# VIRGINIA PASSENGER RAIL AUTHORITY

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

### FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

A COMPONENT UNIT OF THE
COMMOWEALTH OF VIRGINIA

VIRGINIA PASSENGER RAIL AUTHORITY

VIRGINIA PASSENGER RAIL AUTHORITY

Prepared by: Finance Department

# INTRODUCTORY SECTION



# FINANCIAL SECTION



# STATISTICAL SECTION



# COMPLIANCE SECTION

# INTRODUCTORY SECTION

COMMONWEALTH of VIRGINIA

*Virginia Passenger Rail Authority*


DJ Stadtler
Executive Director

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September 30, 2025

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

Dear Board Members:

In accordance with the requirements set forth in Section **33.2-288** of the Code of Virginia, we are pleased to present the fiscal year 2025 financial statements of the Virginia Passenger Rail Authority ("VPRA", "Authority"). The statute requires the Authority to publish, at the close of each fiscal year, a complete set of financial statements presented in conformance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with Government Auditing Standards generally accepted in the United States of America.

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

The fiscal year ended June 30, 2025 was audited by PBMares LLP, a licensed certified public accounting firm. We are pleased to report that as a result of an audit of the Authority's financial records and transactions, PBMares has issued an unmodified opinion on the Authority's financial statements for the year ended June 30, 2025.

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

**Profile of Virginia Passenger Rail Authority**

VPRA is an independent authority created by the Virginia General Assembly in 2020 to promote, sustain, and expand the availability of passenger and commuter rail service in the Commonwealth. VPRA provides intercity passenger rail service through a contractual relationship with the National Passenger Railroad Corporation ("Amtrak") on two main railroad lines operating in the I-95 and the I-81 corridors During the past year, eight daily round trip trains were operated in revenue service originating in locations in Virginia including Roanoke (two), Norfolk (three), Newport News (two), and Richmond (one) with extended service to New York and Boston. From July 1, 2024, through June 30, 2025, ridership on the VPRA's state-supported trains was 1,451,276, setting a new annual record since state-supported service began in 2009.

The Authority also supports this mission by expanding passenger rail service through capital acquisition and construction of rail infrastructure within Virginia.

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

**Major Initiatives**

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

In 2020, VPRA was established by the Virginia General Assembly to contract for the operation of intercity passenger rail service in Virginia and to carry out the TRV program to expand passenger rail service through capital acquisition and construction of rail infrastructure. As part of the 2020 transportation legislation, VPRA was allocated a dedicated share of Commonwealth Transportation Trust Funds, which is estimated to average $175 million annually for the next six years. This dedicated source provides a reliable base for financial planning for rail passenger service and the capital program.

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

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

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

- Rail Infrastructure: During fiscal year 2025, the most significant projects in the TRV program, Long Bridge and the Franconia-Springfield Bypass, reached a successful agreement with private ventures for construction. This is an important milestone as it marks the beginning of construction as well as removing some of the supply chain and inflationary concerns currently in the transportation infrastructure industry. In addition, environmental clearances were successfully navigated for these projects, and right-of-way activities advanced to actual acquisitions. In the New River Valley, construction of the rail infrastructure at Cambria station and the layover facility in Radford, VA, began in earnest.

- Cost Recovery: For three consecutive years, the Authority has established new annual ridership records for the state-supported service. This increase in customer demand has not been achieved at the expense of declining revenues. VPRA's long-range financial plan includes over $1 billion in passenger ticket revenues, which is integral to providing improved and more frequent service. An important key performance indicator adopted in the Authority's first year of existence was a cost recovery ratio for our passenger service operations. At that time, operations of some passenger trains had been halted due to the pandemic, and the future of passenger rail services was somewhat in question. The Authority still chose to set the cost recovery target to the historical 70% level, allowing for a post-pandemic recovery. For fiscal year 2025 a cost recovery of 76% was achieved, improving upon the 72% rate from the prior year.

**Long-Term Financial Planning**

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

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

**Financial Environment**

As the Commonwealth's road network has become more crowded over the last quarter century, particularly in the major metropolitan areas, intercity passenger rail has increasingly become a sought-after transportation alternative. The state-supported intercity passenger rail services have shown strong growth since the Covid-19 pandemic, with record ridership each of the last three years. VPRA has continued to work with Amtrak to improve customer experience. In the past year, a Customer Service Standards program was implemented with Amtrak, which is tracked with a monthly dashboard that monitors the on-board experience for our customers.

The longer-term outlook will be bolstered through the significant rail infrastructure improvements that VPRA is currently undertaking throughout the state. With over $5.8 billion planned to be expended on these capital improvements through 2031, VPRA will be able to double the intercity passenger rail service available to Virginia citizens. The on-time performance of our intercity passenger rail service should also experience improvement due to the TRV initiative and the planned use of dual-powered locomotives, which will improve dwell times at Washington Union Station. In addition, these capital improvements will unlock significant capacity for expansion of the Virginia Railway Express commuter operations.

**Awards and Acknowledgements**

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

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

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

Respectfully submitted,

DJ Stadtler
Executive Director

Steve Pittard
Chief Financial Officer

Bonnie Hite
Director of Accounting

## 2025 Virginia Passenger Rail Authority Board

Officers

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

Members

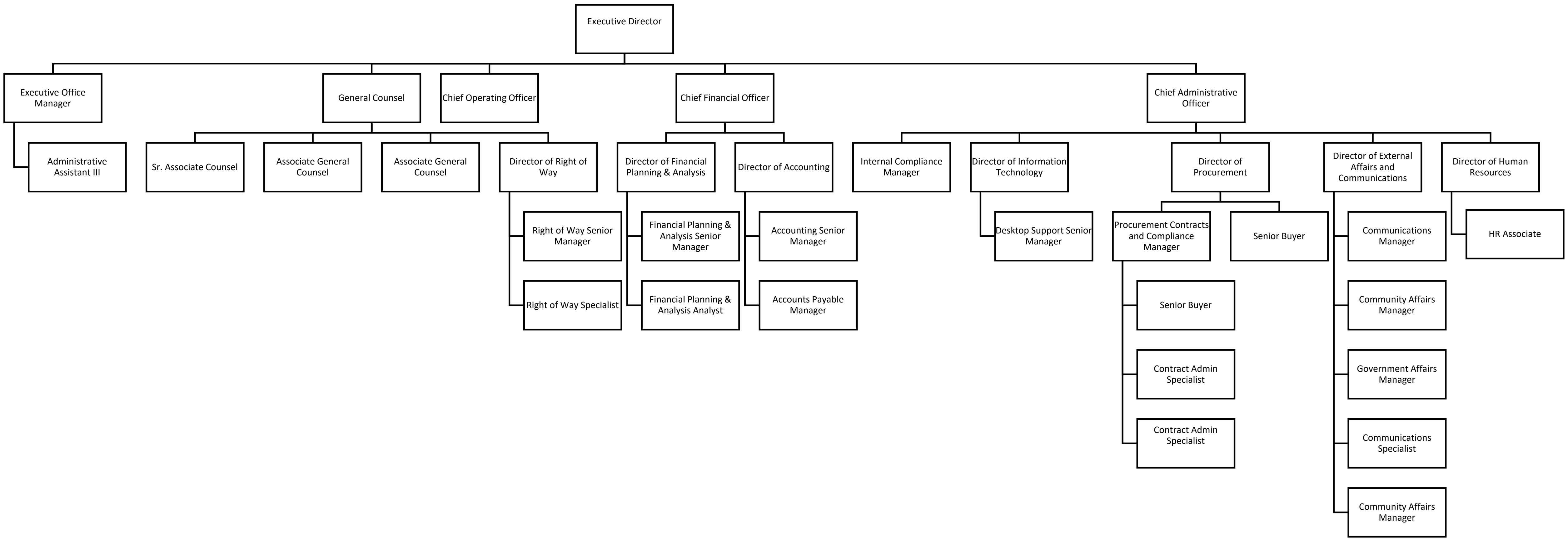
Tiffany Robinson
Sandra “Sandy” Bushue
Neal Crawford
John S. Delandro III
Patricia Doersch
Thelma Drake
Darien Flowers
D.J. Jordan
Cynthia Lawrence
Charles W. “Charlie” Payne
Beth D. Rhinehart
Susan Spears
John C. Watkins
Rich Dalton, non-voting
Bruno Maestri, non-voting

