of their sick leave credit in excess of 450 hours. Certain employees may accumulate compensatory leave for overtime worked. Compensated absences are accrued when incurred.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting (Continued)

Deferred outflows/inflows of resources: In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. VRE has several items that qualify for reporting in this category. The first item relates to the deferred loss on refinancing. The remaining items relate to the pension plan, 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 Virginia Retirement System (VRS) VRE's Retirement Plan and the additions to/deductions from the VRS VRE's Retirement Plan fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Since VRE is combined with PRTC for reporting purposes to VRS, amounts and disclosures included in this report are for PRTC as a whole unless otherwise indicated.

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 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.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting (Continued)

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

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

Reclassification: Certain prior year amounts in the Statements of Revenue, Expenses and Change in Net Position and Statements of Cash Flows have been reclassified for consistency with the current year presentation.

Subsequent events: VRE has evaluated subsequent events through November 5, 2024, which was the date the financial statements were available to be issued.

Note 2. Cash, Cash Equivalents and Investments

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

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

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

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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

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

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

Custodial credit risk: For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, VRE may not recover its deposits. All cash of VRE is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. If any member bank fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. With the ability to make additional assessments, the multiple bank collateral pool functions similarly to depository insurance. The Commonwealth of Virginia Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act. At June 30, 2024 and 2023, the book balance of VRE's deposits with banks was \$5,926,122 and \$16,958,351, respectively.

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

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

At June 30, 2024 and 2023, VRE had investments of \$54,570,558 and \$65,865,854, 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.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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

Concentration of credit risk (continued): 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, 2024 and 2023, VRE had \$10,490,529 and \$10,088,248, respectively, invested in the Insurance Trust. In fiscal years 2024 and 2023, earnings on the Insurance Trust in the amount of \$444,946 and \$183,169, 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, 2024 and 2023, VRE had \$2,049,547 and \$2,012,087, 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, 2024 and 2023, VRE had \$7,610,664 and \$7,445,493 invested in the Debt Service Reserve Fund, \$3,768,463 and \$3,884,111 in the Revenue Stabilization Fund.

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

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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

As of June 30, 2024 and 2023, the carrying values and maturity of VRE's investments were as follows:

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
Total investments	\$ 79,134,407	\$ 79,134,407

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

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

VRE has the following investment subject to fair value measurements:

- Securities issued or guaranteed by the U.S. government and other commercial instruments of \$14,073,320 as of June 30, 2024, 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, 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
Total capital assets being depreciated or amortized	655,832,606	603,583	(739,848)	65,881,948	721,578,289
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
Total accumulated depreciation or amortization	274,339,485	23,548,243	(587,377)	-	297,300,351
Total capital assets being depreciated or amortized, net	381,493,121	(22,944,660)	(152,471)	65,881,948	424,277,938
Total capital assets	\$ 502,695,977	\$ 37,678,373	\$ (152,471)	\$ -	\$ 540,221,879

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2023 was as follows:

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

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

The chart reflects several asset-related adjustments completed as part of VRE's transition of financial systems in fiscal year 2023.

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, 2024:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Private placement note payable	\$ 3,650,870	\$ -	\$ (1,784,022)	\$ 1,866,848	\$ 1,866,848
Bonds payable	148,210,000	-	(4,565,000)	143,645,000	4,795,000
Premiums	15,946,000	-	(501,996)	15,444,004	-
Subscription liability	302,044	-	(195,558)	106,486	106,486
Lease liability	1,381,122	211,144	(192,598)	1,399,668	139,366
	169,490,036	211,144	(7,239,174)	162,462,006	6,907,700
Compensated absences	985,190	577,160	(627,303)	935,047	58,622
	<u>\$ 170,475,226</u>	<u>\$ 788,304</u>	<u>\$ (7,866,477)</u>	<u>\$ 163,397,053</u>	<u>\$ 6,966,322</u>

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

Private Payment Placement Note Payable – Gallery IV (11 cars)

\$25,100,000 private payment placement note payable; \$965,679 due semi-annually, including interest at 4.59%, maturing in 2025, collateralized with Gallery IV railcars with a carrying value of \$8,443,412.

\$ 1,866,848

Future minimum payments as of June 30, 2024 are as follows:

Year Ending June 30,	Principal	Interest
2025	\$ 1,866,848	\$ 64,509
	<u>\$ 1,866,848</u>	<u>\$ 64,509</u>

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

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

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

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Obligations (Continued)

VRA Bond payable, \$46,640,000 Bond, due in variable bi-annual amounts, plus a bi-annual variable interest rate of 3.13% to 5.13% through October 1, 2032. The carrying value of the railcars was \$42,285,815 at June 30, 2024.

\$ 31,945,000

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.

\$ 111,700,000

Mandatory debt service on Bonds payable requirements as of June 30, 2024 are as follows:

Years Ending June 30,	NVTC Bond		VRA Bond		Total Required	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 1,910,000	\$ 5,585,000	\$ 2,885,000	\$ 1,404,303	\$ 4,795,000	\$ 6,989,303
2026	2,010,000	5,489,500	3,040,000	1,252,475	5,050,000	6,741,975
2027	2,110,000	5,389,000	3,200,000	1,092,575	5,310,000	6,481,575
2028	2,215,000	5,283,500	3,365,000	924,347	5,580,000	6,207,847
2029	2,325,000	5,172,750	3,545,000	747,278	5,870,000	5,920,028
2030-2034	13,485,000	23,999,500	15,910,000	1,254,106	29,395,000	25,253,606
2035-2039	17,210,000	20,274,000	-	-	17,210,000	20,274,000
2040-2044	21,975,000	15,518,750	-	-	21,975,000	15,518,750
2045-2049	28,045,000	9,447,250	-	-	28,045,000	9,447,250
2050-2052	20,415,000	2,074,750	-	-	20,415,000	2,074,750
Subtotal	111,700,000	98,234,000	31,945,000	6,675,084	143,645,000	104,909,084
Unamortized premium	11,960,111	-	3,483,893	-	15,444,004	-
Total	\$ 123,660,111	\$ 98,234,000	\$ 35,428,893	\$ 6,675,084	\$ 159,089,004	\$ 104,909,084

Subscription Liability

During the current fiscal year, VRE had multiple subscription agreements as lessee for software ranging from two to three years. As of June 30, 2024, the balance of the subscription liability was \$106,486.

