

# VIRGINIA PASSENGER RAIL AUTHORITY

## ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023



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



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

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**Board**

Officers

Chair	Zach Trogdon
Vice-Chair	Thelma Drake
Treasurer	Steve Pittard
Secretary	Patricia Doersch

Members

Sharon Bulova  
Sandra “Sandy” Bushue  
Victor Cardwell  
John S. Delandro III  
D.J. Jordan  
Cynthia Moses-Nedd  
Charles W. “Charlie” Payne  
Beth Rhinehart  
James Spore  
John C. Watkins  
Rich Dalton, non-voting  
Bruno Maestri, non-voting

**Management**

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



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Virginia Passenger Rail Authority

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

#### ***Opinion***

We have audited the accompanying financial statements of the Virginia Passenger Rail Authority (Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

#### ***Basis for Opinion***

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

#### ***Other Matter***

The financial statements of the Authority, as of and for the year ended June 30, 2023, were audited by other auditors, whose report dated October 17, 2023, expressed an unmodified opinion on those financial statements.

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5–16 and the required supplementary information on pages 59–63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the listing of Principal Officials and Key Personnel but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

*PBMares, LLP*

Harrisonburg, Virginia  
September 26, 2024

**VIRGINIA PASSENGER RAIL AUTHORITY**  
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
*JUNE 30, 2024 and 2023*

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Management's Discussion and Analysis (the "MD&A") of the activities and financial performance of the Virginia Passenger Rail Authority (the "Authority"), a component unit of the Commonwealth of Virginia, provides the reader with an introduction and overview to the basic financial statements of the Authority, as of and for the fiscal years ended June 30, 2024 and 2023. The information contained in MD&A should be considered in conjunction with the financial statements and various historic summaries of activities and financial performance included in this report.

The Authority was established by Section 33.2-287 et seq. of Chapter 1230 of the 2020 Virginia Acts of Assembly with a mission to promote, sustain, and expand the availability of passenger and commuter rail service throughout the Commonwealth of Virginia (the "Commonwealth"). The effective date for the Authority was set as July 1, 2020.

## **FINANCIAL OPERATIONS AND HIGHLIGHTS**

### **CURRENT YEAR**

- The Commonwealth Rail Fund (the "CRF") was established July 1, 2020, through Section 33.2-1526.4 of the *Code of Virginia*. Of the 7.5% of Commonwealth Transportation Trust Funds deposited into the CRF, 93% of these funds are then distributed to the Authority. For this fiscal year, CRF funds distributed were \$157.8 million, reflecting a 16% decrease from last year. This decline is attributed to the conclusion of the 2020 Transportation Initiative transition period at the end of fiscal year 2023, which had included additional dedicated rail fund allocations.
- During the Authority's fourth year of operations, the total net position increased \$210.0 million to end the fiscal year with a net position of almost \$1.5 billion.
- The Authority ended the fiscal year with \$1.6 billion in assets and deferred outflows of resources, a \$220.2 million increase from the prior year. Cash, cash equivalents, and investments of \$722.8 million and net capital assets of \$767.9 million comprised most of the Authority's assets at June 30, 2024.
- Operating revenues from passenger rail services covered 72% of the train operating expenses and Authority administrative costs during the current year, staying consistent with prior year's cost recovery. During fiscal year 2024, direct passenger service costs increased 2%, while general administrative expenses decreased 30% from the prior year. This decrease is the result of the Authority developing and implementing a cost allocation plan for fiscal year 2024 that more accurately represents the actual costs associated with its projects and programs.
- For the year ended June 30, 2024, nonoperating revenues were \$284.8 million from Commonwealth sources, Funding Partners, and investment income. \$99.5 million of these revenues were retained as current assets as of year-end.
- For the year ended June 30, 2024, additions to construction-in-progress for the Authority's program of capital projects were \$112.4 million, ending the period with a total of \$173.0 million. This represents a 186% increase over the prior year and is indicative of the continued advancement of the capital program that will accelerate in the next few years.
- On January 31, 2024, the Authority executed Amendment No. 3 to the Comprehensive Rail Agreement with CSX Corporation ("the CSXT") which extended the due date of survey and titling work on the I-95 corridor from June 30, 2024 to February 28, 2026. See Note 5 of the financial statements for additional information.

**VIRGINIA PASSENGER RAIL AUTHORITY**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
*JUNE 30, 2024 and 2023*

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**PRIOR YEAR**

- The Commonwealth Rail Fund (the “CRF”) was established July 1, 2020, through Section 33.2-1526.4 of the *Code of Virginia*. Of the 7.5% of Commonwealth Transportation Trust Funds deposited into the CRF, 93% of these funds are then distributed to the Authority. CRF funds distributed in fiscal year 2023 were \$186.8 million, an 8% increase from the prior year.
- During the Authority’s third year of operations, the total net position increased \$400.7 million to end fiscal year 2023 with a net position of \$1.2 billion.
- The Authority ended fiscal year 2023 with \$1.4 billion in assets and deferred outflows of resources, a \$316.1 million increase from the prior year. Cash, cash equivalents, and investments, which will be utilized to fund capital projects, comprised \$635.8 million of the Authority’s assets at June 30, 2023.
- Operating revenues from passenger rail services covered 72% of the train operating expenses and Authority administrative costs during fiscal year 2023, a decrease from 81% for the prior year. During fiscal year 2023, direct passenger service costs increased 85% primarily due to eight trains being in operation compared to six in the previous year. Additionally, Federal credits applied by Amtrak to the train operation costs decreased by \$7.3 million from fiscal year 2022.
- For the year ended June 30, 2023, nonoperating revenues were \$475.2 million from Commonwealth sources, Funding Partners, and investment income. \$277.9 million of these revenues were retained as current assets as of year-end.
- During fiscal year 2023, \$70.2 million of land was reclassified from an intangible asset to record the abandoned S-Line corridor accepted on November 30, 2022. On the same day, the Authority made the third and last installment payment of \$125.0 million to CSX Corporation (“the CSXT”).
- For the year ended June 30, 2023, additions to construction-in-progress for the Authority’s program of capital projects were \$39.3 million, ending the period with a total of \$60.6 million.

**Financial Statements**

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



**VIRGINIA PASSENGER RAIL AUTHORITY**  
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MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 and 2023

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**FINANCIAL ANALYSIS**

**CURRENT YEAR**

**Statements of Net Position**

Over time, net position may serve as a useful indicator of the Authority’s financial strength, although other indicators should also be considered. A condensed summary of the Authority’s Statements of Net Position at June 30, 2024 and 2023 is shown below.

**Condensed Statements of Net Position**

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

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

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 and 2023

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**PRIOR YEAR**

**Statements of Net Position**

A condensed summary of the Authority's Statements of Net Position at June 30, 2023 and 2022 (as restated) is shown below.

**Condensed Statements of Net Position**

	<b>2023</b>	<b>2022 (as restated)</b>	<b>Change</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current assets	\$ 706,654,916	\$ 428,759,654	\$ 277,895,262
Capital and other noncurrent assets, net	650,193,089	614,950,630	35,242,459
Total assets	1,356,848,005	1,043,710,284	313,137,721
Deferred outflows of resources	3,573,843	604,086	2,969,757
<b>Total assets and deferred outflows of resources</b>	<b>1,360,421,848</b>	<b>1,044,314,370</b>	<b>316,107,478</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Current liabilities	45,060,483	149,525,227	(104,464,744)
Long-term liabilities, as restated	72,771,506	53,464,075	19,307,431
Total liabilities, as restated	117,831,989	202,989,302	(85,157,313)
Deferred inflows of resources	668,514	92,289	576,225
<b>Total liabilities and deferred inflows of resources</b>	<b>118,500,503</b>	<b>203,081,591</b>	<b>(84,581,088)</b>
<b>NET POSITION</b>			
Net investment in capital assets	627,289,104	470,191,756	157,097,348
Restricted, as restated	129,579,384	46,567,359	83,012,025
Unrestricted	485,052,857	324,473,664	160,579,193
<b>Total net position, as restated</b>	<b>\$1,241,921,345</b>	<b>\$ 841,232,779</b>	<b>\$ 400,688,566</b>

Total Assets and Deferred Outflows of Resources increased \$316.1 million or 30%, primarily due to an increase in cash, cash equivalents and investments of \$229.9 million and an increase in net capital assets of \$42.0 million. The increase in total assets is the result of \$455.0 million of nonoperating revenues from Commonwealth sources and funding partners offset by the \$125.0 million final payment of the I-95 rail corridor purchase. These assets will be utilized to fund the Authority's portfolio of capital projects.

Current liabilities decreased by \$104.5 million or 70% primarily due to the payment of the last installment to CSXT of \$125.0 million on November 30, 2022.

Long-term liabilities increased by \$19.3 million (as restated), or 36%, primarily due to the collection of contributions from Amtrak classified as unearned revenues. These unearned revenues at June 30, 2023 primarily consist of \$65.5 million of advances from Amtrak.

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MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 and 2023

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**CURRENT YEAR**

**Capital Acquisitions and Construction Activities**

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

**Construction-in-Progress**

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

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

**PRIOR YEAR**

**Capital Acquisitions and Construction Activities**

During fiscal year 2023, capital assets increased \$45.4 million, or 7%, primarily related to the increase in construction-in-progress by \$39.3 million from the continued investment in capital projects. During the year, \$70.2 million of land was reclassified from an intangible asset to record the abandoned S-Line corridor accepted on November 30, 2022.

**VIRGINIA PASSENGER RAIL AUTHORITY**  
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MANAGEMENT’S DISCUSSION AND ANALYSIS  
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**I-95 Corridor**

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

The CRA outlined three required payments and three rail asset segments. The installment payments do not correlate to the value of the offered segments. The installment payments had to be made regardless of the acceptance of the segments.

The required contractual payments were as follows:

April 14, 2021	\$200 million
November 30, 2021	\$200 million
November 30, 2022	\$125 million

The rail segments and conveyance terms were as follows:

<b>Segment</b>	<b>Description</b>	<b>Conveyance Terms</b>
Segment 1: I-95 Corridor	Approximately one-half of the 144 mile rail corridor from just inside Washington, DC to just south of Petersburg, VA with passage through Richmond, VA by way of Main Street Station.	The agreement provided the Authority with a permanent passenger rail service easement in the I-95 Corridor owned by CSXT. Survey work is currently being performed to determine the nature of the assets (land, track, bridges, rail infrastructure) associated with the I-95 Corridor right-of-way. As that work progresses, deeds of confirmation will allow for the fee simple ownership of the right of way and rail infrastructure to pass to the Authority. In accordance with the CRA, the survey and titling work must be completed by June 30, 2024.
Segment 2: S-Line	75-mile rail corridor from just south of Petersburg, VA to Ridgeway, NC.	Conveyance accepted on November 30, 2022.
Segment 3: Buckingham Branch	East-west 164-mile CSXT line from Doswell, VA to Clifton Forge, VA operated by Buckingham Branch Railroad Company.	Conveyance accepted on November 30, 2021.