## Management

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

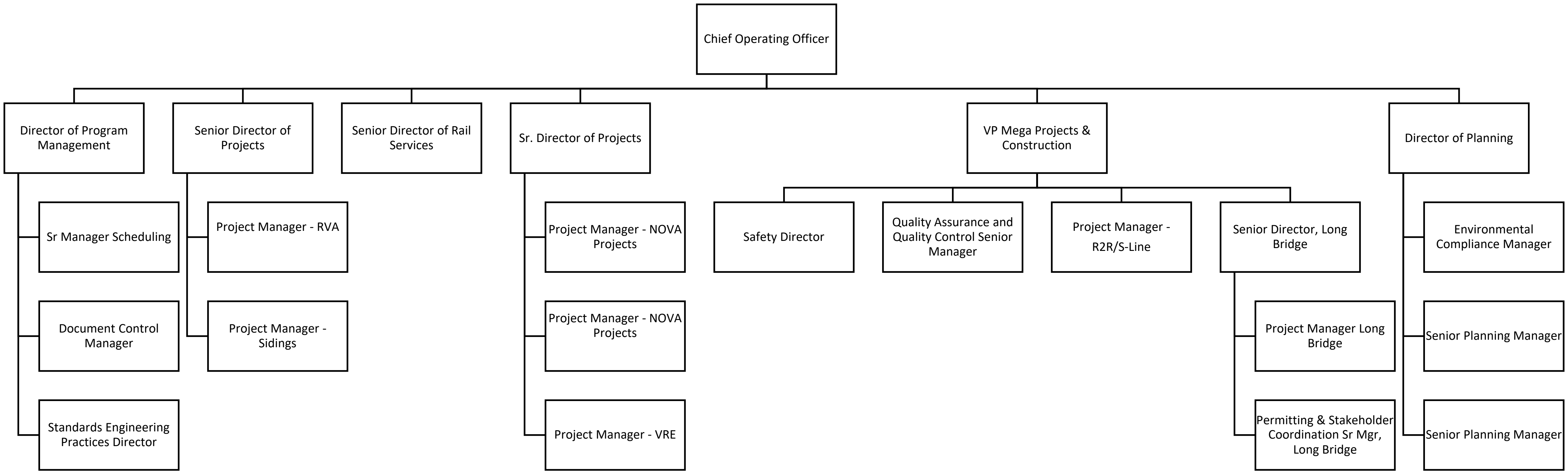
# Virginia Passenger Rail Authority

## Organizational Chart 2025



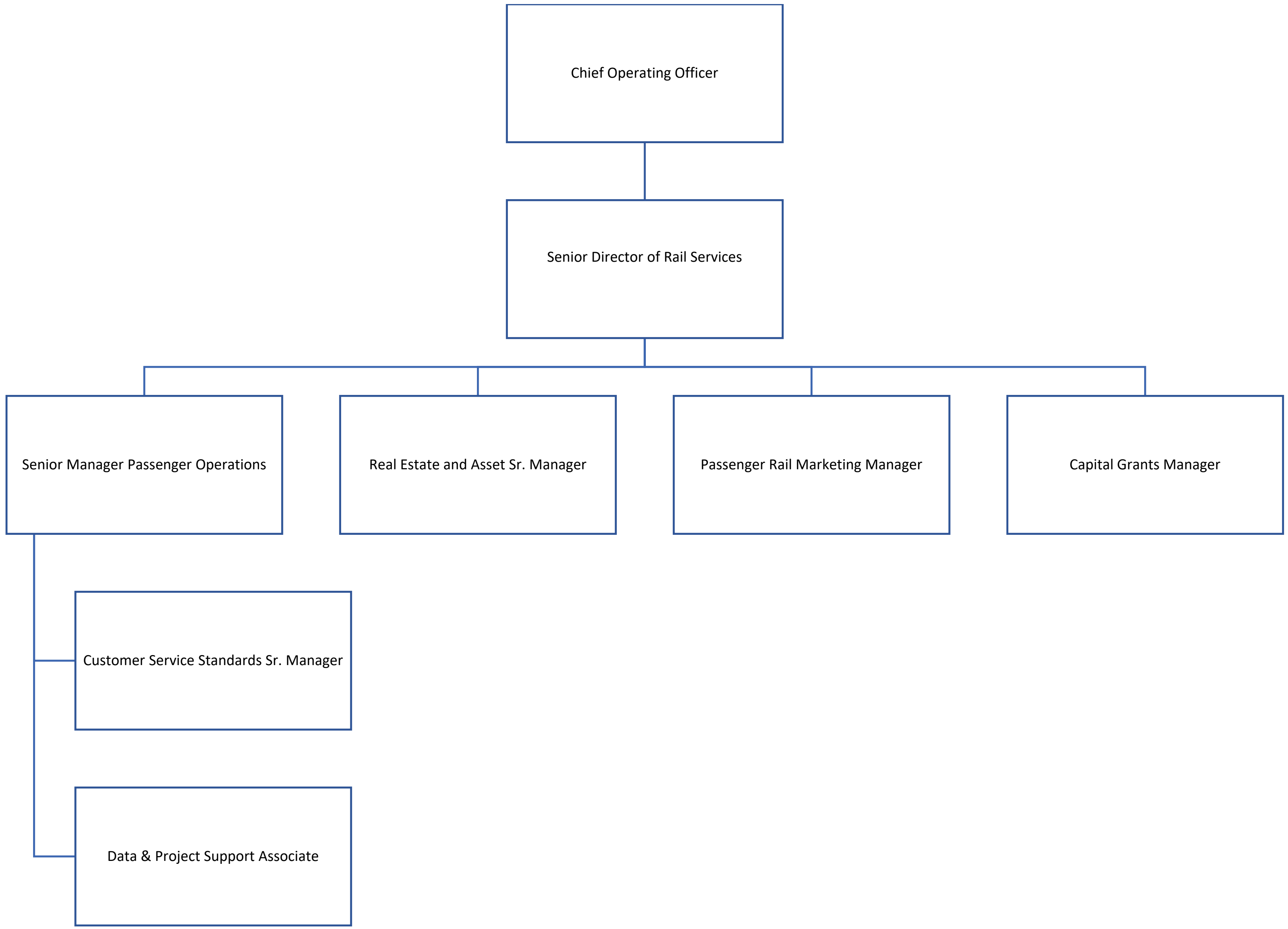
# Virginia Passenger Rail Authority

## Organizational Chart 2025



# Virginia Passenger Rail Authority

## Organizational Chart 2025



# FINANCIAL SECTION

PBMares
CPAs and Consultants

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Virginia Passenger Rail Authority

## Report on the Audit of the Financial Statements

***Opinions***

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

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

***Basis for Opinions***

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

***Change in Accounting Principle***

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

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

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

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

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

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 12 – 22 and the required supplementary information on pages 67 – 71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

*PBMares, LLP*

Harrisonburg, Virginia
September 30, 2025

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

## FINANCIAL OPERATIONS AND HIGHLIGHTS

### CURRENT YEAR

- Bolstered by record ridership of over 1.45 million, operating revenues from passenger rail services covered 76% of the train operating expenses and Authority administrative costs during the current year, staying consistent with prior year's cost recovery.