VRE is required to make annual principal and interest payments ranging from \$2,240 to \$106,762. The subscriptions have an interest rate ranging from 2.35% to 2.8%. The value of the intangible right-to-use subscription assets as of the end of the current fiscal year was \$1,815,971 and had accumulated amortization of \$1,055,650.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Obligations (Continued)

Annual requirements to amortize subscription obligations are as follows:

	2024	2023
Subscription liability for an enterprise resource planning (ERP) system. VRE is required to make annual principal and interest payments in the amount of \$106,762 through August 2025. The subscription has an interest rate of 2.35%. An initial subscription liability was recorded in the amount of \$311,754. The ERP system has an estimated thirty-eight month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was \$1,810,148 and had accumulated amortization of \$1,052,375.	\$ 104,307	\$ 206,214
Subscription liability for an ERP module. VRE is required to make annual principal and interest payments of \$2,240 through August 2025. The subscription has an interest rate of 2.80%. An initial subscription liability was recorded in the amount of \$5,823. The ERP module has an estimated thirty-one month useful life. The value of the right-to-use subscription asset as of the end of the current fiscal year was \$5,823 and had accumulated amortization of \$3,275.	2,179	4,338
Subscription liability for Microsoft. VRE is required to make annual principal and interest payments in the amount of \$93,645 through February 2025. The subscription has an interest rate of 2.35%. An initial subscription liability was recorded in the amount of \$182,276. The subscription has an estimated thirty-one month useful life. The intangible right-to-use asset was terminated by VRE in July 2023, and therefore as of the end of the current fiscal year had a value of \$0.	-	91,492
	<u>\$ 106,486</u>	<u>\$ 302,044</u>

The following table summarized the total minimum subscription payments due:

Year Ending June 30,	Principal	Interest
2025	\$ 106,486	\$ 2,516
Total minimum subscription payments	<u>\$ 106,486</u>	<u>\$ 2,516</u>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Leases

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

	2024	2023
Lease liability for a tower. VRE is required to make monthly principal and interest payments of \$3,418 through January 2024. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$99,581. The tower has an estimated useful life of thirty-one months. The intangible right-to-use asset had an ending lease date in January 2024, and therefore as of the end of the current fiscal year has a value of \$0.	\$ -	\$ 23,692
Lease liability for a building. VRE is required to make monthly principal and interest payments ranging from \$10,608 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 \$345,623.	1,110,167	1,200,812
Lease liability for a parking lot. VRE is required to make monthly principal and interest payments of \$9,717 through December 2023. The lease has an interest rate of 3.00%. An initial lease liability was recorded in the amount of \$273,503. The parking lot has an estimated thirty month useful life. The intangible right-to-use asset had an ending lease date in December 2023, and therefore as of the end of the current fiscal year had a value of \$0.	-	57,791
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 \$8,356.	94,317	98,827
Lease liability for a tower. VRE is required to make monthly principal and interest payments ranging from \$3,521 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 \$17,595.	195,184	-
	<u>\$ 1,399,668</u>	<u>\$ 1,381,122</u>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 5. Leases (Continued)

The following table summarized the total minimum lease payments due:

Years Ending June 30,	Principal	Interest
2025	\$ 139,366	\$ 39,450
2026	148,280	35,358
2027	157,918	30,996
2028	168,191	26,350
2029	158,839	21,475
2030-2034	593,889	42,887
2035-2038	33,185	2,207
Total minimum lease payments	\$ 1,399,668	\$ 198,723

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 \$27,421 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.

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, 2024, the balance of the deferred inflow was \$1,019,503. Lease revenue for the year ended June 30, 2024 was \$9,942 net of the remeasurement of deferred inflows of resources of \$15,250 and lease interest income for the same year was \$32,030.

Future minimum lease amounts as of June 30, 2024 are as follows:

Years Ending June 30,	Principal	Interest
2025	\$ (4,526)	\$ 31,947
2026	(3,839)	32,083
2027	(3,107)	32,198
2028	(2,327)	32,291
2029	(1,498)	32,361
2030-2034	6,845	161,925
2035-2039	36,428	159,223
2040-2044	75,261	151,552
2045-2049	125,539	137,398
2050-2054	189,925	114,892
2055-2059	271,637	81,730
2060-2064	374,558	35,088
Total minimum lease amounts	\$ 1,064,896	\$ 1,002,688

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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, 2022 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	41
Inactive members:	
Vested	28
Non-vested	26
Long-Term disability	1
Active elsewhere in VRS	10
Active members	<u>94</u>
Total covered employees	<u><u>200</u></u>

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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, 2024 was 6.49% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from VRE were \$329,577 and \$313,029 for the years ended June 30, 2024 and 2023, respectively.

D. Net Pension Asset/Liability

VRE's net pension asset/liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022 rolled forward to the measurement date of June 30, 2023.