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

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

On November 30, 2022, the Authority accepted Segment 2. At that time the allocation of land assets obtained in Segment 2 was determinable. The total asset value was \$70.2 million, comprised solely of land. No depreciation was recorded as land has an indefinite useful life.

As of June 30, 2023, the acquisition value for Segment 1 remained an intangible asset. The intangible will be converted to land and rail infrastructure once fee simple ownership is conveyed to the Authority.

**Western Rail Corridor**

In 2022, the Authority completed efforts to purchase 28.5 miles of rail capacity, right-of-way, and rail infrastructure from Norfolk Southern (the “NS”). The agreement between the Authority and NS was finalized on January 10, 2022, and financial close occurred on June 28, 2022. The Authority formally assumed the underlying assets as of the financial close date. The total acquisition cost of the V-line was \$40.7 million, comprised of \$31.2 million of land and \$9.5 million of rail infrastructure.

**Construction-in-Progress**

Construction-in-progress increased \$39.3 million, or 185%, from the continued investment in the I-95 Corridor capital projects. The total budget for the capital projects is \$4.2 billion, made up of \$3.9 billion for the I-95 Corridor and \$274.0 million for the Western Rail Corridor. The Authority’s fiscal year 2023 budget included a \$165.9 million investment in capital projects during the year, the actual investment was 73% below budget due to conceptual level design information being utilized for budget development. As the capital projects progress through the engineering and design process more accurate annual capital spend plans will be available.

<b>Capital Project</b>	<b>2023</b> (\$ in millions)	<b>Increase</b> (\$ in millions)	<b>2022</b> (\$ in millions)	<b>Increase</b> (\$ in millions)	<b>2021</b> (\$ in millions)
L'Enfant 4th Track	\$0.2	\$0.1	\$0.1	\$0.0	\$0.1
Long Bridge for Passenger Rail	32.6	17.7	14.9	9.0	5.9
Alexandria 4th Track	8.1	5.0	3.1	2.6	0.5
Franconia to Lorton 3rd Mainline	3.2	2.2	1.0	0.9	0.1
Franconia-Springfield Bypass	3.9	3.1	0.8	0.5	0.3
Phase 1 Sidings	1.2	0.9	0.3	0.1	0.2
Phase 2 Sidings	0.3	0.0	0.3	0.1	0.2
Arkendale to Powell's Creek	3.3	3.3	0.0	0.0	0.0
Western Rail Corridor Projects	4.9	4.7	0.2	0.2	0.0
Capital Improvements - Other	2.9	2.3	0.6	0.6	0.0
<b>Total Construction-in-Progress</b>	<b>\$60.6</b>	<b>\$39.3</b>	<b>\$21.3</b>	<b>\$14.0</b>	<b>\$7.3</b>

**VIRGINIA PASSENGER RAIL AUTHORITY**  
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 and 2023

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**CURRENT YEAR**

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

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

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

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

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

**VIRGINIA PASSENGER RAIL AUTHORITY**  
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 and 2023

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**Operating Revenues**

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

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

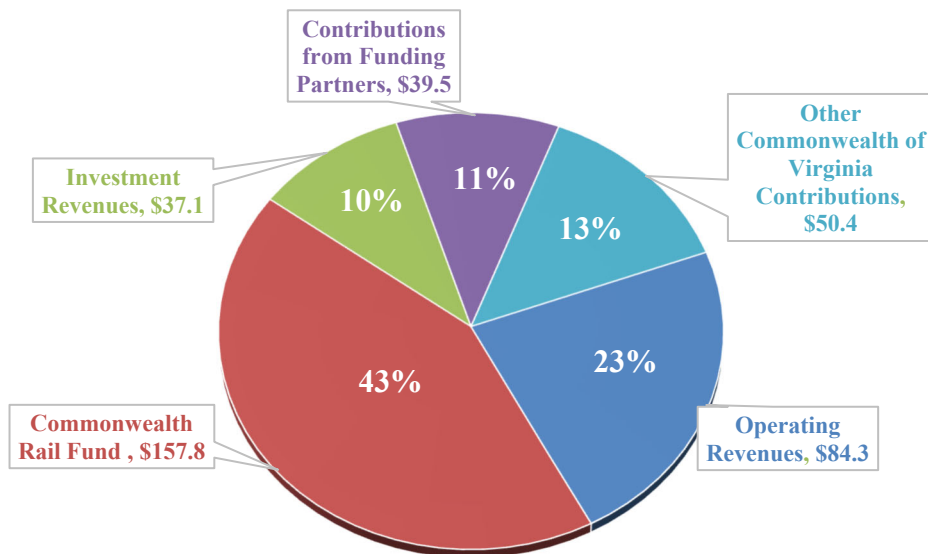
**Operating Expenses**

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

**Net Nonoperating Revenues**

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

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



**VIRGINIA PASSENGER RAIL AUTHORITY**  
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 and 2023

**PRIOR YEAR**

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

The Statements of Revenues, Expenses, and Changes in Net Position provide the detail of what caused the change in the Authority’s net position during the fiscal year. A summary of the changes in net position during the fiscal year ended June 30, 2023, as compared to the fiscal year ended June 30, 2022 (as restated) is shown below.

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<b>2023</b>	<b>2022 (as restated)</b>	<b>Change</b>
Operating Revenues	\$ 85,375,360	\$ 52,355,858	\$ 33,019,502
Operating Expenses	(118,948,394)	(64,712,839)	(54,235,555)
Depreciation and Amortization	(3,391,283)	(1,659,707)	(1,731,576)
<b>Net Operating Loss</b>	<b>(36,964,317)</b>	<b>(14,016,688)</b>	<b>(22,947,629)</b>
Nonoperating Revenues (Expenses):			
Commonwealth Rail Fund	186,793,598	172,852,567	13,941,031
Contributions from Funding Partners	134,911,097	1,543,658	133,367,439
Other Commonwealth of Virginia Contributions, as restated	133,272,406	229,583,933	(96,311,527)
Investment Revenue, net	20,250,212	575,526	19,674,686
Other Nonoperating Expense	(37,574,430)	(15,088,577)	(22,485,853)
Total Nonoperating Revenues, net, as restated	437,652,883	389,467,107	48,185,776
<b>Change in Net Position, as restated</b>	<b>400,688,566</b>	<b>375,450,419</b>	<b>25,238,147</b>
<b>Net Position, beginning of the year, as restated</b>	<b>841,232,779</b>	<b>465,782,360</b>	<b>375,450,419</b>
<b>Net Position, ending, as restated</b>	<b>\$ 1,241,921,345</b>	<b>\$ 841,232,779</b>	<b>\$ 400,688,566</b>

Total net position increased \$400.7 million, or 48% in fiscal year 2023 primarily due to nonoperating revenues from Commonwealth funding sources and contributions from funding partners. The net operating loss increased \$22.9 million or 164% primarily as a result of contracted passenger service costs and administration costs increasing more than the \$33.0 million increase in operating revenues. During fiscal year 2023, eight trains provided daily passenger service as compared to six in the prior year. This contributed to the 85% increase in direct passenger service costs. Additionally, Federal credits applied by Amtrak to the train operation costs decreased by \$7.3 million from fiscal year 2022.

**Operating Revenues**

Operating revenues increased \$33.0 million, or 63% in fiscal year 2023. The increase was attributable to ridership exceeding pre-pandemic levels by 44% and superseding 2022 ridership by 71%.

<b>2022 Ridership</b>	<b>2023 Ridership</b>	<b>Ridership Increase</b>	<b>% Change</b>
736,021	1,256,123	520,102	71%



**VIRGINIA PASSENGER RAIL AUTHORITY**  
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 and 2023

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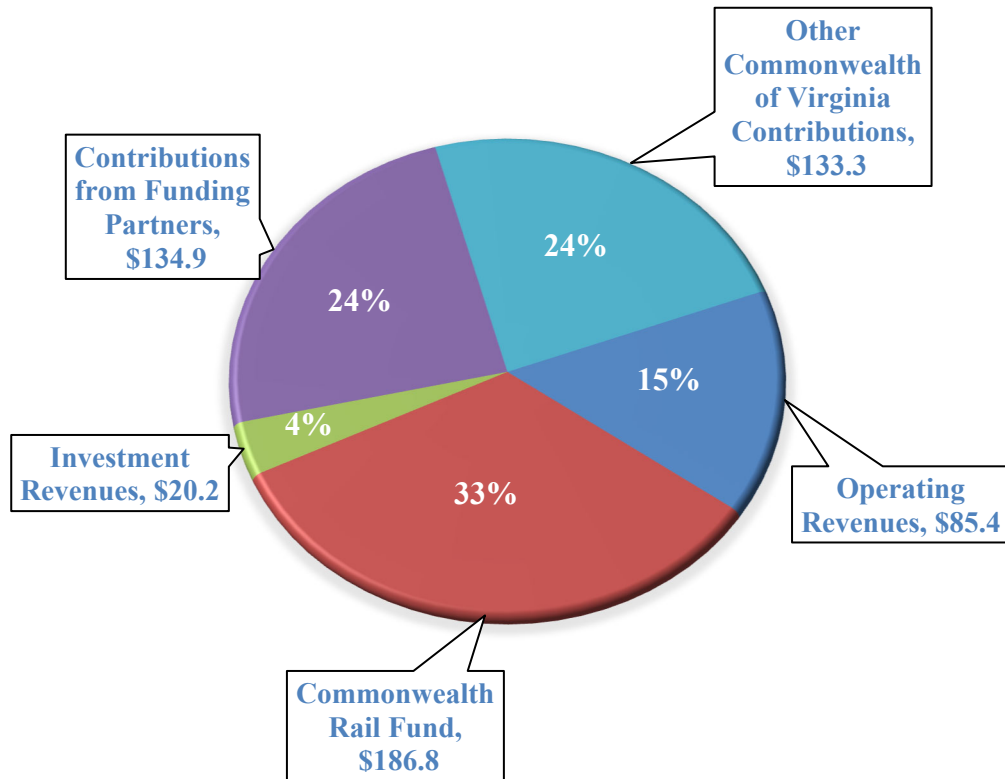
**Operating Expenses**

Operating expenses increased \$54.2 million, or 84% in fiscal year 2023 compared to fiscal year 2022. Contracted passenger service costs accounted for \$47.2 million of this increase. The majority (60%) of this increase resulted from an increase in daily passenger train service from six trains to eight trains. In fiscal year 2022, Amtrak received federal funding from the Coronavirus Aid, Relief, and Economic Security Act, (the “CARES”) and Coronavirus Response and Relief Supplemental Appropriations Act (the “CRRSAA”). These funds were applied to contracted passenger service, reducing the Authority’s operating costs by \$11.6 million. In fiscal year 2023, the amount of federal funding applied to contracted passenger service by Amtrak dropped to \$4.3 million. Additionally, the 71% increase in ridership impacted the North-East Corridor per passenger mile charge resulting in a \$10.9 million increase.