- During fiscal year 2025, direct passenger service costs increased 4%, while general administrative expenses decreased 46% from the prior year. This decrease is the result of the advancement of the capital projects program during fiscal year 2025 coupled with the implementation of a cost allocation plan that more accurately represents the actual costs associated with the Authority's projects and operations.

- The Commonwealth Rail Fund (the "CRF") was established July 1, 2020, through Section 33.2-1526.4 of the *Code of Virginia*. Of the 7.5% of Commonwealth Transportation Trust Funds deposited into the CRF, 93% of these funds are then distributed to the Authority. For this fiscal year, CRF funds distributed were $165.4 million, reflecting a 5% increase from last year. This increase is attributed to the overall growth in the sources of funding that make up the Commonwealth's Transportation Trust Fund.

- For the year ended June 30, 2025, nonoperating revenues were $467.7 million from Commonwealth sources, funding partners, federal grants, and investment income. This is a 64% increase from last year primarily due to the initial recognition of federal grant revenues under reimbursement agreements, as well as expanded funding agreements with Commonwealth partners.

- During the Authority's fifth year of operations, the total net position increased $361.7 million to end the fiscal year with a net position of over $1.8 billion. As the Authority advances large rail infrastructure capital projects in the coming years, the trend of increasing total net position will continue.

- The Authority ended the fiscal year with $2.0 billion in assets and deferred outflows of resources, a $428.7 million increase from the prior year. Cash, cash equivalents, and investments of $475.8 million and net capital assets of $1.3 billion comprised most of the Authority's assets at June 30, 2025.

- For the year ended June 30, 2025, additions to construction-in-progress for the Authority's program of capital projects were $221.9 million, ending the period with a total of $394.9 million. This represents a 128% increase over the prior year and represents the scale and timing of ongoing capital project activity.

- On August 29, 2024, the Authority executed an agreement with Norfolk Southern to purchase the Manassas Line, which included land, easements, and stations within the Commonwealth of Virginia for $411.3 million. Pursuant to this agreement, the authority paid $315.0 million in September 2024 and conveyed property valued at $54.3 million in November 2024 to Norfolk Southern. The remaining $42.0 million is anticipated to be paid in August 2027.

- On April 2, 2025 the Authority executed an agreement with Virginia Railway Express ("VRE") to sell the Seminary Yard, the Broad Run corridor, and certain easements along the Manassas Line for $155.0 million. At June 30, 2025 the Authority had received and was holding the first of six payments in the amount of $26 million related to the pending sale. These assets are expected to convey to VRE in fiscal year 2026.

**PRIOR YEAR**

- The Commonwealth Rail Fund (the "CRF") was established July 1, 2020, through Section 33.2-1526.4 of the *Code of Virginia*. Of the 7.5% of Commonwealth Transportation Trust Funds deposited into the CRF, 93% of these funds are then distributed to the Authority. For this fiscal year, CRF funds distributed were $157.8 million, reflecting a 16% decrease from last year. This decline is attributed to the conclusion of the 2020 Transportation Initiative transition period at the end of fiscal year 2023, which had included additional dedicated rail fund allocations.

- During the Authority's fourth year of operations, the total net position increased $210.0 million to end the fiscal year with a net position of almost $1.5 billion.

- The Authority ended the fiscal year with $1.6 billion in assets and deferred outflows of resources, a $220.2 million increase from the prior year. Cash, cash equivalents, and investments of $722.8 million and net capital assets of $767.9 million comprised most of the Authority's assets at June 30, 2024.

- Operating revenues from passenger rail services covered 72% of the train operating expenses and Authority administrative costs during the current year, staying consistent with prior year's cost recovery. During fiscal year 2024, direct passenger service costs increased 2%, while general administrative expenses decreased 30% from the prior year. This decrease is the result of the Authority developing and implementing a cost allocation plan for fiscal year 2024 that more accurately represents the actual costs associated with its projects and programs.

- For the year ended June 30, 2024, nonoperating revenues were $284.8 million from Commonwealth sources, Funding Partners, and investment income. $99.5 million of these revenues were retained as current assets as of year-end.

- For the year ended June 30, 2024, additions to construction-in-progress for the Authority's program of capital projects were $112.4 million, ending the period with a total of $173.0 million. This represents a 186% increase over the prior year and is indicative of the continued advancement of the capital program that will accelerate in the next few years.