E. Actuarial Assumptions

The total pension liability for VRE's retirement plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

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

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

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

F. Long-Term Expected Rate of Return

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

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

F. 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	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
	Inflation		2.50%
			8.25%

* The above allocation provides a one-year expected return of 8.25%. 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 7.14%, 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2024, the alternate rate was the employer contribution rate used in fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022 actuarial valuations, whichever was greater. From July 1, 2023 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, 2022	\$ 25,758,634	\$ 25,871,392	\$ (112,758)
Changes for the Year:			
Service cost	867,475	-	867,475
Interest	1,763,608	-	1,763,608
Difference between expected and actual experience	280,263	-	280,263
Contributions – employer	-	523,246	(523,246)
Contributions – employee	-	482,987	(482,987)
Net investment income	-	1,687,642	(1,687,642)
Benefit payments, including refunds of employee contributions	(997,173)	(997,173)	-
Administrative expense	-	(16,364)	16,364
Other changes	-	683	(683)
Net changes	1,914,173	1,681,021	233,152
Balances at June 30, 2023	\$ 27,672,807	\$ 27,552,413	\$ 120,394

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 liability of \$70,526 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 58.58 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)	\$ 2,448,247	\$ 70,526	\$ (1,824,304)

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, 2024, VRE recognized pension expense of \$335,795. At June 30, 2024, 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	\$ 129,190	\$ (86,837)
Change in assumptions	85,964	-
Net difference between projected and actual earnings on pension plan investments	-	(217,163)
Employer contributions subsequent to the measurement date	329,577	-
Total	\$ 544,731	\$ (304,000)

The \$329,577 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, 2025. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2025	\$ (81,694)
2026	(254,397)
2027	240,397
2028	6,848
	\$ (88,846)

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report is publicly available through the About VRS link on the VRS website at www.varetire.org/pdf/publications/2023-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 another postemployment benefits (OPEB) plan. All full-time, salaried permanent employees of VRE are automatically covered by the GLI upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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 GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI OPEB.

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54% 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, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from VRE were \$38,390 and \$36,026 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. Our proportionate share is reflected in the Statement of Revenue and Expenditures of VRE's financial statements.

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, 2024, VRE reported a liability of \$332,327 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB liability used to calculate the net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was \$36,026 or 0.04639% as compared to \$32,002 or 0.04462% at June 30, 2022.

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, 2024, VRE recognized GLI OPEB expense of \$16,803. 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, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,191	\$ (10,087)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(13,355)
Change in assumptions	7,103	(23,025)
Changes in proportionate share	20,915	(12,515)
Employer contributions subsequent to the measurement date	38,390	-
Total	\$ 99,599	\$ (58,982)

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 \$332,327 on its Statements of Net Position based on a percentage of contributions to the plan for fiscal year 2023. VRE's percentage of total contributions to the plan was 59.73 percent. This percentage was used to allocate a portion of the net GLI OPEB liability to VRE.

The \$38,390 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, 2025. 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
2025	\$ (3,052)
2026	(13,998)
2027	8,450
2028	5,343
2029	5,484
Total	\$ 2,227

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NOTES TO FINANCIAL STATEMENTS

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

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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study 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, 2023, NOL amounts for the GLI are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 3,907,052
Plan fiduciary net position	2,707,739
GLI net OPEB liability	\$ 1,199,313

Plan fiduciary net position as a percentage of the total GLI OPEB liability 69.30%

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

F. Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long- Term Expected Rate of Return	Weighted Average Long- Term Expected Rate of Return*
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
	Inflation		2.50%
		* Expected arithmetic nominal return	8.25%

VIRGINIA RAILWAY EXPRESS

NOTES TO FINANCIAL STATEMENTS

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 return of 8.25%. 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 7.14%, 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 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, 2023, the rate contributed by employers for the VRS GLI OPEB Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 113% of the actuarially determined rate. From July 1, 2023, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
VRE	\$ 492,612	\$ 332,327	\$ 202,735

I. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI's Fiduciary Net Position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

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NOTES TO FINANCIAL STATEMENTS

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, 2023 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	6
Inactive members:	
Vested	2
Long-Term disability	1
Active elsewhere in VRS	9
Active members	98
Total covered employees	116

C. Contributions

The contribution requirement for active employees is governed by Title 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, 2024 was .16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate 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 \$11,375 and \$3,532 for the years ended June 30, 2024 and 2023, respectively.

D. Net HIC OPEB Liability

At June 30, 2024, VRE reported a net HIC OPEB liability of \$35,526. The net HIC OPEB liability was measured as of June 30, 2023. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

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

Inflation	2.50%
Salary increases, including inflation:	
General employees	3.50%-5.35%
Investment rate of return	6.75%, net of OPEB 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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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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	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP - Private Investment Partnership	2.00%	7.18%	0.14%
Cash	1.00%	1.20%	0.01%
Total	100.00%		5.75%
	Inflation		2.50%
			8.25%

- * The above allocation provides a one-year expected return of 8.25%. 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 7.14%, 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 45th 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, 2023, the rate contributed by VRE for the HIC OPEB was 100% of actuarially determined contribution rate. From July 1, 2023 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 (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (a-b)
Balances at June 30, 2022	\$ -	\$ -	\$ -
Changes for the Year:			
Interest	(48)	-	(48)
Changes of benefit terms	96,968	-	96,968
Contributions – employer	-	36,215	(36,215)
Net investment income	-	1,279	(1,279)
Benefit payments, including refunds of employee contributions	(1,425)	(1,425)	-
Administrative expense	-	(50)	50
Net changes	95,495	36,019	59,476
Balances at June 30, 2023	\$ 95,495	\$ 36,019	\$ 59,476

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:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
VRE	\$ 43,126	\$ 35,526	\$ 29,179

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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, 2024, VRE recognized HIC Program OPEB expense of \$57,208. At June 30, 2024, 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
Differences between expected and actual experience	\$ -	\$ (51)
Employer contributions subsequent to the measurement date	11,375	-
Total	\$ 11,375	\$ (51)

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 \$35,526 on its Statements of Net Position based on a percentage of contributions to the plan for fiscal year 2023. VRE's percentage of total contributions to the plan was 59.73 percent. This percentage was used to allocate a portion of the net HIC OPEB liability to VRE.