**Net Nonoperating Revenues**

Net nonoperating revenues increased \$48.2 million, or 12%, in fiscal year 2023 as compared to fiscal year 2022. The Authority recognized \$455.0 million of nonoperating revenues from Commonwealth sources and funding partners. The Authority’s dedicated CRF revenue stream increased \$13.9 million, or 8%, due to the state’s allocation of funding. The Authority has various contractual funding agreements with defined contributions to be used for specified purposes. In accordance with the funding agreement, Amtrak contributed \$20.2 million, of which \$3.2 million was recognized as earned while \$17.0 million was recorded as an unearned liability. The unearned portion of the Amtrak contribution will be recognized as the funds are utilized on qualified projects in accordance with the executed agreement.

MAJOR SOURCES OF REVENUES FOR THE YEAR ENDED JUNE 30, 2023  
(Total \$560.6M)



**VIRGINIA PASSENGER RAIL AUTHORITY**  
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
*JUNE 30, 2024 and 2023*

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Economic Factors and the Fiscal Year 2025 Budget

The Authority expects ridership to increase in the coming year as the demand for rail travel expands. Additionally, the population growth in Virginia will continue to support long-term demand for intercity passenger rail service. It should be noted that a decline in consumer spending or significant decreases in gas prices have historically resulted in decreased rail ridership.

The Authority's CRF revenues are forecasted to be \$162.9 million, a 3% increase over the current year actual results. Passenger revenues are expected to increase along with ridership. Additional sources of funding will be available in fiscal year 2025 from federal, state, and funding partner contributions, although the amounts received will continue to vary from year to year. Additionally, the impact of supply chain disruption and inflation on the Authority's large capital project budgets will become clearer as most of the design and engineering for large capital projects nears completion and construction contracts are negotiated.

Request for Information

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

**VIRGINIA PASSENGER RAIL AUTHORITY**  
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA  
STATEMENTS OF NET POSITION  
*JUNE 30, 2024 and 2023*

	<b>2024</b>	<b>2023</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Current assets:		
Cash and cash equivalents	\$ 466,690,260	\$ 510,967,299
Accounts receivable	14,728,134	20,840,060
Due from other governments	35,723,730	24,810,135
Investments	256,071,843	124,849,664
Prepaid expenses and other	32,932,225	25,187,758
<b>Total current assets</b>	<b>806,146,192</b>	<b>706,654,916</b>
Noncurrent Assets:		
Net other postemployment benefits	381,233	158,054
Capital assets:		
Rail infrastructure	59,672,602	59,672,602
Land	297,503,267	297,503,267
Construction-in-progress	172,961,618	60,573,993
Intangible asset: I-95 corridor	237,241,708	233,484,437
Intangible right-to-use lease assets	7,246,772	3,770,113
Intangible right-to-use subscription asset	2,180,306	-
Other capital assets	67,653	67,653
Total capital assets	776,873,926	655,072,065
Less accumulated depreciation and amortization	(8,988,594)	(5,037,030)
Total capital assets, net	767,885,332	650,035,035
<b>Total noncurrent assets</b>	<b>768,266,565</b>	<b>650,193,089</b>
<b>Total assets</b>	<b>1,574,412,757</b>	<b>1,356,848,005</b>
Deferred outflows of resources:		
Pension	4,819,659	2,978,641
Other postemployment benefits	1,350,191	595,202
<b>Total deferred outflows of resources</b>	<b>6,169,850</b>	<b>3,573,843</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 1,580,582,607</b>	<b>\$ 1,360,421,848</b>

**VIRGINIA PASSENGER RAIL AUTHORITY**  
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA  
STATEMENTS OF NET POSITION (Continued)  
JUNE 30, 2024 and 2023

	2024	2023
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
Current liabilities:		
Accounts payable	\$ 44,158,214	\$ 12,689,622
Due to other governments	210,134	5,462,444
Accrued interest payable	211,860	9,962
Other postemployment liabilities	10,594	-
Lease liabilities	347,060	335,977
Subscription liability	105,020	-
Other accrued liabilities	23,780,555	26,562,478
<b>Total current liabilities</b>	<b>68,823,437</b>	<b>45,060,483</b>
Noncurrent liabilities:		
Unearned revenues	44,838,218	66,309,529
Net pension liability	5,462,959	2,266,033
Net other postemployment benefits	1,046,818	402,901
Lease liability	6,471,851	3,342,252
Subscription liability	374,099	-
Compensated absences	551,634	450,791
<b>Total noncurrent liabilities</b>	<b>58,745,579</b>	<b>72,771,506</b>
<b>Total liabilities</b>	<b>127,569,016</b>	<b>117,831,989</b>
Deferred inflows of resources:		
Pension	544,249	481,331
Other postemployment benefits	509,114	187,183
<b>Total deferred inflows of resources</b>	<b>1,053,363</b>	<b>668,514</b>
Net position:		
Net investment in capital assets	714,995,959	627,289,104
Restricted	102,194,713	129,579,384
Unrestricted	634,769,556	485,052,857
<b>Total net position</b>	<b>1,451,960,228</b>	<b>1,241,921,345</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 1,580,582,607</b>	<b>\$ 1,360,421,848</b>

**VIRGINIA PASSENGER RAIL AUTHORITY**  
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2024 and 2023

	2024	2023
<b>Operating revenues</b>		
Virginia passenger revenues	\$ 81,433,052	\$ 82,591,598
Other revenues	2,904,873	2,783,762
<b>Total operating revenues</b>	<b>84,337,925</b>	<b>85,375,360</b>
<b>Operating expenses</b>		
Amtrak operating	101,462,062	99,820,395
Amtrak capital	8,781,025	8,667,909
Amtrak marketing	890,968	877,685
General administrative expenses	6,670,719	9,582,405
<b>Total operating expenses</b>	<b>117,804,774</b>	<b>118,948,394</b>
<b>Operating loss before depreciation and amortization</b>	<b>(33,466,849)</b>	<b>(33,573,034)</b>
Depreciation and amortization	(3,951,564)	(3,391,283)
<b>Net operating loss</b>	<b>(37,418,413)</b>	<b>(36,964,317)</b>
<b>Nonoperating revenues (expenses)</b>		
Commonwealth Rail Fund	157,790,263	186,793,598
Contributions from funding partners	39,445,901	134,911,097
Other Commonwealth of Virginia contributions	50,416,370	133,272,406
Investment income, net	37,255,724	19,875,601
Unrealized gain (loss) on investment	(152,901)	374,611
Capital grants and project-related expenses	(36,992,798)	(37,681,848)
Other nonoperating revenues (expenses)	(305,263)	107,418
<b>Total nonoperating revenues, net</b>	<b>247,457,296</b>	<b>437,652,883</b>
<b>Change in net position</b>	<b>210,038,883</b>	<b>400,688,566</b>
<b>Net position, beginning of the year</b>	1,241,921,345	841,232,779
<b>Net position, ending</b>	<b>\$ 1,451,960,228</b>	<b>\$ 1,241,921,345</b>

**VIRGINIA PASSENGER RAIL AUTHORITY**  
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2024 and 2023

	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 85,045,910	\$ 84,025,941
Payments to employees	(2,990,374)	(6,820,807)
Payments to suppliers	(108,675,951)	(109,905,367)
<b>Net cash used in operating activities</b>	<b>(26,620,415)</b>	<b>(32,700,233)</b>
<b>Cash flows from non-capital and related financing activities:</b>		
Noncapital contributions and grants	192,504,198	212,064,113
Grants and assistance	(49,249,505)	(52,584,181)
<b>Net cash provided by non-capital and related financing activities</b>	<b>143,254,693</b>	<b>159,479,932</b>
<b>Cash flows from capital and related financing activities:</b>		
Payment of I-95 Corridor obligation	-	(125,000,000)
Acquisition of capital assets	(94,731,028)	(35,321,593)
Payments on lease and subscription liability	(460,755)	-
Interest paid on lease and subscription liability	(132,711)	-
Capital contributions and grants	30,914,623	243,560,662
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(64,409,871)</b>	<b>83,239,069</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(300,500,098)	(204,222,620)
Sales/Maturities of investments	168,826,702	109,566,505
Investment revenue, net	35,171,950	19,475,286
<b>Net used in investing activities</b>	<b>(96,501,446)</b>	<b>(75,180,829)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(44,277,039)</b>	<b>134,837,939</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>510,967,299</b>	<b>376,129,360</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 466,690,260</b>	<b>\$ 510,967,299</b>

**VIRGINIA PASSENGER RAIL AUTHORITY**  
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA  
STATEMENTS OF CASH FLOWS (Continued)  
YEARS ENDED JUNE 30, 2024 and 2023

	<b>2024</b>	<b>2023</b>
<b>Reconciliation of net operating loss to net cash used in operating activities:</b>		
Net operating loss	\$ (37,418,413)	\$ (36,964,317)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation and amortization	3,951,564	3,391,283
Special contributions – VRS	101,752	2,772
Decrease (increase) in operating assets:		
Accounts receivable	272,738	(521,731)
Prepaid expenses	771,298	(601,445)
OPEB	(223,179)	(147,884)
Deferred outflows of resources – pension	(1,841,018)	(2,473,540)
Deferred outflows of resources – OPEB	(754,989)	(496,217)
Increase (decrease) in operating liabilities:		
Pension liability	3,118,052	2,159,029
OPEB liability	631,633	377,962
Deferred inflows of resources - pension	62,918	401,523
Deferred inflows of resources - OPEB	321,931	174,702
Accounts payable	2,825,896	374,161
Due to other governments	176,290	-
Accrued liabilities	1,282,269	1,500,384
Compensated absences	100,843	123,085
<b>Net cash used in operating activities</b>	<b>\$ (26,620,415)</b>	<b>\$ (32,700,233)</b>
<b>Schedule of noncash capital activities:</b>		
Capital assets acquired through accounts payable	\$ 26,007,056	\$ 9,210,941
Capital assets acquired through accrued expenses	19,584,288	9,856,761
Right-to-use assets acquired through lease / subscriptions	5,656,965	-
Forgiveness of lease liability	22,737	91,884

**VIRGINIA PASSENGER RAIL AUTHORITY**  
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
*JUNE 30, 2024 and 2023*

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**NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS**

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

As part of the 2020 transportation legislative initiative, the Commonwealth Rail Fund (the “CRF”) was established July 1, 2020, through Section 33.2-1526.4 of the *Code of Virginia*. Of the 7.5% of Commonwealth Transportation Trust Funds deposited into the CRF, 93% are dedicated to the Authority and distributed to the Authority as soon as practical. For the years ended June 30, 2024 and 2023, the Authority recorded \$157.8 million and \$186.8 million of CRF revenue, respectively.