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

Financial Statements

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

## FINANCIAL ANALYSIS

### CURRENT YEAR

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

**Condensed Statements of Net Position**

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

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

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

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

**PRIOR YEAR**

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

## Condensed Statements of Net Position

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

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

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

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

**CURRENT YEAR**

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

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

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

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

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

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

## PRIOR YEAR

### Capital Acquisitions and Construction Activities

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

### Construction-in-Progress

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

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

**CURRENT YEAR**

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

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

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

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

**Operating Revenues**

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

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

**Operating Expenses**

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

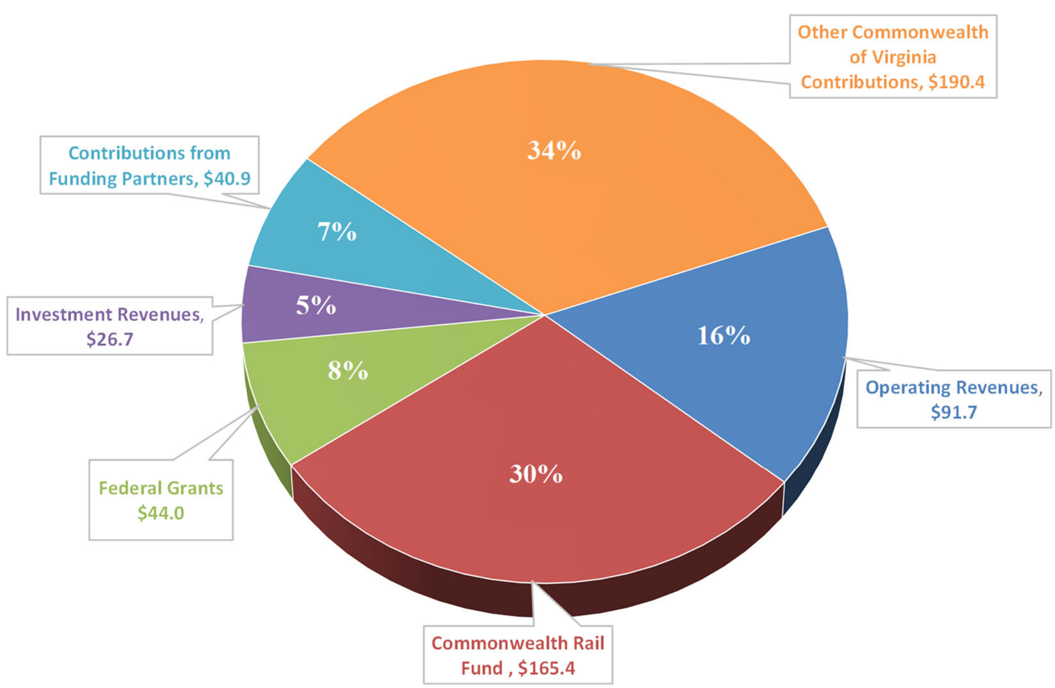
**Net Nonoperating Revenues**

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

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

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

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



## PRIOR YEAR

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

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

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

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

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

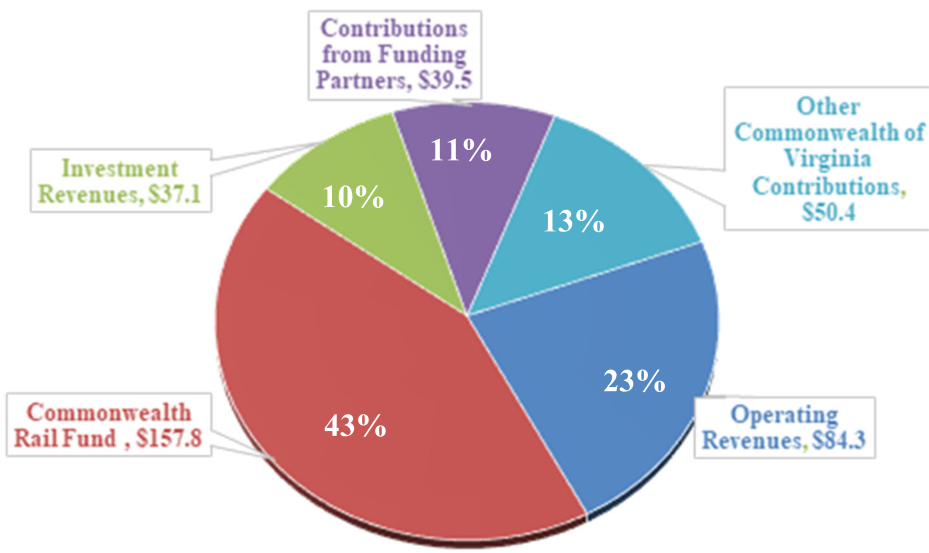
**Operating Revenues**
Operating revenues decreased $1.0 million, or 1% in the current fiscal year despite record ridership, a 10% year-over-year increase. The decrease in revenues related to several factors including a new automated pricing system which suppressed fares until a certain level of train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

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

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

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

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



Economic Factors and the Fiscal Year 2026 Budget

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

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

Request for Information

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

# Basic Financial Statements

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

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

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

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

**VIRGINIA PASSENGER RAIL AUTHORITY**
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
*YEARS ENDED JUNE 30, 2025 and 2024*

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

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

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

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

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

## NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

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

As part of the 2020 transportation legislative initiative, the Commonwealth Rail Fund (the "CRF") was established July 1, 2020, through Section 33.2-1526.4 of the *Code of Virginia*. Of the 7.5% of Commonwealth Transportation Trust Funds deposited into the CRF, 93% are dedicated to the Authority and distributed to the Authority as soon as practical. For the years ended June 30, 2025 and 2024, the Authority recorded $165.4 million and $157.8 million of CRF revenue, respectively.

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

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Financial reporting model</u>

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.

<u>Measurement focus and basis of accounting</u>

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

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:

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

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

Deferred outflows/inflows of resources

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

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

Compensated absences

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

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

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

Accrued liabilities

Accrued liabilities are recorded for expenses incurred by the Authority but not yet paid and expenses incurred by grantees but not yet presented for reimbursement. Accrued liabilities recorded at June 30, 2025 and 2024 are based on actual costs or the best available estimate.

Leases

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

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

Subscription-Based Information Technology Arrangement (the "SBITA")

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

At the commencement of a SBITA, the Authority measures the subscription liability at the present value of payments expected to be made during the subscription term and then reduces the liability by the principal portion of the subscription payments made. The subscription asset is measured at the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs, then amortized on a straight-line basis over the subscription term. Subscription payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

Pensions and other postemployment plans

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

For reporting purposes, VRS measures pension and other postemployment benefits (the "OPEB") as of the prior fiscal year – June 30, 2024 in this case. For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the Authority's plans and the additions to/deductions from the Authority's plans' net fiduciary position will be determined on the same basis as reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. Pensions

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

B. Group Life Insurance Program (the "GLI")

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

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

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

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

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

E. Pre-Medicare Retiree Healthcare Plan

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

Net position

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

Revenue recognition

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

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

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

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

Operating revenues and expenses

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

Estimates

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

## NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

At June 30, 2025 and 2024, cash, cash equivalents and investments consisted of the following:

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

### Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation ("FDIC") and collateralized in accordance with the SPDA, Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and, depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits at June 30, 2025 and 2024, are considered fully collateralized.

**Investments**

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

The Authority has adopted a formal investment policy. The goal of the policy is to minimize risk and to ensure the availability of cash to meet Authority obligations, while generating revenue from the use of funds which might otherwise remain idle. The primary objectives of the Authority's investment activities in priority order are safety, liquidity, and yield. The policy specifies eligible and ineligible investments; diversification requirements; maximum length of time for various types of investments; and the process for purchasing securities. At June 30, 2025 and 2024, all of the Authority's investments were held in accordance with this policy.

***Credit Risk***

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

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

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

**Municipal Obligations.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| | Fair Quality Ratings as of June 30, 2025 | | | |
|---|---|---|---|---|
| | AAAm | AAA | A-1 | A |
| Commercial Paper | $ - | $ - | $ 33,447,525 | $ - |
| U.S. Treasury Obligations | - | 87,708,322 | - | - |
| Corporate Notes | - | - | - | 68,897,024 |
| Supranational Agency Bonds | - | 6,942,170 | - | - |
| Federal Agency/GSE Obligations | - | 75,939,767 | - | - |
| Money Market | 209,323 | - | - | - |
| LGIP | 194,191,219 | - | - | - |
| | $194,400,542 | $ 170,590,259 | $ 33,447,525 | $ 68,897,024 |

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

***Custodial Credit Risk***

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be recovered. All of the Authority's deposits are maintained in accounts collateralized in accordance with the SPDA. The Authority's investment policy provides that securities purchased for the Authority shall be held by the Authority or by the Authority's custodian. If held by a custodian, the securities must be in the Authority's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the Authority. Further, if held by a custodian, the custodian must be a third-party, not a counterparty (buyer or seller) to the transaction. At June 30, 2025 and 2024, the invested balance at the Authority's custodian was $273,144,131 and $257,382,153.