\$11,375 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, 2025. 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:

Year Ending June 30,	Amount
2025	\$ (12)
2026	(12)
2027	(13)
2028	(14)
Total	\$ (51)

K. Health Insurance Credit Program Plan Data

Detailed information about the VRS Political Subdivision HIC Program is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/pdf/publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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NOTES TO FINANCIAL STATEMENTS

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, 2024 and 2023, annual track usage fees totaled approximately \$12,411,000 and \$11,923,000, respectively, and facility and other identified costs totaled approximately \$492,000 and \$465,000, respectively. The increase in track usage fees and other direct services primarily reflects annual contract escalations.

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, 2024 and 2023, costs for track access and equipment storage totaled approximately \$7,992,000 and \$6,513,000, respectively, and midday maintenance, utility and other services totaled approximately \$5,226,000 and \$4,326,000, respectively. The increase in these costs is primarily due to annual contract escalations driven by the Association of American Railroads (ARR) cost indexes. Cost adjustments will be made in fiscal year 2025 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, 2024 and 2023 totaled approximately \$28,391,000 and \$26,586,000, respectively. The increase in train operation and maintenance costs is primarily a result of annual contract escalations and additional staff for the maintenance of our facilities. Costs are based on an annual budget prepared in advance. Costs for fiscal year 2025 will be adjusted for service additions or deletions and annual changes to the Consumer Price Index.

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NOTES TO FINANCIAL STATEMENTS

Note 10. Related Party Transactions

VRE reimburses the Commissions for expenses made on behalf of VRE. During 2024 and 2023, these payments included \$9,868,530 and \$9,254,014 of salary-related costs and \$35,256 and \$31,828 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 \$93,072 and \$90,179 to PRTC during 2024 and 2023, respectively.

VRE also contracts with PRTC for connecting bus service to selected stations on an as needed basis. PRTC bus service costs amounted to approximately \$3,338 and \$3,259 in 2024 and 2023, respectively. Amounts payable to NVTC and PRTC were \$21,876 and \$2,789,787, respectively, at June 30, 2024, and \$7,720 and \$1,930,257, respectively, at June 30, 2023.

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 \$78,700 at June 30, 2024 and \$56,300 at June 30, 2023.

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, 2024 and 2023 was as follows:

	2024	2023
Beginning balance, July 1	\$ 10,088,248	\$ 9,966,010
Insurance premiums paid	(7,310)	(7,100)
Claims mitigation and losses incurred	(4,808)	(19,392)
Investment income	444,946	183,169
Actuarial and administrative charges	(30,547)	(34,439)
Ending balance, June 30	<u>\$ 10,490,529</u>	<u>\$ 10,088,248</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

Note 12. Contingencies and Contractual Commitments

At June 30, 2024, there were disputes between VRE and certain vendors. The amounts of any settlements, should they occur, are not determinable at this time. However, such amounts are not expected to be material in relation to the recorded amounts.

The Commissions have outstanding commitments for construction of facilities and equipment. A combination of Federal and Commonwealth of Virginia grants and local funds will be used to finance these capital projects. The following is a summary of the more significant contractual commitments, net of expenses incurred as of June 30, 2024:

Stations and Parking Lots	\$ 23,341,105
Rolling Stock	63,553,737
Maintenance and Layover Yards	1,436,028
Track and Signal Improvements	176,000
Other Administrative	<u>186,283</u>
Total	<u>\$ 88,693,153</u>

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

Note 13. Pending GASB Statements

At June 30, 2024, 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. 101, *Compensated Absences*, is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 will be effective for VRE beginning with its year ending June 30, 2024.

GASB Statement No. 102, *Certain Risk Disclosures*, requires VRE to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires VRE to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If VRE determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. Statement 102 will be effective for VRE beginning with its year ending June 30, 2025.

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

Note 14. Subsequent Events

In September 2024, the VRE Operations Board authorized the Chief Executive Officer to execute a contract with Gannett Fleming, Inc. of Fairfax, Virginia, for Construction Management Services for the Alexandria Station Improvements Project in the amount of \$9,353,863, plus a 10 percent contingency of \$935,386, for a total amount not to exceed \$10,289,249.

In September 2024, the VRE Operations Board authorized the Chief Executive Officer to execute a General Engineering Consulting Services VIII Task Order with HDR Engineering, Inc. for Engineering Support for the Crossroads Maintenance and Storage Facility Administrative and Employee Welfare Building Project in the amount of \$1,351,300, plus a 10 percent contingency of \$135,130, for a total not to exceed \$1,486,430.

On September 5, 2024, the Virginia Passenger Rail Authority (VPRA) purchased approximately 24 miles of the Manassas Line from Norfolk Southern Corporation (NS). Through this new agreement, VPRA also gained access to the railroad's main line (N-Line) in Christiansburg, Virginia, a key component to the Commonwealth's planned intercity rail service expansion to the New River Valley. VRE and VPRA staff have developed a draft Funding Agreement laying out the parameters for VRE's financial participation in the Manassas Line transaction, which is expected to 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 October 2024, the Commissions approved a new operating access agreement between VRE and NS covering the small sections of the Manassas Line retained by NS for an initial annual fee of \$750,000, subject to escalations. Commission approvals of the Manassas Line Funding Agreement and a long-term Manassas Line operating access agreement between VRE and VPRA are expected in the November 2024 to January 2025 timeframe.