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

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial reporting model

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

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

Measurement focus and basis of accounting

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

Operating revenues and expenses

Operating revenues and expenses result from the provision of goods and services in connection with the principal ongoing operations. The principal operating revenues of the Authority are charges for services related to passenger rail operations. Operating expenses include the cost of passenger rail services, administrative expenses, contractual services, amortization, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Prior to June 1, 2024, ticket revenues were collected and retained by Amtrak in lieu of the monthly payment for the train service in accordance with the operating agreement. Beginning on June 1<sup>st</sup>, the cost of the contracted passenger rail services is paid in total, and Amtrak remits the passenger rail revenues directly to the Authority.



**VIRGINIA PASSENGER RAIL AUTHORITY**  
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
*JUNE 30, 2024 and 2023*

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Revenue recognition

Contributions from the Commonwealth and project funding partners for specific project elements that also have eligibility requirements are recognized as revenue at the time the capital outlay is incurred, and the eligibility requirement is met. Any contributions received in advance of the eligibility requirement being met are recorded as unearned revenues. Contributions from the Commonwealth that are restricted in purpose and do not have eligibility requirements are recognized as revenue when the funds are received and any resulting net position is classified as restricted. Commonwealth Rail Fund revenue is recognized in the period corresponding to the underlying tax revenue collection.

Cash and cash equivalents

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

Investment policy

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

Prepaid expenses

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

Capital assets

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

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

<u>Asset Type</u>	<u>Estimated Useful Life</u>
Rail Infrastructure	40 years
Equipment	5 years
Intangible Right to Use Lease Assets	Life of underlying lease
Intangible Right to Use Subscription Asset	Life of underlying contract

Intangible assets, construction-in-progress assets, and land have indefinite useful lives and are not depreciated. When certain assets are impaired, as determined by management, any estimated decline in value is accounted for as a non-operating expense. There were no impaired assets as of June 30, 2024 and 2023.

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Leases

The Authority examines each new contract and determines whether the contract is a lease as defined by GASB 87. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), and is over the capitalization threshold, the Authority records an intangible right-to-use lease asset and lease obligation. This is calculated based on the value of the discounted future lease payments over the term of the lease. If the interest rate implicit in the lease is not readily determinable, the Authority will use the applicable incremental borrowing rate in the calculation of the present value of the lease payments. Leases with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and instead an expense is recognized as incurred over the lease term.

At the commencement of a lease, the Authority measures the lease liability at the present value of payments expected to be made during the lease term and then reduces the liability by the principal portion of lease payments made. The intangible right-to-use lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, then amortized on a straight-line basis over a period that is the shorter of the lease term or the useful life of similar capital assets. Lease payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

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

The Authority examines each new contract related to subscription license agreements and determines if it qualifies as a SBITA as defined by GASB 96. If the contract is determined to be, or contain, a SBITA with a non-cancellable term in excess of 12 months (including any options to extend or terminate the subscription when exercise is reasonably certain), and is over the capitalization threshold, the Authority records an intangible right-to-use subscription asset and subscription liability. This is calculated based on the value of the discounted future subscription payments over the term of the subscription. If the interest rate implicit in the subscription is not readily determinable, the Authority will use the applicable incremental borrowing rate in the calculation of the present value of the subscription payments. Subscriptions with an initial, non-cancellable term of 12 months or less are not recorded on the Statement of Net Position and instead an expense is recognized as incurred over the subscription term.

At the commencement of a SBITA, the Authority measures the subscription liability at the present value of payments expected to be made during the subscription term and then reduces the liability by the principal portion of the subscription payments made. The intangible right-to-use 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

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

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

Accrued leave reported in the Statements of Net Position as compensated absences is based on employees’ hourly rates multiplied by their PTO balances at June 30, 2024 and 2023.

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Accrued liabilities

Accrued liabilities are recorded for expenses incurred by the Authority but not yet paid and expenses incurred by grantees but not yet presented for reimbursement. Accrued liabilities recorded at June 30, 2024 and 2023 are based on actual costs or the best available estimate.

Net position

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

Pensions and other postemployment plans

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

For reporting purposes, VRS measures pension and other postemployment benefits (the "OPEB") as of the prior fiscal year – June 30, 2023 in this case. For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Authority's plans and the additions to/deductions from the Authority's plans' net fiduciary position will be determined on the same basis as reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. Pensions

The VRS State Employee Retirement Plan is a single employer pension plan that is treated like a cost-sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS State Employee Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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B. Group Life Insurance Program (the “GLI”)

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

C. State Employee Health Insurance Credit Program (the “HIC”)

The VRS State Employee HIC is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee HIC was established pursuant to § 51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The State Employee HIC is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB, and the State Employee HIC OPEB expense, information about the fiduciary net position of the VRS State Employee HIC and the additions to/deductions from the VRS State Employee HIC’s net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

D. VRS Virginia Sickness and Disability Insurance Program (the “VSDP”)

The VRS VSDP is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The VSDP was established pursuant to §51.1-1100 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The VSDP is a managed care program that provides sick, family and personal leave, and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees. For purposes of measuring the net VSDP OPEB asset, deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB, and VSDP OPEB expense, information about the fiduciary net position of the VRS VSDP OPEB Plan and the additions to/deductions from the VRS VSDP OPEB Plan’s net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

E. Pre-Medicare Retiree Healthcare Plan

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

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Deferred outflows/inflows of resources

The Statements of Net Position report a separate section for deferred outflows of resources in addition to assets. The Authority reports deferred outflows related to pension and OPEB obligations in the Statements of Net Position. Deferred outflows of resources represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. The Authority has several items that qualify for reporting in this category. The items relate to the pension plan and other postemployment benefits (OPEB). See Notes 7 and 8 for details regarding these items.

The Statements of Net Position report a separate section for deferred inflows of resources in addition to liabilities. Deferred inflows of resources in the Statements of Net Position represent amounts related to pensions and OPEB. 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. The Authority has several items that qualify for reporting in this category. See Notes 7 and 8 for details regarding these items.

Estimates

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

Subsequent Events

The Authority has evaluated subsequent events through September 26, 2024, the date on which the financial statements were available to be issued.

**NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

At June 30, 2024 and 2023, cash, cash equivalents and investments consisted of the following, at cost, which approximates fair value:

	<b>2024</b>	<b>2023</b>
	<b>Carrying Value</b>	<b>Carrying Value</b>
Demand Deposits	\$7,516,366	\$71,176
Money Market Funds	1,310,310	7,989,815
LGIP	457,863,584	502,906,308
LGIP – Extended Maturity (“LGIP – EM”)	-	30,672,817
Investments	256,071,843	94,176,847
	<u>\$722,762,103</u>	<u>\$635,816,963</u>

**Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporation (“FDIC”) and collateralized in accordance with the SPDA, Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits at June 30, 2024 and 2023, are considered fully collateralized.

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**Investments**

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

The Authority has adopted a formal investment policy. The goal of the policy is to minimize risk and to ensure the availability of cash to meet Authority obligations, while generating revenue from the use of funds which might otherwise remain idle. The primary objectives of the Authority’s investment activities in priority order are safety, liquidity, and yield. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities. The Authority funded its initial investment portfolio during fiscal year 2023 and at June 30, 2024, all of the Authority’s investments were held in accordance with this policy.

**Credit Risk**

The investment policy specifies credit quality for certain types of investments, as described below, in accordance with the *Code of Virginia*, and the policy specifies the qualifications for institutions providing depository and investment services.

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

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

**Municipal Obligations.**

- a) Bonds, notes, and other general obligations of the Commonwealth of Virginia and its agencies, authorities, and political subdivisions upon which there is no default, with a rating of at least AA (or its equivalent) by at least two of the following NRSROs: S&P, Moody’s, or Fitch, matures within three (3) years of the date of purchase, and otherwise meets the requirements of *Code of Virginia* §2.2-4501.
- b) Bonds, notes, and other evidences of indebtedness of any political subdivision within the United States upon which there is no default and upon which there has been no default for more than ninety days; provided, that within the twenty fiscal years next preceding the making of such investment, such political subdivision has not been in default for more than ninety days in the payment of any part of principal or interest of any debt authorized to be contracted. A rating of at least AA (or its equivalent) by at least two of the following NRSROs: S&P, Moody’s, or Fitch, maturity within three (3) years of the date of purchase is required.

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

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

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

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

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

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

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

- a) The contract is fully secured by deliverable U.S. Treasury and Federal Agency/Government Sponsored Enterprise obligations as allowed in the VPRA investment policy, including the maximum maturity of three (3) years, having a market value at all times of at least one hundred and two percent (102%) of the amount of the contract;
- b) A Master Repurchase Agreement or specific written Repurchase Agreement governs the transaction;
- c) The securities are free and clear of any lien and held by an independent third-party custodian acting solely as agent for VPRA, provided such third party is not the seller under the repurchase agreement;
- d) A perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Authority;
- e) The counterparty is a:
  - i. primary government securities dealer who reports daily to the Federal Reserve Bank of New York, or
  - ii. a bank, savings and loan association, or diversified securities broker dealer having at least \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and
- f) The counterparty meets the following criteria:
  - i. Has a long-term credit rating of at least 'AA' or the equivalent from an NRSRO
  - ii. Has been in operation for at least 5 years, and
  - iii. Is reputable among market participants.

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

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

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

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

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

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The Authority's investments as of June 30, 2024, and 2023 were rated by Standard & Poor's, with the ratings presented below:

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

	<b>Fair Quality Ratings as of June 30, 2023</b>		
	AAAm	AAA	A-1
Commercial Paper	\$ -	\$ -	\$33,052,954
U.S. Treasury Obligations	-	61,123,893	-
Money Market	7,989,815	-	-
LGIP	502,906,308	-	-
LGIP - EM	30,672,817	-	-
	<b>\$541,568,940</b>	<b>\$61,123,893</b>	<b>\$33,052,954</b>

***Custodial Credit Risk***

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be recovered. All of the Authority's deposits are maintained in accounts collateralized in accordance with the SPDA. The Authority's investment policy provides that securities purchased for the Authority shall be held by the Authority or by the Authority's custodian. If held by a custodian, the securities must be in the Authority's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the Authority. Further, if held by a custodian, the custodian must be a third-party, not a counterparty (buyer or seller) to the transaction. At June 30, 2024 and 2023, the invested balance at the Authority's custodian was \$257,382,153 and \$102,166,662.

***Concentration of Credit Risk***

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

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



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**Interest Rate Risk**

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

The following tables outline the maturities of the Authority's investments as of June 30, 2024, and 2023:

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

	<b>Investment Maturities (in years)</b>			
	<b>as of June 30, 2023</b>			
	Fair Values	Less Than 1 Year	1-5 Years	Over 5 Years
Commercial Paper	\$33,052,954	\$33,052,954	\$ -	\$ -
U.S. Treasury Obligations	61,123,893	56,288,493	4,835,400	-
Money Market	7,989,815	7,989,815	-	-
LGIP	502,906,308	502,906,308	-	-
LGIP – EM	30,672,817	30,672,817	-	-
	<u>\$635,745,787</u>	<u>\$630,910,387</u>	<u>\$4,835,400</u>	<u>\$ -</u>

At June 30, 2024 and 2023, the Authority had investments in the LGIP of \$457,863,584 and \$502,906,308, respectively. The LGIP is an externally managed investment pool that is not registered with the Securities Exchange Commission. Pursuant to the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The LGIP values portfolio securities by the amortized cost method and the maturity is less than one year. The Authority classified LGIP as cash and cash equivalents.