***Concentration of Credit Risk***

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

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

***Interest Rate Risk***

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

The following tables outline the maturities of the Authority's investments as of June 30, 2025, and 2024:

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

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

At June 30, 2025 and 2024, the Authority had investments in the LGIP of $194,191,219 and $457,863,584, respectively. The LGIP is an externally managed investment pool that is not registered with the Securities Exchange Commission. Pursuant to the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The LGIP values portfolio securities by the amortized cost method and the maturity is less than one year. The Authority classified LGIP as cash and cash equivalents.

**Fair Value Measurement**

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

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

The following tables present the Authority's assets at fair value, categorized by level within the fair value hierarchy, as of June 30, 2025, and 2024.

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

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

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

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

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

## NOTE 5 – CAPITAL ASSETS

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

| | Balances July 1, 2024 | Increases | Decreases | Transfers | Balances June 30, 2025 |
|---|---|---|---|---|---|
| Capital assets not being depreciated or amortized: | | | | | |
| Intangible asset I-95 corridor | $ 237,241,708 | $ 3,250,369 | $ - | $ - | $ 240,492,077 |
| Land | 297,503,267 | 353,384,830 | (87,727,718) | 20,776,375 | 583,936,754 |
| Construction-in-progress | 172,961,618 | 268,545,466 | (25,875,045) | (20,776,375) | 394,855,664 |
| Permanent construction easement | - | 19,505 | - | - | 19,505 |
| **Total capital assets not depreciated or amortized:** | **707,706,593** | 625,200,170 | (113,602,763) | - | **1,219,304,000** |
| Capital assets being depreciated or amortized: | | | | | |
| Rail infrastructure | 59,672,602 | 61,417,055 | (13,951,584) | - | 107,138,073 |
| Intangible right-to-use lease assets | 7,246,772 | 708,365 | - | - | 7,955,137 |
| Intangible right-to-use subscription assets | 2,180,306 | 3,523,252 | - | - | 5,703,558 |
| Leasehold improvement | - | 188,973 | - | - | 188,973 |
| Temporary construction easement | - | 21,945 | - | - | 21,945 |
| Other | 67,653 | - | - | - | 67,653 |
| **Total capital assets depreciated or amortized:** | **69,167,333** | 65,859,590 | (13,951,584) | - | **121,075,339** |
| Less accumulated depreciation or amortization for: | | | | | |
| Rail infrastructure | 7,643,490 | 5,010,359 | (1,031,146) | - | 11,622,703 |
| Intangible right-to-use lease assets | 954,464 | 717,416 | - | - | 1,671,880 |
| Intangible right-to-use subscription assets | 363,295 | 801,661 | - | - | 1,164,956 |
| Leasehold improvement | - | 11,306 | - | - | 11,306 |
| Temporary construction easement | - | 665 | - | - | 665 |
| Other | 27,345 | 13,531 | - | - | 40,876 |
| **Total accumulated depreciation or amortization** | **8,988,594** | 6,554,938 | (1,031,146) | - | **14,512,386** |
| **Total capital assets depreciated or amortized, net:** | **60,178,739** | 59,304,653 | (12,920,438) | - | **106,562,953** |
| **Total capital assets, net** | **$ 767,885,332** | $ 684,504,822 | $(126,523,201) | $ - | **$ 1,325,866,953** |

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

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

## I-95 Corridor

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

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

The rail segments and conveyance terms are as follows:

| Segment | Description | Conveyance Terms |
|---|---|---|
| Segment 1:<br>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:<br>S-Line | 75-mile rail corridor from just south of Petersburg, VA to Ridgeway, NC. | Conveyance accepted on November 30, 2022. |
| Segment 3:<br>Buckingham Branch | East-west 164-mile CSXT line from Doswell, VA to Clifton Forge, VA operated by Buckingham Branch railroad Company. | Conveyance accepted on November 30, 2021. |

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

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

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

As of June 30, 2025, all installment payments have been made to CSXT, and the Authority has accepted conveyance for two of the three segments. The acquisition value for Segment 1 will remain an intangible asset and will convert to land and rail infrastructure once fee simple ownership is conveyed.

**Western Rail Corridor and Manassas Line**

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

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

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

- Second Closing, November 15, 2024: The Authority conveyed the previously acquired V-Line assets to NS in exchange for the Seminary Yard in Alexandria. No cash was exchanged in this transaction, which was valued at $54.3 million.

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

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

On April 2, 2025 the Authority executed an agreement with Virginia Railway Express ("VRE") to purchase Seminary Yard, the Broad Run corridor, and certain easements along the Manassas Line. At June 30, 2025 the Authority had received and was holding a $26 million deposit related to the pending sale, which is reported as a liability until the transaction closes. In accordance with GASB standards, the assets have been removed from capital assets and are reported separately as assets held for sale in the Statement of Net Position. The carrying value of assets held for sale as of June 30, 2025, was $60,917,197. No impairment loss was recognized. Proceeds from the sale will be recognized upon closing anticipated to occur later in 2025, and any gain or loss on disposal will be reported in the Statement of Revenue, Expenses and Changes in Net Position at that time.

## NOTE 6 – LONG-TERM OBLIGATIONS

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

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

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

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

The long-term liabilities of the Authority consist of compensated absences, lease and subscription liabilities, as well as obligations related to pension and other postemployment benefits. Employees of the Authority are entitled to PTO in accordance with policy. At termination or retirement, employees are paid for unused accrued leave balances. The Authority accrued \$695,871 and \$551,634 for compensated absences as of June 30, 2025 and 2024, respectively. Compensated absences included current and long-term amounts in fiscal year 2025 since historical data is now available.

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

Lease obligations

The Authority entered into a 10-year, 8-month lease agreement for office space in Richmond in May 2022. Terms of the agreement provided for 8 months of abated rent with monthly payments of \$37,545 commencing in February 2023. The Authority recorded a \$3,770,113 lease obligation, utilizing a 3.25% interest rate. The lease asset is amortized over a 128-month period on a straight-line basis. The net book value of the intangible right-to-use lease asset was \$2,650,860 and \$3,004,309 at June 30, 2025 and 2024, respectively. Future minimum lease payments as of June 30, 2025 are shown below.

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

In December 2023, the Authority entered into a 10-year, 9-month lease agreement for office space in Alexandria. Terms of the agreement provided 9 months of abated rent with monthly payments of \$40,946 commencing in September 2024, increasing by 2.5% annually starting in December 2024. The Authority recorded a \$3,476,659 lease obligation, utilizing an 8.5% interest rate. The lease asset is amortized over a 129-month period on a straight-line basis. The net book value of the intangible right-to-use lease asset was \$2,964,590 and \$3,287,999 at June 30, 2025 and 2024, respectively. Future minimum lease payments as of June 30, 2025 are shown below.