Required Supplementary Information

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF CONTRIBUTIONS – VIRGINIA RETIREMENT SYSTEM

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contribution (CRC)	\$ 460,763	\$ 478,465	\$ 419,283	\$ 413,760	\$ 354,543	\$ 323,989	\$ 421,362	\$ 454,868	\$ 523,246	\$ 564,407
Contributions in relation to the CRC	460,763	478,465	419,283	413,760	354,543	323,989	421,362	454,868	523,246	564,407
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 7,265,941	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 7,191,542	\$ 6,571,785	\$ 6,763,435	\$ 7,301,252	\$ 8,062,327	\$ 8,696,564
Contributions as a percentage of covered payroll	6.34%	6.15%	4.86%	4.66%	4.93%	4.93%	6.23%	6.23%	6.49%	6.49%

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.

VIRGINIA RAILWAY EXPRESS

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

	Fiscal Year June 30,									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service cost	\$ 722,134	\$ 743,258	\$ 778,686	\$ 756,831	\$ 796,518	\$ 747,243	\$ 766,964	\$ 718,141	\$ 781,338	\$ 867,475
Interest	763,704	850,266	942,652	1,051,830	1,132,348	1,233,409	1,339,757	1,481,325	1,668,067	1,763,608
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
Benefit payments, including refunds of employee contributions	(222,525)	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)	(676,419)	(829,005)	(764,428)	(997,173)
Net change in total pension liability	1,263,313	1,409,867	1,550,103	1,167,210	1,566,424	2,208,235	2,173,589	1,952,920	1,445,657	1,914,173
Total pension liability - beginning	11,021,316	12,284,629	13,694,496	15,244,599	16,411,809	17,978,233	20,186,468	22,360,057	24,312,977	25,758,634
Total pension liability - ending (a)	<u>\$ 12,284,629</u>	<u>\$ 13,694,496</u>	<u>\$ 15,244,599</u>	<u>\$ 16,411,809</u>	<u>\$ 17,978,233</u>	<u>\$ 20,186,468</u>	<u>\$ 22,360,057</u>	<u>\$ 24,312,977</u>	<u>\$ 25,758,634</u>	<u>\$ 27,672,807</u>
Plan Fiduciary Net Position										
Contributions - employer	\$ 528,296	\$ 460,763	\$ 478,465	\$ 419,283	\$ 413,760	\$ 354,543	\$ 323,989	\$ 421,362	\$ 454,868	\$ 523,246
Contributions - employee	414,844	494,240	375,574	407,825	411,106	414,063	419,869	399,479	435,662	482,987
Net investment income	1,697,173	603,590	259,738	1,829,732	1,265,980	1,249,744	378,372	5,570,288	(41,059)	1,687,642
Benefit payments, including refunds of employee contributions	(222,525)	(275,932)	(456,078)	(436,912)	(470,829)	(716,216)	(676,419)	(829,005)	(764,428)	(997,173)
Administrative expense	(8,482)	(7,442)	(8,396)	(9,970)	(10,415)	(11,937)	(12,621)	(13,494)	(15,836)	(16,364)
Other	89	(131)	(107)	(1,654)	(1,150)	(791)	(457)	530	608	683
Net change in plan fiduciary net position	2,409,395	1,275,088	649,196	2,208,304	1,608,452	1,289,406	432,733	5,549,160	69,815	1,681,021
Plan fiduciary net position - beginning	10,379,843	12,789,238	14,064,326	14,713,522	16,921,826	18,530,278	19,819,684	20,252,417	25,801,577	25,871,392
Plan fiduciary net position - ending (b)	<u>12,789,238</u>	<u>14,064,326</u>	<u>14,713,522</u>	<u>16,921,826</u>	<u>18,530,278</u>	<u>19,819,684</u>	<u>20,252,417</u>	<u>25,801,577</u>	<u>25,871,392</u>	<u>27,552,413</u>
PRTC's net pension (asset) liability - ending (a) - (b)	<u>\$ (504,609)</u>	<u>\$ (369,830)</u>	<u>\$ 531,077</u>	<u>\$ (510,017)</u>	<u>\$ (552,045)</u>	<u>\$ 366,784</u>	<u>\$ 2,107,640</u>	<u>\$ (1,488,600)</u>	<u>\$ (112,758)</u>	<u>\$ 120,394</u>
Plan fiduciary net position as a percentage of the total pension liability	104.11%	102.70%	96.52%	103.11%	103.07%	98.18%	90.57%	106.12%	100.44%	99.56%
Covered payroll	\$ 6,582,460	\$ 7,265,941	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 7,191,542	\$ 6,571,785	\$ 6,763,435	\$ 7,301,252	\$ 8,062,327
PRTC's net pension (asset) liability as a percentage of covered payroll	-7.67%	-5.09%	6.82%	-5.91%	-6.22%	5.10%	32.07%	-22.01%	-1.54%	1.49%

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, 2024

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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except that change in the discount rate, which was VRS Board action effective as of July 1, 2021. 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
Total Group Life Insurance OPEB Liability							
The Commission's Portion of the Net GLI OPEB Liability	0.04678%	0.04670%	0.04626%	0.04360%	0.04294%	0.04462%	0.04639%
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
The Commission's Covered Payroll	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,619	\$ 8,866,711	\$ 9,705,606	\$ 10,925,556
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%
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%

Notes to Schedule:

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

VIRGINIA RAILWAY EXPRESS

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

Last Ten Fiscal Years

	Fiscal Year June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contribution (CRC)	\$ 38,509	\$ 41,266	\$ 44,865	\$ 46,151	\$ 47,196	\$ 46,660	\$ 47,879	\$ 52,410	\$ 58,998	\$ 64,270
Contributions in relation to the CRC	38,509	41,266	44,865	46,151	47,196	46,660	47,879	52,410	58,998	64,270
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 7,265,941	\$ 7,785,947	\$ 8,627,885	\$ 8,875,155	\$ 9,076,294	\$ 8,973,619	\$ 8,866,711	\$ 9,705,606	\$ 10,925,556	\$ 11,901,852
Contributions as a percentage of covered payroll	0.48%	0.48%	0.52%	0.52%	0.52%	0.52%	0.54%	0.54%	0.54%	0.54%