At June 30, 2024 and 2023, the Authority had investments of \$0 and \$30,672,817, respectively, in LGIP – EM, which is an externally managed investment pool that is not registered with the Securities Exchange Commission. Pursuant to the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP-EM and has delegated certain functions to the State Treasurer. The LGIP – EM portfolio is rated AAAf/S1 by S&P. The funds are invested in accordance with Treasury Board investment guidelines and S&P Global Ratings' AAAf/S1 rating criteria. The LGIP – EM portfolio reports its investments at fair value.

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**Fair Value Measurement**

When applicable, the Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described below.

- Level 1 Valuation based on quoted prices in active markets for identical assets or liabilities.
- Level 2 Valuation based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets and liabilities.
- Level 3 Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

The following tables present the Authority’s assets at fair value, categorized by level within the fair value hierarchy, as of June 30, 2024, and 2023:

	<b>2024</b>			
		Level 1	Level 2	Level 3
Commercial Paper	\$31,382,019	\$ -	\$31,382,019	\$ -
U.S. Treasury Obligations	85,037,137	-	85,037,137	-
Corporate Notes	67,200,485	-	67,200,485	-
Supranational Agency Bonds	6,698,418	-	6,698,418	-
Federal Agency/GSE Obligations	65,753,784	-	65,753,784	-
Money Market	1,310,310	1,310,310	-	-
	<u>\$257,382,153</u>	<u>\$1,310,310</u>	<u>\$256,071,843</u>	<u>\$ -</u>

	<b>2023</b>			
		Level 1	Level 2	Level 3
Commercial Paper	\$33,052,954	\$ -	\$33,052,954	\$ -
U.S. Treasury Obligations	61,123,893	-	61,123,893	-
Money Market	7,989,815	7,989,815	-	-
LGIP - EM	30,672,817	-	30,672,817	-
	<u>\$132,839,479</u>	<u>\$7,989,815</u>	<u>\$124,849,664</u>	<u>\$ -</u>

At June 30, 2023, LGIP-EM fair value was \$30,672,817. The underlying LGIP-EM portfolio contains both level one and level two investments. As the Authority invests in the pool of assets, the valuation inputs have been assessed for the LGIP-EM investment taken as a whole. The Authority categorizes the LGIP-EM investment as a level two classification based on the fair value hierarchy. On April 17, 2024, the LGIP-EM Investment was liquidated resulting in a \$187,653 realized gain.

At June 30, 2023, the Authority’s investment in LGIP-EM had an unrealized loss of \$204,237. At June 30, 2024 and 2023, the Authority’s total managed investment portfolio had an unrealized gain of \$189,765 and 342,667, respectively.

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

At June 30, 2024 and 2023, amounts due from other governments consisted of the following:

	<b>2024</b>		<b>2023</b>	
Commonwealth Rail Fund	\$	12,069,387	\$	11,660,135
Virginia Department of Transportation		23,654,343		13,150,000
Total	<u>\$</u>	<u>35,723,730</u>	<u>\$</u>	<u>24,810,135</u>

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**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2024 and 2023 was as follows:

	Balance July 1, 2023	Increases	Decreases	Transfers	Balance June 30, 2024
Capital assets not being depreciated or amortized:					
Intangible asset I-95 corridor	\$ 233,484,437	\$ 3,757,271	\$ -	\$ -	\$ 237,241,708
Land	297,503,267	-	-	-	297,503,267
Construction-in-progress	60,573,993	112,387,625	-	-	172,961,618
<b>Total capital assets not depreciated or amortized:</b>	<b>591,561,697</b>	<b>116,144,896</b>	<b>-</b>	<b>-</b>	<b>707,706,593</b>
Capital assets being depreciated or amortized:					
Rail infrastructure	59,672,602	-	-	-	59,672,602
Intangible right-to-use lease assets	3,770,113	3,476,659	-	-	7,246,772
Intangible subscription asset	-	2,180,306	-	-	2,180,306
Other	67,653	-	-	-	67,653
<b>Total capital assets depreciated or amortized:</b>	<b>63,510,368</b>	<b>5,656,965</b>	<b>-</b>	<b>-</b>	<b>69,167,333</b>
Less accumulated depreciation or amortization for:					
Rail infrastructure	4,610,859	3,032,631	-	-	7,643,490
Intangible right-to-use lease assets	412,356	542,108	-	-	954,464
Intangible right-to-use subscription asset	-	363,295	-	-	363,295
Other	13,815	13,530	-	-	27,345
<b>Total accumulated depreciation or amortization</b>	<b>5,037,030</b>	<b>3,951,564</b>	<b>-</b>	<b>-</b>	<b>8,988,594</b>
<b>Total capital assets depreciated or amortized, net:</b>	<b>58,473,338</b>	<b>1,705,401</b>	<b>-</b>	<b>-</b>	<b>60,178,739</b>
<b>Total capital assets, net</b>	<b>\$ 650,035,035</b>	<b>\$ 117,850,297</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 767,885,332</b>
	Balance July 1, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
Capital assets not being depreciated or amortized:					
Intangible asset I-95 corridor	\$ 299,673,200	\$ 4,000,637	\$ -	\$ (70,189,400)	\$ 233,484,437
Land	225,616,088	1,666,344	-	70,220,835	297,503,267
Construction-in-progress	21,285,633	39,327,337	-	(38,977)	60,573,993
<b>Total non-depreciable</b>	<b>546,574,921</b>	<b>44,994,318</b>	<b>-</b>	<b>(7,542)</b>	<b>591,561,697</b>
Capital assets being depreciated or amortized:					
Rail infrastructure	59,265,261	399,799	-	7,542	59,672,602
Intangible right-to-use lease assets	3,770,113	-	-	-	3,770,113
Other	34,773	32,880	-	-	67,653
<b>Total depreciable</b>	<b>63,070,147</b>	<b>432,679</b>	<b>-</b>	<b>7,542</b>	<b>63,510,368</b>
Less accumulated depreciation or amortization for:					
Rail infrastructure	1,581,623	3,029,236	-	-	4,610,859
Intangible right-to-use lease assets	58,908	353,448	-	-	412,356
Other	5,216	8,599	-	-	13,815
<b>Total accumulated depreciation or amortization</b>	<b>1,645,747</b>	<b>3,391,283</b>	<b>-</b>	<b>-</b>	<b>5,037,030</b>
<b>Depreciable assets, net</b>	<b>61,424,400</b>	<b>(2,958,604)</b>	<b>-</b>	<b>7,542</b>	<b>58,473,338</b>
<b>Capital assets, net</b>	<b>\$ 607,999,321</b>	<b>\$ 42,035,714</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 650,035,035</b>

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**I-95 Corridor**

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

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

The rail segments and conveyance terms are as follows:

<b>Segment</b>	<b>Description</b>	<b>Conveyance Terms</b>
Segment 1: I-95 Corridor	Approximately one-half of the 144-mile rail corridor from just inside Washington, DC to just south of Petersburg, VA with passage through Richmond, VA by way of Main Street Station.	The agreement provided the Authority with a permanent passenger rail service easement in the I-95 rail corridor owned by CSXT. Survey work is currently being performed to determine the nature of the assets (land, track, bridges, rail infrastructure) associated with the I-95 Corridor right-of-way. As that work progresses, deeds of confirmation will allow for the fee simple ownership of the right of way and rail infrastructure to pass to the Authority. In accordance with Amendment No. 3 of the CRA, the survey and titling work must be completed by February 28, 2026.
Segment 2: S-Line	75-mile rail corridor from just south of Petersburg, VA to Ridgeway, NC.	Conveyance accepted on November 30, 2022.
Segment 3: Buckingham Branch	East-west 164-mile CSXT line from Doswell, VA to Clifton Forge, VA operated by Buckingham Branch railroad Company.	Conveyance accepted on November 30, 2021.

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

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

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

As of June 30, 2024, all installment payments have been made to CSXT, and the Authority has accepted conveyance for two of the three segments. The acquisition value for Segment 1 will remain an intangible asset and will convert to land and rail infrastructure once fee simple ownership is conveyed.

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**Western Rail Corridor**

In 2022, the Authority completed efforts to purchase 28.5 miles of rail capacity, right-of-way, and rail infrastructure from Norfolk Southern (the “NS”) known as the “V-line.” The Authority formally assumed the underlying assets as of the financial close date of June 28, 2022. Based on the asset valuation, the fair value of all assets acquired approximates the acquisition consideration. Using comparable market data, the value was allocated to the respective asset components (land and rail infrastructure). The total asset value was \$40.7 million, comprised of \$31.2 million of land and \$9.5 million of rail infrastructure. As disclosed in Note 2, rail infrastructure is depreciated over a 40-year useful life. As the assets acquired with the V-Line had varying useful lives, a 20-year remaining life was applied to the assets. As of June 30, 2024, accumulated depreciation in the amount of \$951,827 was recorded.

**NOTE 6 – LONG-TERM OBLIGATIONS**

The changes in long-term liabilities for the year ended June 30, 2024 and 2023 are as follows:

	<b>Balance, July 1, 2023</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance, June 30, 2024</b>	<b>Current Portion</b>
Lease liability	\$ 3,678,229	\$ 3,476,659	\$ (335,977)	\$ 6,818,911	\$ 347,060
Subscription liability	-	626,634	(147,515)	479,119	105,020
Compensated absences	450,791	100,843	-	551,634	-
<b>Total Long-Term Obligations</b>	<b>\$ 4,129,020</b>	<b>\$ 4,204,136</b>	<b>\$ (483,492)</b>	<b>\$ 7,849,664</b>	<b>\$ 452,080</b>

	<b>Balance, July 1, 2022</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance, June 30, 2023</b>	<b>Current Portion</b>
Lease liability	\$ 3,770,113	\$ -	\$ (91,884)	\$3,678,229	\$ 335,977
Due to CSXT	125,000,000	-	(125,000,000)	-	-
Compensated absences	327,706	123,085	-	450,791	-
<b>Total Long-Term Obligations</b>	<b>\$ 129,097,819</b>	<b>\$ 123,085</b>	<b>\$ (125,091,884)</b>	<b>\$ 4,129,020</b>	<b>\$ 335,977</b>

The long-term liabilities of the Authority consist of compensated absences, lease and subscription liabilities, as well as obligations related to pension and other postemployment benefits. See Notes 7 and 8 for details regarding these items. Employees of the Authority are entitled to PTO in accordance with policy. At termination or retirement, employees are paid for unused accrued leave balances. The Authority accrued \$551,634 and \$450,791 for compensated absences as of June 30, 2024 and 2023, respectively. Compensated absences will include current and long-term amounts in subsequent years when historical data is available.