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

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

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

Subscription-Based Information Technology Arrangement (the "SBITA")

In October 2022, the Authority entered into two subscription license agreements for an Enterprise Resource Planning (the "ERP") system. The first agreement is for a period of 3 years with an optional 3-year renewal term. The second agreement is for a supplemental software that works in tandem with the first. That agreement is for a period of 5 years with an optional 1-year renewal term. The software was placed into service in July 2023. A second implementation phase that added functionality was placed into service in April 2024. Initial payments were made prior to placing the software into service and during the fiscal year ended June 30, 2024 totaling $331,546. Subsequent annual payments are $147,366 starting in November 2024. The Authority recorded a $626,634 subscription liability utilizing an 8.5% interest rate. The intangible right-to-use subscription asset is amortized over 64 months on a straight-line basis. The net book value of the intangible right-to-use subscription asset was $1,397,701 and $1,817,011 at June 30, 2025 and 2024, respectively. Future minimum payments as of June 30, 2025 are shown below:

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

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

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

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

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

## NOTE 7 – PENSION PLAN

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent Multiple-Employer Pension Plan

Administering Entity: Virginia Retirement System (System)

### A. Plan Description

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

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

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

### B. Contributions

The contribution requirement for active employees is governed by § 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each entity's contractually required employer contribution rate for the fiscal year ended June 30, 2025 and 2024 was 12.52% and 14.46%, respectively, of covered employee compensation for employees in the VRS State Employee Retirement Plan. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023 and 2021, respectively. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS State Employee Retirement Plan were $1,245,195 and $1,116,738 for the years ended June 30, 2025, and June 30, 2024, respectively.

The defined contributions component of the Hybrid plan includes member and employer mandatory and voluntary contributions. The Hybrid plan member must contribute a mandatory rate of 1% of their covered payroll. The employer must also contribute a mandatory rate of 1% of this covered payroll, which totaled $81,756 and $64,117 for the years ended June 30, 2025 and 2024, respectively. Hybrid plan members may also elect to contribute an additional voluntary rate of up to 4% of their covered payroll. When members do so, the employer is required to make a corresponding additional contribution of up to 2.5% of covered payroll. Employer contributions under this provision totaled $171,320 and $138,179 for the years ended June 30, 2025 and 2024, respectively. The total Hybrid plan participant covered payroll totaled $8,291,549 and $6,534,173 for the years ended June 30, 2025 and 2024.

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

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

For the years ended June 30, 2025 and 2024, the Authority recognized pension expense of $2,670,378 and $2,283.625, respectively, for the VRS State Employee Retirement Plan. Since there was a change in proportionate share between June 30, 2023 and June 30, 2024, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

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

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

The $1,245,195 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

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

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

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

**D. Actuarial Assumptions**

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

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

Mortality rates:

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

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

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

**E. Net Pension Liability**

The net pension liability (the "NPL") is calculated separately for each plan and represents that particular plan's total pension liability determined in accordance with GAAP, less that plan's fiduciary net position. As of June 30, 2024 and 2023, NPL amounts for the VRS State Employee Retirement Plan are as follows (amounts expressed in thousands):

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

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

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

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

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

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

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

*** On June 15, 2023, the VRS Board elected a long-term rate of 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, 2024 and 2023, the rate contributed by the state agency for the VRS State Employee Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 102% of the actuarially determined contribution rate. From July 1, 2024, on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

| | 1.00% Decrease 5.75% | Current Discount Rate 6.75% | 1.00% Increase 7.75% |
|---|---|---|---|
| Authority's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability – 2024 | $ 10,284,191 | $ 6,033,344 | $ 2,488,372 |
| Authority's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability – 2023 | $ 9,103,520 | $ 5,462,959 | $ 2,416,090 |

### I. Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

### J. Payables to the Pension Plan

The payable amount outstanding to the VRS State Employee Retirement Plan for legally required contributions into the plan was $146,346 and $117,720 at June 30, 2025 and June 30, 2024, respectively.

## NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

### A. Group Life Insurance Program

### I. Plan Description

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

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

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

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

**Eligible Employees**

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

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

**Benefit Amounts**

The benefits payable under the GLI have several components.

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

**Reduction in Benefit Amounts**

The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

**Minimum Benefit Amount and COLA**

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLI. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $9,532 and $9,254 as of June 30, 2025, and June 30, 2024, respectively.

**III. Contributions**

The contribution requirements for the GLI are governed by § 51.1-506 and § 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.18% and 1.12% of covered employee compensation as of June 30, 2025 and 2024, respectively. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023 and 2021, respectively. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the Authority were $118,767 and $105,138 for the years ended June 30, 2025, and June 30, 2024, respectively.

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

At June 30, 2025 and 2024, the Authority reported a liability of $341,026 and $311,342, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and 2023 and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023 and 2022 and rolled forward to the measurement date of June 30, 2024 and 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the Authority's proportion was 0.03056% as compared to 0.02596% at June 30, 2023.

For the years ended June 30, 2025, and June 30, 2024, the Authority recognized GLI OPEB expense of $76,983 and $73,056, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

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

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

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

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

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

**V. Actuarial Assumptions**

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2023, and June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date.

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

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

**VI. Net GLI OPEB Liability**

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

| | 2024 Group Life Insurance OPEB Program | 2023 Group Life Insurance OPEB Program |
|---|---|---|
| Total GLI OPEB Liability | $ 4,196,055 | $ 3,907,052 |
| Plan Fiduciary Net Position | 3,080,133 | 2,707,739 |
| GLI Net OPEB Liability | $ 1,115,922 | $ 1,199,313 |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 73.41% | 69.30% |

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

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

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

**VIII. Discount Rate**

The discount rate used to measure the total GLI OPEB Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by the Authority for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB Liability.

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

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

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

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

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

The payable amount outstanding to the VRS GLI for legally required contributions into the Program was $10,453 and $9,986 at June 30, 2025, and June 30, 2024, respectively.

### B. Health Insurance Credit Program

### I. Plan Description

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

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

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

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

### III. Contributions

The contribution requirement for active employees is governed by § 51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each entity's contractually required employer contribution rate for the years ended June 30, 2025 and 2024 was 1.12% of covered employee compensation for employees in the VRS State Employee HIC. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023 and 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VRS State Employee HIC were $112,728 and $87,876 for the years ended June 30, 2025 and June 30, 2024, respectively.

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

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

At June 30, 2025 and 2024, the Authority reported a liability of $613,362 and $612,437, respectively, for its proportionate share of the VRS State Employee HIC Net OPEB liability. The Net VRS State Employee HIC OPEB Liability was measured as of June 30, 2024 and 2023 and the total VRS State Employee HIC OPEB Liability used to calculate the Net VRS State Employee HIC OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023 and 2022, and rolled forward to the measurement date of June 30, 2024 and 2023. The Authority's proportion of the Net VRS State Employee HIC OPEB Liability was based on the Authority's actuarially determined employer contributions to the VRS State Employee HIC OPEB plan relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2024, the Authority's proportion of the VRS State Employee HIC was 0.08648% as compared to 0.07454% at June 30, 2023.