Note to Schedule:

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

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

For the Year Ended June 30, 2023

	Fiscal Year June 30, 2023
Total HIC OPEB Liability	
Interest	\$ (48)
Changes of benefit terms	96,968
Benefit payments	(1,425)
Net change in total HIC OPEB liability	95,495
Total HIC OPEB liability - beginning	-
Total HIC OPEB liability - ending (a)	\$ 95,495
Plan Fiduciary Net Position	
Contributions - employer	\$ 36,215
Net investment income	1,279
Benefit payments, including refunds	(1,425)
Administrative expense	(50)
Net change in plan fiduciary net position	36,019
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	36,019
PRTC's net HIC OPEB liability - ending (a) - (b)	\$ 59,476
Plan fiduciary net position as a percentage of the total HIC OPEB liability	37.72%
Covered payroll	\$ 3,696,519
PRTC's net HIC OPEB liability as a percentage of covered payroll	1.61%

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 Last Two Fiscal Years

	Fiscal Year June 30,	
	2023	2024
Contractually required contribution (CRC)	\$ 5,914	\$ 19,043
Contributions in relation to the CRC	5,914	19,043
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered payroll	\$ 3,696,519	\$ 11,901,932
Contributions as a percentage of covered payroll	0.16%	0.16%

Note 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.

VIRGINIA RAILWAY EXPRESS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POSTEMPLOYMENT BENEFITS Year Ended June 30, 2024

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, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except that change in the discount rate, which was VRS Board action effective as of July 1, 2021. 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, 2024

Note 2. Health Insurance Credit Program (Continued)

B. Changes of Assumptions

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

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.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how VRE's financial performance has changed over time.	73– 76
Other Statistical Information	
These schedules and service area map provide other information useful to certain readers of VRE's financial statements.	77 – 78
Demographic and Economic Information	
These schedules offer demographic and economic indicators to assist the reader understand the environment within which VRE's financial activities take place.	79 – 81
Debt Service Requirements	
These schedules provide information regarding the VRE's debt service requirements related to the 2018 Virginia Resource Authority Bonds.	82 – 83

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF CHANGE IN NET POSITION

Last Ten Fiscal Years

(Unaudited)

	2024	2023	2022	2021	June 30, 2020	2019	2018	2017	2016	2015
Operating Revenues:										
Passenger revenue	\$ 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	\$ 36,700,191
Equipment rentals and other	424,964	310,758	116,857	165,478	267,816	314,236	269,168	301,621	240,052	418,569
Total operating revenues	16,168,731	14,250,860	10,634,078	7,417,274	34,969,771	42,304,835	42,490,170	42,582,290	37,936,965	37,118,760
Nonoperating Revenues:										
Subsidies:										
Commonwealth of Virginia grants	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	14,401,957
Federal grants - with PRTC as grantee	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	13,688,723
Federal Pandemic Relief Funds	37,488,029	20,267,695	47,232,405	28,305,131	2,688,095	-	-	-	-	-
Jurisdictional contributions	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	16,456,986
Commuter Rail Operating and Capital (C-ROC) Fund	7,496,000	7,499,738	5,811,156	-	-	-	-	-	-	-
Regional transportation funding (NVTa)	-	-	-	-	-	194,506	766,586	461,889	542,671	-
Capital Grants and Assistance:										
Commonwealth of Virginia grants	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	14,694,277
Federal grants - with PRTC as grantee	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	17,764,759
Commuter Rail Operating and Capital (C-ROC) Fund	7,504,000	7,500,262	9,188,844	15,000,000	15,000,000	15,000,000	-	-	-	-
Regional transportation funding (NVTa)	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	-	-	62,269	518,086	-	-	12,842	162,839	851,659	1,079,885
Interest income:										
Operating funds	697,180	1,069,411	101,474	89,187	1,009,626	1,360,241	616,228	285,495	93,677	34,337
Insurance trust	444,946	183,169	19,451	67,921	218,621	221,184	132,037	98,560	69,444	-
Commuter Rail Operating and Capital (C-ROC) Fund	2,528,870	1,894,380	139,208	50,085	294,176	117,075	-	-	-	-
Lease	32,030	19,778	29,174	-	-	-	-	-	-	-
Other restricted funds	1,019,254	636,585	(12,812)	6,701	48,899	63,483	797	402	197	59
Increase in fair value of investments	199,873	15,835	-	-	-	-	-	-	-	-
Gain (loss) on sale of assets	(59,780)	-	-	-	-	-	(551,457)	3,500	-	(60,293)
Total nonoperating revenues	149,942,341	153,920,467	141,457,665	109,795,456	78,576,302	74,664,337	73,919,917	71,355,025	80,427,948	78,060,690
Total revenues	166,111,072	168,171,327	152,091,743	117,212,730	113,546,073	116,969,172	116,410,087	113,937,315	118,364,913	115,179,450
Operating Expenses:										
Contract operations and maintenance	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	22,782,752
Other operations and maintenance	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	14,334,954
Property leases and access fees	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	14,318,788
Insurance	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	3,964,673
Marketing and sales	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	2,267,729
General and administrative	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	7,968,298
Depreciation and amortization	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	15,391,195
Total operating expenses	129,594,703	114,566,346	103,882,088	102,941,393	98,215,763	96,224,337	97,250,762	91,716,830	86,828,391	81,028,389
Nonoperating (Revenues) Expenses:										
Interest and amortization	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	3,534,644
Total nonoperating expenses	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	3,534,644
Special items	-	-	-	-	(1,372,379)	-	-	-	1,882,945	-
Total expenses	136,481,858	121,851,802	106,790,496	104,845,962	98,933,267	98,412,720	100,397,926	94,934,586	92,096,098	84,563,033
Change in net position	\$ 29,629,214	\$ 46,319,525	\$ 45,301,247	\$ 12,366,768	\$ 14,612,806	\$ 18,556,452	\$ 16,012,161	\$ 19,002,729	\$ 26,268,815	\$ 30,616,417