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Lease obligations

The Authority entered into a 10-year, 8-month lease agreement for office space in Richmond in May 2022. Terms of the agreement provided for 8 months of abated rent with monthly payments of \$37,545 commencing in February 2023. The Authority recorded a \$3,770,113 lease obligation, utilizing a 3.25% interest rate. The lease asset is amortized over a 128-month period on a straight-line basis. The value of the intangible right-to-use lease asset was \$3,004,309 and \$3,357,757 at June 30, 2024 and 2023, respectively. Future minimum lease payments as of June 30, 2024 are shown below.

<b>Year(s) Ending June 30:</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2025	\$103,484	\$347,060	\$450,544
2026	92,035	358,509	450,544
2027	80,208	370,336	450,544
2028	67,991	382,553	450,544
2029	55,371	395,173	450,544
2030 – 2033	88,283	1,488,621	1,576,904
Total	\$ 487,372	\$3,342,252	\$3,829,624

In December 2023, the Authority entered into a 10-year, 9-month lease agreement for office space in Alexandria. Terms of the agreement provided 9 months of abated rent with monthly payments of \$40,946 commencing in September 2024, increasing by 2.5% annually starting in December 2024. The Authority recorded a \$3,476,659 lease obligation, utilizing an 8.5% interest rate. The lease asset is amortized over a 129-month period on a straight-line basis. The value of the intangible right-to-use lease asset was \$3,287,999 at June 30, 2024. Future minimum lease payments as of June 30, 2024 are shown below.

<b>Year(s) Ending June 30:</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2025	\$416,631	\$ -	\$416,631
2026	360,954	150,032	510,986
2027	273,276	250,485	523,761
2028	251,326	285,529	536,855
2029	224,869	325,408	550,277
2030 – 2033	604,372	2,465,205	3,069,577
Total	\$2,131,428	\$3,476,659	\$5,608,087

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

In October 2022, the Authority entered into two subscription license agreements for an Enterprise Resource Planning (the “ERP”) system. The first agreement is for a period of 3 years with an optional 3-year renewal term. The second agreement is for a supplemental software that works in tandem with the first. That agreement is for a period of 5 years with an optional 1-year renewal term. The software was placed into service in July 2023. A second implementation phase that added functionality was placed into service in April 2024. Initial payments were made prior to placing the software into service and during the fiscal year ended June 30, 2024 totaling \$331,546. Subsequent annual payments are \$147,366 starting in November 2024. The Authority recorded a \$626,634 subscription liability utilizing an 8.5% interest rate. The intangible right-to-use subscription asset is amortized over 64 months on a straight-line basis. The value of the intangible right-to-use subscription asset was \$1,817,011 at June 30, 2024. Future minimum payments as of June 30, 2024 are shown below:

<b>Year Ending June 30:</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2025	\$ 42,346	\$ 105,020	\$ 147,366
2026	33,067	114,299	147,366
2027	22,964	124,402	147,366
2028	11,968	135,398	147,366
Total	\$110,345	\$479,119	\$589,464

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**NOTE 7 – PENSION PLAN**

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent Multiple-Employer Pension Plan
Administering Entity:	Virginia Retirement System (System)

**A. Plan Description**

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (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. Contributions**

The contribution requirement for active employees is governed by § 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each entity's contractually required employer contribution rate for the fiscal year ended June 30, 2024 and 2023 was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS State Employee Retirement Plan were \$914,442 and \$861,077 for the years ended June 30, 2024, and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$73.0 million to the VRS State 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 special employer contributions. The Authority's proportionate share for the VRS State Employee Retirement Plan is reflected in the general administrative expenses of the Statement of Revenues, Expenses, and Changes in Net Position.

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

At June 30, 2024 and 2023, the Authority reported a liability of \$5,462,959 and \$2,266,033, respectively, for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023 and 2022. The Authority's proportion of the Net Pension Liability was based on the Authority's actuarially determined employer contributions to the pension plan for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the Authority's proportion of the VRS State Employee Retirement Plan was 0.10797% as compared to 0.04993% at June 30, 2022.

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For the years ended June 30, 2024 and 2023, the Authority recognized pension expense of \$2,283,625 and \$1,015,896, respectively, for the VRS State Employee Retirement Plan. Since there was a change in proportionate share between June 30, 2022, and June 30, 2023, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

\$914,442 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<b>Year ending June 30:</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2025	\$ 1,685,907
2026	970,752
2027	690,479
2028	13,830
Total	<u>\$ 3,360,968</u>

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 149,881
Net difference between projected and actual earnings on plan investments	-	330,276
Change in assumptions	90,916	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,026,648	1,174
Employer contributions subsequent to the measurement date	861,077	-
Total	<u>\$ 2,978,641</u>	<u>\$ 481,331</u>



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**D. Actuarial Assumptions**

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2022, and 2021 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, and 2022.

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

Mortality rates:

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

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

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

**E. Net Pension Liability**

The net pension liability (the “NPL”) is calculated separately for each plan and represents that particular plan’s total pension liability determined in accordance with GAAP, less that plan’s fiduciary net position. As of June 30, 2023 and 2022, NPL amounts for the VRS State Employee Retirement Plan are as follows (amounts expressed in thousands):

	<b>2023</b>	<b>2022</b>
	<b>State Employee Retirement Plan</b>	<b>State Employee Retirement Plan</b>
Total Pension Liability	\$ 28,411,528	\$ 27,117,746
Plan Fiduciary Net Position	23,351,827	22,579,326
Employers' Net Pension Liability	<u>\$ 5,059,701</u>	<u>\$ 4,538,420</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.19%	83.26%

The total pension liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System’s notes to the financial statements and required supplementary information.

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

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

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

<b>Asset Class (Strategy)</b>	<b>Long-Term Target Asset Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return*</b>
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%
<b>Total</b>	<b>100.00%</b>		<b>5.75%</b>
		<b>Inflation</b>	<b>2.50%</b>
		<b>Expected arithmetic nominal return**</b>	<b>8.25%</b>

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

**G. Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal years ending June 30, 2023 and 2022, the rate contributed by the state agency for the VRS State Employee Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 102% of the actuarially determined contribution rate. From July 1, 2022, on, all agencies are assumed to continue to contribute 102% 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.

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

The following presents the Authority’s proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 6.75%, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>1.00% Decrease 5.75%</b>	<b>Current Discount Rate 6.75%</b>	<b>1.00% Increase 7.75%</b>
Authority's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability - 2023	\$ 9,103,520	\$ 5,462,959	\$ 2,416,090
Authority's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability - 2022	\$ 3,872,710	\$ 2,266,033	\$ 934,375

**I. Pension Plan Fiduciary Net Position**

Detailed information about the VRS State Employee Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2023 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](http://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.

**K. Payables to the Pension Plan**

The payable amount outstanding to the VRS State Employee Retirement Plan for legally required contributions into the plan was \$117,720 and \$0 at June 30, 2024 and June 30, 2023, respectively.

**NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS**

**A. Group Life Insurance Program**

**I. Plan Description**

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

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

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**II. Group Life Insurance Program Plan Provisions**

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

<p><b>Eligible Employees</b></p> <p>The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> <li>• City of Richmond</li> <li>• City of Portsmouth</li> <li>• City of Roanoke</li> <li>• City of Norfolk</li> <li>• Roanoke City School Board</li> </ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the GLI have several components.</p> <ul style="list-style-type: none"> <li>• Natural Death Benefit: The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.</li> <li>• Accidental Death Benefit: The accidental death benefit is double the natural death benefit.</li> <li>• Other Benefit Provisions: In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> <li>• Accidental dismemberment benefit</li> <li>• Seatbelt benefit</li> <li>• Repatriation benefit</li> <li>• Felonious assault benefit</li> <li>• Accelerated death benefit option</li> </ul> </li> </ul>
<p><b>Reduction in Benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b>Minimum Benefit Amount and COLA</b></p> <p>For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLI. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,254 and \$8,984 as of June 30, 2024, and June 30, 2023, respectively.</p>

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**III. Contributions**

The contribution requirements for the GLI are governed by § 51.1-506 and § 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.34% 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, and 2023 was 0.54% 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, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the Authority were \$105,138 and \$81,940 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 GLI 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. The Authority’s proportionate share is reflected in the general administrative expenses of the Statement of Revenues, Expenses, and Changes in Net Position.

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

At June 30, 2024 and 2023, the Authority reported a liability of \$311,342 and \$136,424, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and 2022 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 2021 and rolled forward to the measurement date of June 30, 2023 and 2022. The covered employer’s proportion of the Net GLI OPEB Liability was based on the covered employer’s actuarially determined employer contributions to the GLI relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the Authority’s proportion was 0.02596% as compared to 0.01133% at June 30, 2022.

For the years ended June 30, 2024, and June 30, 2023, the Authority recognized GLI OPEB expense of \$73,056 and \$31,305, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2024, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

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

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\$105,138 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:	<u>Deferred Outflows (Inflows) of Resources</u>
2025	\$ 56,831
2026	46,165
2027	64,170
2028	57,548
2029	33,550
Total	<u>\$ 258,264</u>

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,803	\$ 5,473
Net difference between projected and actual earnings on plan investments	-	8,524
Change in assumptions	5,088	13,288
Changes in proportion and differences between employer contributions and proportionate share of contributions	132,161	18
Employer contributions subsequent to the measurement date	81,940	-
Total	<u>\$ 229,992</u>	<u>\$ 27,303</u>

**V. Actuarial Assumptions**

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2022, and June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date.

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

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

**VI. Net GLI OPEB Liability**

The net GLI OPEB Liability (the “NOL”) represents the program’s total OPEB Liability determined in accordance with GAAP, less the associated plan fiduciary net position. As of the measurement date of June 30, 2023 and 2022, NOL amounts for the GLI are as follows (amounts expressed in thousands):

	<u>2023 Group Life Insurance OPEB Program</u>	<u>2022 Group Life Insurance OPEB Program</u>
Total GLI OPEB Liability	\$ 3,907,052	\$ 3,672,085
Plan Fiduciary Net Position	2,707,739	2,467,989
GLI Net OPEB Liability	<u>\$ 1,199,313</u>	<u>\$ 1,204,096</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	69.30%	67.21%

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

**VII. Long-Term Expected Rate of Return**

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

**VIII. Discount Rate**

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by the Authority for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2023 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

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

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

	<b>1.00% Decrease</b>	<b>Current Discount Rate</b>	<b>1.00% Increase</b>
	<b>5.75%</b>	<b>6.75%</b>	<b>7.75%</b>
Authority's proportionate share of the GLI Plan Net OPEB Liability – 2023	\$ 461,506	\$ 311,342	\$ 189,933
Authority's proportionate share of the GLI Plan Net OPEB Liability - 2022	\$ 198,513	\$ 136,424	\$ 86,248

**X. Group Life Insurance Program Fiduciary Net Position**

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 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](http://varetire.org/pdf/publications/2023-annual-report.pdf), or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**XI. Payables to the VRS Group Life Insurance OPEB Plan**

The payable amount outstanding to the VRS GLI for legally required contributions into the Program was \$9,986 and \$0 at June 30, 2024, and June 30, 2023, respectively.