For the years ended June 30, 2025 and 2024, the Authority recognized VRS State Employee HIC OPEB expense of $182,269 and $209,834, respectively. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee HIC Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

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

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

The $112,728 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

| Year ending June 30: | Deferred Outflows (Inflows) of Resources |
|---|---|
| 2026 | $ 117,616 |
| 2027 | 122,522 |
| 2028 | 118,421 |
| 2029 | 37,628 |
| 2030 | 6,949 |
| Total | $ 403,136 |

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

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

### V. Actuarial Assumptions

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

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

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

### VI. Net State Employee HIC OPEB Liability

The net OPEB liability (the "NOL") for the State Employee HIC represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated plan fiduciary net position. As of June 30, 2024 and 2023, NOL amounts for the VRS State Employee HIC are as follows (amounts expressed in thousands):

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

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

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

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

**VIII. Discount Rate**

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by the Authority for the VRS State Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 108% of the actuarially determined contribution rate. From July 1, 2024 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

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

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

| | 1.00% Decrease 5.75% | Current Discount Rate 6.75% | 1.00% Increase 7.75% |
|---|---|---|---|
| Authority's proportionate share of the Employee HIC OPEB Plan Net HIC OPEB Liability – 2024 | $ 703,117 | $ 613,362 | $ 536,321 |
| Authority's proportionate share of the Employee HIC OPEB Plan Net HIC OPEB Liability - 2023 | $ 691,569 | $ 612,437 | $ 544,581 |

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

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

The payable amount outstanding to the VRS HIC Program for legally required contributions was $9,922 and $8,346 at June 30, 2025, and June 30, 2024, respectively.

**C. VRS Disability Insurance Program**

**I. Plan Description**

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

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

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

**Eligible Employees**

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

Eligible employees are enrolled automatically upon employment. They include:

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

**Benefit Amounts**

The VSDP provides the following benefits for eligible employees:

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

**Disability Insurance Program Plan Notes**

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

**Cost-of-Living Adjustment (the "COLA")**

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

### III. Contributions

The contribution requirements for the VSDP are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the VSDP for the year ended June 30, 2025 and 2024, was 0.50% and 0.61%, respectively, of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023 and 2021. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the VSDP from the Authority were $50,325 and $47,861 for the years ended June 30, 2025 and June 30, 2024, respectively.

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

At June 30, 2025 and 2024, the Authority reported an asset of $491,034 and $381,233, respectively, for its proportionate share of the Net VSDP OPEB Asset. The Net VSDP OPEB asset was measured as of June 30, 2024 and 2023, and the total VSDP OPEB liability used to calculate the Net VSDP OPEB asset was determined by an actuarial valuation as of June 30, 2023 and 2022 and rolled forward to the measurement date. The Authority's proportion of the Net VSDP OPEB Asset was based on the agency's actuarially determined employer contributions to the VSDP OPEB plan relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, the Authority's proportion was 0.13884% as compared to 0.12069% at June 30, 2023.

For the years ended June 30, 2025 and 2024, the Authority recognized VSDP OPEB expense of ($37,365) and ($29,342), respectively. Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

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

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

The $50,325 reported as deferred outflows of resources related to the VSDP OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB asset in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense in future reporting periods as follows:

| Year ending June 30: | Deferred Outflows (Inflows) of Resources |
|---|---|
| 2026 | $ (76,419) |
| 2027 | (50,792) |
| 2028 | (52,487) |
| 2029 | (49,829) |
| 2030 | (43,230) |
| Thereafter | (35,167) |
| Total | $ (307,924) |

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

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

**V. Actuarial Assumptions**

The total VSDP OPEB asset was based on an actuarial valuation as of June 30, 2023, and 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date.

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

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

**VI. Net VSDP OPEB Asset**

The net OPEB asset for the VSDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated plan fiduciary net position. As of the measurement date of June 30, 2024, and 2023, net OPEB asset amounts for the VSDP are as follows (amounts expressed in thousands):

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

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

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

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

**VIII. Discount Rate**

The discount rate used to measure the total VSDP OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2024, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 109% of the actuarially determined contribution rate. From July 1, 2024, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB liability.

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

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

| | 1.00% Decrease 5.75% | Current Discount Rate 6.75% | 1.00% Increase 7.75% |
|---|---|---|---|
| Authority's proportionate share of the VSDP Net OPEB Asset – 2024 | $ 457,553 | $ 491,034 | $ 521,195 |
| Authority's proportionate share of the VSDP Net OPEB Asset - 2023 | $ 352,809 | $ 381,233 | $ 406,290 |

**X. VSDP OPEB Fiduciary Net Position**

Detailed information about the VSDP Fiduciary Net Position is available in the separately issued VRS 2024 Annual Comprehensive Financial Report (Annual Report). A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2023-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

The payable amount outstanding to the VRS VSDP Plan for legally required contributions was $4,429 and $4,546 at June 30, 2025, and June 30, 2024, respectively.

**D. Pre-Medicare Retiree Healthcare**

**I. Plan Description**

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

**II. Pre-Medicare Retiree Eligibility**

Following are eligibility requirements for Virginia Retirement System retirees:

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

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

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

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

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

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

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes and is administered by the Department of Human Resource Management. There were approximately 3,235 retirees and 96,895 active employees in the program as of June 30, 2024. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

**III. Actuarial Assumptions and Methods**

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2024 (one year prior to the end of the fiscal year). The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 7.50 percent for medical and pharmacy and 4.00 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.00 percent for dental.

| | |
|---|---|
| Valuation Date | Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. |
| Measurement Date | June 30, 2024 (one year prior to the end of the fiscal year) |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level dollars, Closed |
| Effective Amortization Period | 5.80 years |
| Discount Rate | 3.93% |
| Projected Salary Increases | 5.35% to 3.50% based on years of service from 1 year to 20 years or more |
| Medical Trend Under 65 | Medical & Rx: 7.50% to 4.50%; Dental: 4.00% |
| Year of Ultimate Trend | 2034 |
| Mortality | Mortality rates vary by participant status and gender |
| Pre-Retirement: | Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years |
| Post-Retirement: | Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females |
| Post-Disablement: | Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years |
| Beneficiaries and Survivors: | Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females |

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2024.

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

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

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

The trend rates were updated based on economic conditions as of June 30, 2024. Additionally, the discount rate was increased from 3.65% to 3.93% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2024.

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

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

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

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

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

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

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

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

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

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

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate 3.93% and 3.65% as of June 30, 2024 and 2023, respectively. The table also presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the applicable rate:

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

| | 1.00% Decrease 2.65% | Current Discount Rate 3.65% | 1.00% Increase 4.65% |
|---|---|---|---|
| Other postemployment liability - 2023 | $ 141,533 | $ 133,633 | $ 126,092 |

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

The following presents the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 7.50% and 7.75% decreasing to 4.50% as of June 30, 2024 and 2023, respectively. The table also illustrates the employer's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the applicable rate:

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

| | 1.00% Decrease (6.75% decreasing to 3.50%) | Trend Rate (7.75% decreasing to 4.50%) | 1.00% Increase (8.75% decreasing to 5.50%) |
|---|---|---|---|
| Other postemployment liability - 2023 | $121,568 | $133,633 | $147,629 |

## NOTE 9 – CONTINGENCIES

From time to time, the Authority may be a defendant in litigation and claims which are incidental to its operations. As of June 30, 2025 and 2024, there are no pending or threatened litigation and claims against the Authority.

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

**NOTE 10 – COMMITMENTS**

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

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

**NOTE 11 – SUBSEQUENT EVENTS**

From June 30, 2025 through the date of issuance, there were no subsequent events requiring disclosure.