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF COMPONENTS OF NET POSITION

Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Net investment in capital assets	\$ 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	\$ 254,085,092
Restricted for liability insurance plan	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	10,487,532
Restricted for debt service	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	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	-	67,453	891,393	-	-	-	-	-	-	-
Unrestricted net position	151,619,124	154,596,921	148,507,479	131,465,757	114,277,648	97,970,676	72,747,104	68,885,778	55,697,393	50,211,820
Total net position	\$ 542,432,208	\$ 512,802,994	\$ 466,483,469	\$ 421,182,222	\$ 408,815,454	\$ 394,202,648	\$ 375,646,196	\$ 360,055,988	\$ 341,053,259	\$ 314,784,444

Source: VRE's Audited Financial Statements.

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF OUTSTANDING DEBT Last Ten Fiscal Years (Unaudited)

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Bonds Payable:										
\$46,640,000 Virginia Resources Authority (VRA) Bond 2018	\$ 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	3,483,893	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)	111,700,000	113,520,000	115,670,000	-	-	-	-	-	-	-
\$12,136,265 Unamortized Premium on Series 2022 Bonds	11,960,111	12,063,948	12,136,265	-	-	-	-	-	-	-
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	15,349,786
\$74,425 Prive Placement Note - Equipment	-	-	-	-	-	2,628	17,559	34,287	50,048	64,331
Leases Payable:										
\$1,363,291 Intangible right-to-use asset - building	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	-	-	-	-	-	-	-
\$100,214 Intangible right-to-use asset - roof	94,317	98,827	-	-	-	-	-	-	-	-
\$211,144 Intangible right-to-use asset - tower	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	57,709,856
Outstanding as of June 30	\$ 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	\$ 73,123,973
Debt per Capita:										
Outstanding as of June 30	\$ 162,462,006	\$ 169,490,036	\$ 176,377,834	\$ 51,433,340	\$ 55,738,446	\$ 59,867,102	\$ 63,982,050	\$ 66,284,863	\$ 69,787,896	\$ 73,123,973
Total Participating Jurisdictional Population	N/A	1,250,971	2,455,385	2,430,827	2,408,454	2,386,893	2,358,778	2,337,754	2,317,876	2,306,060
Debt per Capita	N/A	\$ 135.49	\$ 71.83	\$ 21.16	\$ 23.14	\$ 25.08	\$ 27.13	\$ 28.35	\$ 30.11	\$ 31.71
Outstanding Debt as a Percentage of Personal Income:										
Outstanding as of June 30	\$ 162,462,006	\$ 169,490,036	\$ 176,377,834	\$ 51,433,340	\$ 55,738,446	\$ 59,867,102	\$ 63,982,050	\$ 66,284,863	\$ 69,787,896	\$ 73,123,973
Total Personal Income	N/A	N/A	206,695,615,980	198,885,175,394	183,648,652,000	175,406,597,000	168,531,401,000	163,383,278,000	158,911,737,000	157,776,294,309
Total Outstanding Debt as a Percentage of Personal Income	N/A	N/A	0.09%	0.03%	0.03%	0.03%	0.04%	0.04%	0.04%	0.05%

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

- (1) Fairfax County fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 4.1, page 309
- (2) Prince William County fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 16, page 297
- (3) City of Manassas fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 14, page 197
- (4) City of Manassas Park fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 13, page 216
- (5) Stafford County fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table S-15; page 191
- (6) City of Fredericksburg fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 210
- (7) Spotsylvania County fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table S-13, page 190
- (8) City of Alexandria fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table XI and Table XIV, page 232 and Page 234
- (9) Arlington County fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table K, page 290

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF JURISDICTIONAL CONTRIBUTIONS Last Ten Fiscal Years (Unaudited)

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Fairfax County	\$ 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	\$ 4,852,953
City of Fredericksburg	518,584	271,677	95,412	367,089	321,028	436,568	417,278	483,524	439,366	581,244
City of Manassas	659,532	597,421	209,813	807,234	694,742	785,898	684,586	749,372	766,491	686,944
City of Manassas Park	450,426	346,629	121,735	468,364	405,485	511,311	474,718	511,777	576,699	401,762
Prince William County	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	5,485,333
Stafford County	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	2,689,391
Spotsylvania County	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	1,401,382
City of Alexandria	130,400	110,384	38,767	149,151	144,807	144,807	140,589	140,589	133,894	133,894
Arlington County	190,784	161,500	56,719	218,219	211,863	211,863	205,692	205,692	195,897	195,897
Total contributions	\$ 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	\$ 16,428,800

Source: VRE's Department of Finance

VIRGINIA RAILWAY EXPRESS

SCHEDULE OF MISCELLANEOUS STATISTICS

Last Ten Fiscal Years

(Unaudited)

	June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Rolling Stock (Owned or Leased)										
Locomotives	20	20	20	20	20	20	20	20	20	20
Railcars	100	100	100	100	100	100	100	98	100	93
Total rolling stock	120	120	120	120	120	120	120	118	120	113
Stations	19	19	19	19	19	19	19	19	19	18
Parking Spaces (1)	10,548	10,842	10,842	10,763	10,763	10,842	10,733	10,733	10,743	10,796
Employees	56	56	56	55	50	50	50	49	45	39
Ridership and Fare Revenue Data (2):										
Total Ridership	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	4,618,169
Average Daily Ridership	6,333	5,866	3,314	1,389	12,922	18,053	18,974	18,968	17,767	18,547
Average Fare Per Trip	\$ 9.91	\$ 9.51	\$ 12.82	\$ 21.23	\$ 10.60	\$ 9.38	\$ 8.97	\$ 8.88	\$ 8.49	\$ 7.95

(1) Ridership in the fourth quarter of fiscal year 2020 was negatively affected by the COVID-19 Novel Coronavirus pandemic. Ridership continued to be impacted by the COVID-19 Novel Coronavirus pandemic in fiscal year 2021, 2022, 2023 and 2024. Ridership continues to be materially affected by the lasting impacts of the COVID-19 pandemic on employment and travel patterns.