**B. Health Insurance Credit Program**

**I. Plan Description**

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

**II. State Employee Health Insurance Credit Program Plan Provisions**

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

<p><b>Eligible Employees</b></p> <p>The State Employee Retiree HIC was established January 1, 1990, for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit.</p> <p>Eligible employees who are enrolled automatically upon employment include full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.</p>
<p><b>Benefit Amounts</b></p> <p>The State Employee Retiree HIC provides the following benefits for eligible employees:</p> <p>At Retirement: For State employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.</p> <p>Disability Retirement: For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (the “VSDP”), the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.</p> <p>For State police officer employees with a non-work-related disability who retire on disability or go on long-term disability under the VSDP, the monthly benefit is \$120.00 or \$4.00 per year of service, whichever is higher.</p> <p>For State police officers with a work-related disability, there is no benefit provided under the State Employee Retiree HIC if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.</p>
<p><b>Health Insurance Credit Program Notes</b></p> <p>The monthly Health Insurance Credit benefit cannot exceed the individual’s premium amount.</p> <p>Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qualify for the Health Insurance Credit as a retiree.</p>

**III. Contributions**

The contribution requirement for active employees is governed by § 51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each entity’s contractually required employer contribution rate for the years ended June 30, 2024 and 2023 was 1.12% of covered employee compensation for employees in the VRS State Employee HIC. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS State Employee HIC were \$87,876 and \$68,487 for the years ended June 30, 2024 and June 30, 2023, respectively.



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In June 2023, the Commonwealth made a special contribution of approximately \$8.5 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a special employer contribution. The Authority's proportionate share is reflected in the general administrative expenses of the Statement of Revenues, Expenses, and Changes in Net Position.

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

At June 30, 2024 and 2023, the Authority reported a liability of \$612,437 and \$266,477, respectively, for its proportionate share of the VRS State Employee HIC Net OPEB liability. The Net VRS State Employee HIC OPEB Liability was measured as of June 30, 2023 and 2022 and the total VRS State Employee HIC OPEB Liability used to calculate the Net VRS State Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022 and 2021, and rolled forward to the measurement date. The Authority's proportion of the Net VRS State Employee HIC OPEB Liability was based on the Authority's actuarially determined employer contributions to the VRS State Employee HIC OPEB plan relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2023, the Authority's proportion of the VRS State Employee HIC was 0.07454% as compared to 0.03253% at June 30, 2022.

For the years ended June 30, 2024 and 2023, the Authority recognized VRS State Employee HIC OPEB expense of \$209,834 and \$68,922, respectively. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee HIC Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee HIC OPEB from the following sources:

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

\$87,876 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the Authority's contributions subsequent to the measurement date was recognized as a reduction of the Net State Employee 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 State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

<b>Year ending June 30:</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2025	\$ 106,945
2026	105,126
2027	109,354
2028	105,460
2029	24,056
Total	<u>\$ 450,941</u>

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At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee HIC OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 46	\$ 16,105
Net difference between projected and actual earnings on plan investments	-	145
Change in assumptions	8,915	135
Changes in proportion and differences between employer contributions and proportionate share of contributions	233,638	130
Employer contributions subsequent to the measurement date	68,487	-
Total	<u>\$ 311,086</u>	<u>\$ 16,515</u>

**V. Actuarial Assumptions**

The total State Employee HIC OPEB Liability for the VRS State Employee HIC was based on an actuarial valuation as of June 30, 2022 and 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date.

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

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

**VI. Net State Employee HIC OPEB Liability**

The net OPEB liability (the “NOL”) for the State Employee HIC represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated plan fiduciary net position. As of June 30, 2023 and 2022, NOL amounts for the VRS State Employee HIC are as follows (amounts expressed in thousands):

	<b>2023 State Employee HIC OPEB Plan</b>	<b>2022 State Employee HIC OPEB Plan</b>
Total State Employee HIC OPEB Liability	\$ 1,102,220	\$ 1,043,748
Plan Fiduciary Net Position	280,599	224,575
State Employee Net HIC OPEB Liability	<u>\$ 821,621</u>	<u>\$ 819,173</u>
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	25.46%	21.52%

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

**VII. Long-Term Expected Rate of Return**

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

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**VIII. Discount Rate**

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by the Authority for the VRS State Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 108% of the actuarially determined contribution rate. From July 1, 2023 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

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

The following presents the Authority’s proportionate share of the VRS State Employee HIC net HIC OPEB liability using the discount rate of 6.75%, as well as what the Authority’s proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<b>1.00% Decrease 5.75%</b>	<b>Current Discount Rate 6.75%</b>	<b>1.00% Increase 7.75%</b>
Authority's proportionate share of the Employee HIC OPEB Plan Net HIC OPEB Liability - 2023	\$ 691,569	\$ 612,437	\$ 544,581
Authority's proportionate share of the Employee HIC OPEB Plan Net HIC OPEB Liability - 2022	\$ 299,231	\$ 266,477	\$ 238,357

**X. State Employee HIC OPEB Fiduciary Net Position**

Detailed information about the VRS State Employee Health Insurance Credit Program’s Fiduciary Net Position is available in the separately issued VRS 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](http://varetire.org/pdf/publications/2023-annual-report.pdf), or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**XI. Payables to the State Employee HIC OPEB Plan**

The payable amount outstanding to the VRS HIC Program for legally required contributions was \$8,346 and \$0 at June 30, 2024, and June 30, 2023, respectively.

**C. VRS Disability Insurance Program**

**I. Plan Description**

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

**II. Virginia Sickness and Disability Program Plan Provisions**

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

<p><b>Eligible Employees</b></p> <p>The VSDP, also known as the Disability Insurance Trust Fund, was established January 1, 1999, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> <li>• Full-time and part-time permanent salaried state employees covered under VRS, SPORS and VaLORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).</li> <li>• State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.</li> <li>• Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution’s disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.</li> </ul>
<p><b>Benefit Amounts</b></p> <p>The VSDP provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• Leave: Sick, family and personal leave. Eligible leave benefits are paid by the employer.</li> <li>• Short-Term Disability: The program provides a short-term disability benefit beginning after a seven-calendar day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee’s pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.</li> <li>• Long-Term Disability (the “LTD”): The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee’s pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the VSDP OPEB Plan.</li> <li>• Income Replacement Adjustment: The program provides for an income replacement adjustment to 80% for catastrophic conditions.</li> <li>• VSDP Long-Term Care Plan: The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.</li> </ul>
<p><b>Disability Insurance Program Plan Notes</b></p> <ul style="list-style-type: none"> <li>• Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.</li> <li>• A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up to five years of VSDP benefits.</li> <li>• Employees on work-related short-term disability receiving only a workers’ compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers’ compensation payment. The rate will be based on 5.00% of the employee’s compensation.</li> </ul>

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**Cost-of-Living Adjustment (the “COLA”)**

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

**III. Contributions**

The contribution requirements for the VSDP are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer’s contractually required employer contribution rate for the VSDP for the year ended June 30, 2024 and 2023, was 0.61% 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 payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the VSDP from the Authority were \$47,861 and \$37,301 for the years ended June 30, 2024 and June 30, 2023, respectively.

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

At June 30, 2024 and 2023, the Authority reported an asset of \$381,233 and \$158,054, respectively, for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB asset was measured as of June 30, 2023 and 2022, and the total VSDP OPEB liability used to calculate the Net VSDP OPEB asset was determined by an actuarial valuation as of June 30, 2022 and 2021 and rolled forward to the measurement date. The Authority’s proportion of the Net VSDP OPEB Asset was based on the agency’s actuarially determined employer contributions to the VSDP OPEB plan relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the Authority’s proportion was 0.12069% as compared to 0.05355% at June 30, 2022.

For the years ended June 30, 2024 and 2023, the Authority recognized VSDP OPEB expense of (\$29,342) and (\$14,657), respectively. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

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At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

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

\$47,861 reported as deferred outflows of resources related to the VSDP OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB asset in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

<b>Year ending June 30:</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2025	\$ (55,838)
2026	(59,676)
2027	(37,400)
2028	(38,815)
2029	(36,441)
Thereafter	(54,910)
Total	<u>\$ (283,080)</u>

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 15,911	\$ 23,528
Net difference between projected and actual earnings on plan investments	-	8,727
Change in assumptions	912	3,105
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	108,005
Employer contributions subsequent to the measurement date	37,301	-
Total	<u>\$ 54,124</u>	<u>\$ 143,365</u>

**V. Actuarial Assumptions**

The total VSDP OPEB asset was based on an actuarial valuation as of June 30, 2022, and 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date.

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

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

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**VI. Net VSDP OPEB Asset**

The net OPEB asset for the VSDP represents the program’s total OPEB liability determined in accordance with GAAP, less the associated plan fiduciary net position. As of the measurement date of June 30, 2023, and 2022, net OPEB asset amounts for the VSDP are as follows (amounts expressed in thousands):

	<b>2023</b>	<b>2022</b>
	<b>Virginia Sickness and Disability OPEB Program</b>	<b>Virginia Sickness and Disability OPEB Program</b>
Total VSDP OPEB Liability	\$ 318,901	\$ 307,764
Plan Fiduciary Net Position	634,779	602,916
VSDP Net OPEB Asset	<u>\$ (315,878)</u>	<u>\$ (295,152)</u>
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	199.05%	195.90%

The total VSDP OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net OPEB asset is disclosed in accordance with the requirements of GAAP in the System’s notes to the financial statements and required supplementary information.

**VII. Long-Term Expected Rate of Return**

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

**VIII. Discount Rate**

The discount rate used to measure the total VSDP OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2023, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 109% of the actuarially determined contribution rate. From July 1, 2023, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB liability.

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

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

	<b>1.00% Decrease 5.75%</b>	<b>Current Discount Rate 6.75%</b>	<b>1.00% Increase 7.75%</b>
Authority's proportionate share of the VSDP Net OPEB Asset - 2023	\$ 352,809	\$ 381,233	\$ 406,290
Authority's proportionate share of the VSDP Net OPEB Asset - 2022	\$ 145,475	\$ 158,054	\$ 169,107

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**X. VSDP OPEB Fiduciary Net Position**

Detailed information about the VSDP Fiduciary Net Position is available in the separately issued VRS 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](http://varetire.org/pdf/publications/2023-annual-report.pdf), or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**XI. Payables to the VSDP OPEB Plan**

The payable amount outstanding to the VRS VSDP Plan for legally required contributions was \$4,546 and \$0 at June 30, 2024, and June 30, 2023, respectively.