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

Source: VRE staff



VIRGINIA RAILWAY EXPRESS

PRINCIPAL EMPLOYERS OF PARTICIPATING JURISDICTIONS

Current Year and Nine Years Ago
(Unaudited)

Employers	Rank	2023		Rank	2014	
		Employees	Percentage of Total Jurisdictional Employment		Employees	Percentage of Total Jurisdictional Employment
Federal Government (1) (3) (4) (6)	1	47,071	N/A	1	30,086-30,585	N/A
Fairfax County Public Schools (1)	2	25,526	N/A	2	24,590	N/A
Inova Health System (1) (6)	3	21,700	N/A	4	7500-10999	N/A
Fairfax County Government (1)	4	12,426	N/A	3	12,240	N/A
Amazon (1)	5	5,000-9,999	N/A	-	-	N/A
Booz-Allen Hamilton (1)	6	5,000-9,999	N/A	8	4,000-6,999	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	9	4,000-6,999	N/A
George Mason University (1)	9	5,000-9,999	N/A	5	5,000-10,000	N/A
Science Applications International Corp. (1)	10	5,000-9,999	N/A	10	4,000-6,999	N/A
Stafford County School System (4)	-	-	N/A	6	4,458	N/A
Mary Washington Healthcare (9)	-	-	N/A	7	4,335	N/A
General Dynamics (1)	-	-	N/A	10	4,000-6,999	N/A
Northrop Grumman (1)	-	-	N/A	10	4,000-6,999	N/A

Sources:

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

- (1) County of Fairfax fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 4.2, page 310
- (2) County of Arlington fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table L, page 291 - Number of Employees not Included
- (3) County of Prince William fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 17, page 298
- (4) County of Stafford fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table S-17, page 193
- (5) County of Spotsylvania fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table S-14, page 191
- (6) City of Alexandria fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table XIX, page 239
- (7) City of Manassas fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 198
- (8) City of Manassas Park fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 14, page 217 - Number of Employees not Included

DEMOGRAPHICS AND ECONOMIC STATISTICS OF PARTICIPATING JURISDICTIONS

Fiscal Years 2014 to 2023

(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)
2023									
Population	N/A	491,693	N/A	17,002	163,417	27,667	148,192	165,700	237,300
Personal Income (in thousands)	N/A	\$36,199,969	N/A	\$635,246	\$8,471,740	\$1,732,425	\$9,279,324	\$15,473,266	\$25,534,192
Per Capita Personal Income	N/A	\$64,695	N/A	\$37,363	\$51,841	\$62,617	\$62,617	N/A	\$107,603
Unemployment Rate	N/A	2.7%	2.5%	2.5%	2.7%	3.4%	2.9%	2.2%	2.1%
2022									
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	N/A	\$100,823
Unemployment Rate	2.5%	2.8%	2.7%	2.4%	2.8%	3.5%	3.0%	2.4%	2.3%
2021									
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	\$1,569,965	\$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%
2020									
Population	1,171,848	467,935	42,772	17,478	151,689	28,532	138,449	159,200	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%
2019									
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	\$1,422,897	\$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%
2018									
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%
2017									
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%

DEMOGRAPHICS AND ECONOMIC STATISTICS OF PARTICIPATING JURISDICTIONS
Fiscal Years 2014 to 2023
(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)
2016									
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%
2015									
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%
2014									
Population	1,137,538	433,621	42,081	14,992	138,423	28,132	128,881	144,000	215,000
Personal Income (in thousands)	\$81,620,627	\$24,635,153	\$2,042,822	\$420,586	\$6,091,966	\$1,215,809	\$5,772,816	\$12,115,212	\$18,554,500
Per Capita Personal Income	\$71,752	\$48,841	\$48,545	\$28,054	\$44,010	\$43,218	\$44,792	\$80,506	\$86,300
Unemployment Rate	3.5%	4.8%	5.0%	4.5%	5.2%	5.9%	5.4%	4.6%	3.5%

Note: Data for participating jurisdictions not available for 2023.

Sources:

- (1) Fairfax County fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 4.1, page 309
- (2) Prince William County fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 16, page 297
- (3) City of Manassas fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 14, page 197
- (4) City of Manassas Park fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 13, page 216
- (5) Stafford County fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table S-15; page 191
- (6) City of Fredericksburg fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table 15, page 210
- (7) Spotsylvania County fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table S-13, page 190
- (8) City of Alexandria fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table XI and Table XIV, page 232 and Page 234
- (9) Arlington County fiscal year 2023 Annual Comprehensive Financial Report, Statistical Section, Table K, page 290

VIRGINIA RAILWAY EXPRESS

PLEDGED REVENUE COVERAGE

Beginning Fiscal Year 2018

(Unaudited)

Fiscal Year Ended June 30,	Revenues ⁽¹⁾	Less: Operating Expenses ⁽²⁾	Net Revenues Available for Debt Service	Annual VRA Debt Service	Coverage
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

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
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, 2024, and the related notes to the financial statements, which collectively comprise VRE's basic financial statements, and have issued our report thereon dated November 5, 2024.

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 5, 2024



A Transportation Partnership