**D. Pre-Medicare Retiree Healthcare**

**I. Plan Description**

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

**II. Pre-Medicare Retiree Eligibility**

Following are eligibility requirements for Virginia Retirement System retirees:

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

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

Effective January 1, 2017\*\*, following are eligibility requirements for Optional Retirement Plan retirees:

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

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

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



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This fund is reported as part of the Commonwealth’s Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes and is administered by the Department of Human Resource Management. There were approximately 3,551 retirees and 92,780 active employees in the program as of June 30, 2023. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

**III. Actuarial Assumptions and Methods**

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2023 (one year prior to the end of the fiscal year). The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 7.75% for medical and pharmacy and 4.00% for dental. The ultimate trend rates used were 4.50% for medical and pharmacy and 4.00% for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2023 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	5.80 years
Discount Rate	3.65%
Projected Salary Increases	5.35% to 3.50% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical & Rx: 7.75% to 4.50%    Dental: 4.00%
Year of Ultimate Trend	2033
Mortality	Mortality rates vary by participant status and gender
Pre-Retirement:	Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years
Post-Retirement:	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females
Post-Disablement:	Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years
Beneficiaries and Survivors:	Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2023.

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

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

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

The trend rates were updated based on economic conditions as of June 30, 2023. Additionally, the discount rate was increased from 3.54% to 3.65% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2023.

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

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

On June 30, 2024, the employer reported a liability of \$133,633 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of \$351.9 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2023. The covered employer's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on each employer's calculated healthcare premium contributions as a percentage of the total employer's calculated healthcare premium contributions for all participating employers. On June 30, 2023, the participating employer's proportion was 0.03797% as compared to 0.01591% on June 30, 2022. For the year ended June 30, 2024, the participating employer recognized Pre-Medicare Retiree Healthcare OPEB expense of (\$6,233).

At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,428	\$ 32,304
Changes in assumptions	-	81,821
Changes in proportion	274,180	-
Subtotal	<u>277,608</u>	<u>114,125</u>
Amounts associated with transactions subsequent to the measurement date	10,594	-
Total	<u>\$ 288,202</u>	<u>\$ 114,125</u>

Deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date were \$10,594. These amounts will be recognized as a reduction of the total Pre-Medicare Retiree Healthcare 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 Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year ending June 30:	<u>Deferred Outflows (Inflows) of Resources</u>
2025	\$ 9,983
2026	32,863
2027	45,017
2028	49,678
2029	25,942
Total	<u>\$ 163,483</u>

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

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.65%, as well as what the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current rate:

	<u>1.00% Decrease 2.65%</u>	<u>Current Discount Rate 3.65%</u>	<u>1.00% Increase 4.65%</u>
Other postemployment liability - 2023	\$ 141,533	\$ 133,633	\$ 126,092

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

The following presents the employer’s proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 7.75% decreasing to 4.50%, as well as what the employer’s proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.75% decreasing to 3.50%) or one percentage point higher (8.75% decreasing to 5.50%) than the current rate:

	<b>1.00% Decrease (6.75% decreasing to 3.5%)</b>	<b>Trend Rate (7.75% decreasing to 4.5%)</b>	<b>1.00% Increase (8.75% decreasing to 5.50%)</b>
Other postemployment liability - 2023	\$121,568	\$133,633	\$147,629

**NOTE 9 – CONTINGENCIES**

From time to time, the Authority may be a defendant in litigation and claims which are incidental to its operations. As of June 30, 2024 and 2023, there are no pending or threatened litigation and claims against the Authority.

**NOTE 10 – COMMITMENTS**

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

In June 2024, the Authority entered into a SBITA for a Project Management Information system for a period of 5 years with an optional renewal term of an additional 1 year. As of June 30, 2024, the Authority was in the initial implementation phase and had processed disbursements in the amount of \$524,680, which were recorded as prepaid expenses in accordance with GASB Statement No. 96. The system is scheduled to be placed in service by June 2025.

At June 30, 2023, the Authority had capital grant commitments outstanding of \$247.1 million and other contractual commitments of \$93.8 million, both net of expenses incurred. The Authority also had \$17.1 million of funding committed to reimburse the DRPT for expenses related to grants managed by DRPT.

**NOTE 11 – SUBSEQUENT EVENTS**

On August 29, 2024, the Authority executed an agreement with Norfolk Southern Railway Company (NSR) to purchase certain railroad property rights, easements, and stations within the Commonwealth of Virginia for \$357.0 million. This agreement included several closing dates related to the assets being exchanged by the parties. An initial closing date occurred on September 5<sup>th</sup>, 2024, where the Authority received certain rail assets between Alexandria and Broad Run, Virginia, and NSR received \$315.0 million. A second closing is scheduled to occur on or before December 31, 2024, where the parties will exchange certain rail assets without any cash payments between them. Finally, upon completion of certain construction activities on railroad property in New River Valley, Virginia and conveyance of that improved property, a final installment of \$42.0 million will be paid by the Authority to NSR.

**NOTE 12 – RECLASSIFICATION**

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

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**NOTE 13 – PENDING GASB STATEMENTS**

At June 30, 2024, the GASB had issued statements not yet implemented by the Authority. The statements which might impact the Authority 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 No. 101 will be effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that makes a government vulnerable to substantial impact.

Statement No. 102 will be effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

Statement No. 103 will be effective for fiscal years beginning after June 15, 2025.

Management has not yet determined the effect these statements will have on its financial statements.

## **Required Supplementary Information**

**Schedule of the Employer's Share of Net Pension Liability  
VRS State Employee Retirement Plan  
For the Measurement Dates of June 30, 2021 through 2023**

<u>Date</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2023	0.10797%	\$ 5,462,959	\$ 6,114,889	89.34%	82.19%
2022	0.04993%	2,266,033	2,464,546	91.95%	83.26%
2021	0.00295%	107,004	127,625	83.84%	86.44%

**Schedule of the Employer's Contributions  
VRS State Employee Retirement Plan  
For the Measurement Dates of June 30, 2021 through 2024**

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2024	\$ 1,116,738	\$ 1,116,081	\$ 657	\$ 7,722,948	14.45%
2023	861,077	861,077	-	6,114,889	14.08%
2022	356,373	356,373	-	2,464,546	14.46%
2021	18,455	18,455	-	127,625	14.46%

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

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

**Changes of assumptions:** The actuarial assumptions used in the June 30, 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 for the VRS - State Employee Retirement Plan as a result of the experience study and VRS Board action are detailed below:

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

**Schedule of the Employer's Share of Net OPEB Liability  
Group Life Insurance Plan (the "GLI")  
For the Measurement Dates of June 30, 2021 through 2023**

<u>Date</u>	<u>Employer's Proportion of the Net GLI OPEB Liability</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability</u>
2023	0.02596%	\$ 311,342	\$ 6,114,889	5.09%	69.30%
2022	0.01133%	136,424	2,464,546	5.54%	67.21%
2021	0.00062%	7,219	127,625	5.66%	67.45%

**Schedule of the Employer Contributions  
Group Life Insurance Program  
For the Measurement Dates of June 30, 2021 through 2024**

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2024	\$ 105,138	\$ 105,138	\$ -	\$ 7,846,114	1.34%
2023	81,940	81,940	-	6,114,889	1.34%
2022	33,025	33,025	-	2,464,546	1.34%
2021	1,710	1,710	-	127,625	1.34%

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

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

**Changes of assumptions:** The actuarial assumptions used in the June 30, 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 detailed below:

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

**Schedule of the Employer's Share of Net OPEB Liability  
Health Insurance Credit Program (the "HIC")  
For the Measurement Dates of June 30, 2021 through 2023**

<u>Date</u>	<u>Employer's Proportion of the Net HIC OPEB Liability</u>	<u>Employer's Proportionate Share of the Net HIC OPEB Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability</u>
2023	0.07454%	\$ 612,437	\$ 6,114,889	10.02%	25.46%
2022	0.03253%	266,477	2,464,546	10.81%	21.52%
2021	0.00177%	14,948	127,625	11.71%	19.75%

**Schedule of the Employer's Contributions  
Health Insurance Credit Program  
For the Measurement Dates of June 30, 2021 through 2024**

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2024	\$ 87,876	\$ 87,876	\$ -	\$ 7,846,114	1.12%
2023	68,487	68,487	-	6,114,889	1.12%
2022	27,603	27,603	-	2,464,546	1.12%
2021	1,429	1,429	-	127,625	1.12%

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

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

**Changes of assumptions:** The actuarial assumptions used in the June 30, 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 detailed below:

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



**Schedule of the Employer's Share of Net OPEB Liability  
Virginia Sickness and Disability Program  
For the Measurement Dates of June 30, 2021 through 2023**

<u>Date</u>	<u>Employer's Proportion of the Net VSDP OPEB Asset</u>	<u>Employer's Proportionate Share of the Net VSDP OPEB Asset</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net VSDP OPEB Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Asset</u>
2023	0.12069%	\$ 381,233	\$ 6,114,889	6.23%	199.05%
2022	0.05355%	158,054	2,464,546	6.41%	195.90%
2021	0.00295%	10,170	127,625	7.97%	229.01%

**Schedule of the Employer's Contributions  
Virginia Sickness and Disability Program  
For the Measurement Date of June 30, 2021 through 2024**

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contribution in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
2024	\$ 47,861	\$ 47,861	\$ -	\$ 7,846,114	0.61%
2023	37,031	37,301	-	6,114,889	0.61%
2022	15,034	15,034	-	2,464,546	0.61%
2021	779	779	-	127,625	0.61%

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

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

**Changes of assumptions:** The actuarial assumptions used in the June 30, 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 detailed below:

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

**Schedule of the Employer's Share of Total OPEB Liability  
Commonwealth of Virginia State Health Plans Program for Pre-Medicare Retirees  
For the Measurement Dates of June 30, 2021 through 2024**

<b><u>Date</u></b>	<b><u>Employer's proportion of the collective total OPEB liability</u></b>	<b><u>Employer's proportionate share of the collective total OPEB liability</u></b>	<b><u>Employer's covered-employee payroll</u></b>	<b><u>Employer's proportionate share of the collective total OPEB liability as a % of its covered-employee payroll</u></b>
2024	0.03797%	\$ 133,633	\$ 7,846,114	1.70%
2023	0.01591%	57,820	6,114,889	0.95%
2022	0.00036%	1,637	2,464,546	0.07%
2021	0.00000%	-	127,625	0.00%

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

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

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

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

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

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

The trend rates were updated based on economic conditions as of June 30, 2023. Additionally, the discount rate was increased from 3.54% to 3.65% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2023.

## **COMPLIANCE SECTION**



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

To the Board of Directors  
Virginia Passenger Rail Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Virginia Passenger Rail Authority (Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 26, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

## **Purpose of this Report**

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

*PBMares, LLP*

Harrisonburg, Virginia  
September 26, 2024