**NOTE 12 – RECLASSIFICATION**

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

**NOTE 13 – PENDING GASB STATEMENTS**

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

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

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

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

# Required Supplementary Information

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

| | Fiscal Year June 30, 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| Employer's proportion of the net pension liability | 0.29500% | 4.99300% | 10.79700% | 12.24900% |
| Employer's proportionate share of the net pension liability | $ 107,004 | $ 2,266,033 | $ 5,462,959 | $ 6,033,344 |
| Employer's covered payroll | $ 127,625 | $ 2,464,546 | $ 6,114,889 | $ 7,722,948 |
| Employer's proportionate share of the net pension liability as a percentage of its covered payroll | 83.84% | 91.95% | 89.34% | 78.12% |
| Plan fiduciary net position as a percentage of the total pension liability | 86.44% | 83.26% | 82.19% | 83.45% |

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

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

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

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

**Changes of assumptions:** The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions for the VRS - State Employee Retirement Plan as a result of the experience study and VRS Board action are detailed below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The trend rates were updated based on economic conditions as of June 30, 2024. Additionally, the discount rate was increased from 3.65% to 3.93% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2024.

# STATISTICAL SECTION

# STATISTICAL SECTION

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

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

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

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

Source: VPRA's Audited Financial Statements.

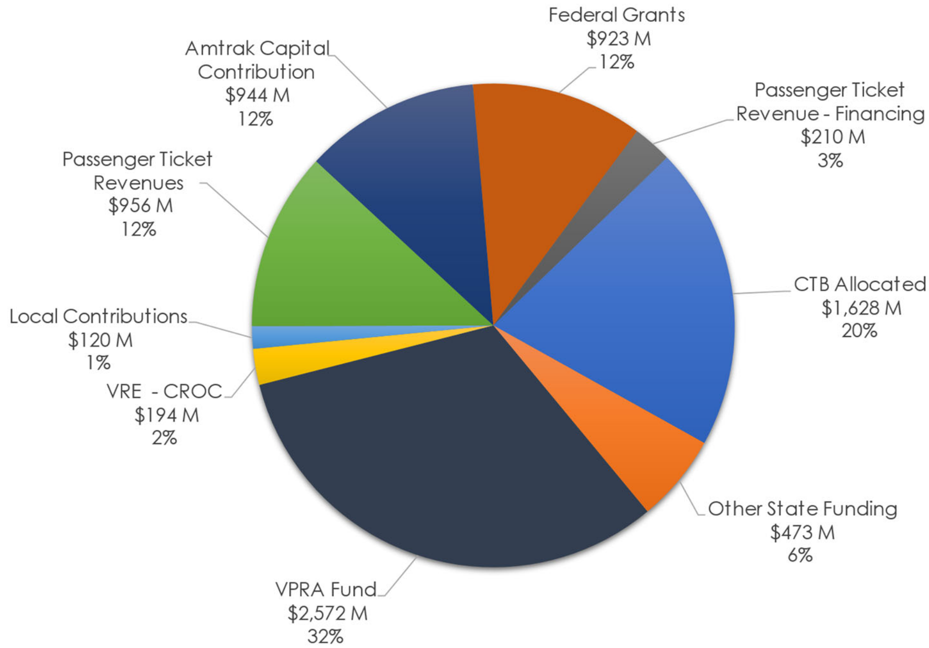
**VIRGINIA PASSENGER RAIL AUTHORITY**
A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA
FINANCIAL TRENDS
SCHEDULE OF COMPONENTS OF NET POSITION (Unaudited)

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| Net position: | | | | | |
| Net investment in capital assets | **$ 1,193,235,871** | $ 714,995,959 | $ 627,289,104 | $ 470,191,756 | $ 224,771,672 |
| Restricted | **50,068,465** | 102,194,713 | 129,579,384 | - | - |
| Unrestricted | **570,387,896** | 634,769,556 | 485,052,857 | 324,473,664 | 241,010,688 |
| **Total net position** | **$ 1,813,692,232** | $ 1,451,960,228 | $ 1,241,921,345 | $ 794,665,420 | $ 465,782,360 |

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

Source: VPRA's Audited Financial Statements.

## Funding through FY31




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

Source: Virginia Passenger Rail Authority Finance Department

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

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

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

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

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

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

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

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

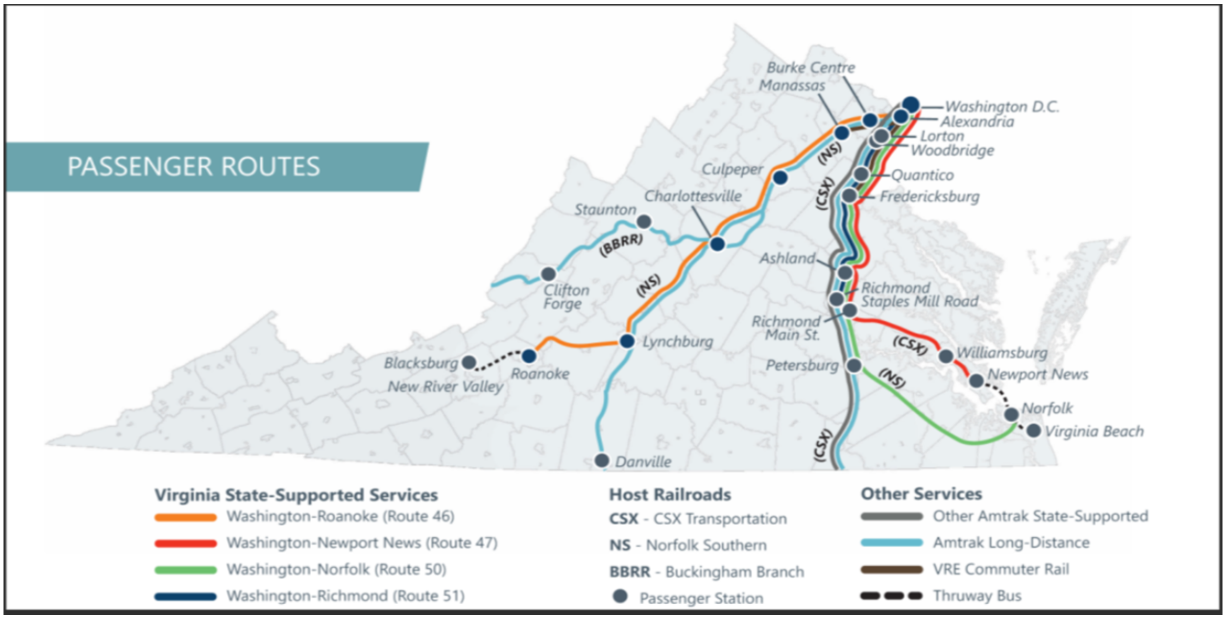
| **Revenues** | July 2023 | August 2023 | September 2023 | October 2023 | November 2023 | December 2023 | January 2024 | February 2024 | March 2024 | April 2024 | May 2024 | June 2024 | **Annual Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ticket Revenue | $ 3,977,125 | $ 3,450,676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

| **Revenues** | July 2024 | August 2024 | September 2024 | October 2024 | November 2024 | December 2024 | January 2025 | February 2025 | March 2025 | April 2025 | May 2025 | June 2025 | **Annual Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ticket Revenue | $ 4,422,863 | $ 4,301,214 | $ 3,734,709 | $ 4,011,330 | $ 4,984,710 | $ 5,447,265 | $ 3,276,865 | $ 2,950,655 | $ 4,760,603 | $ 4,761,864 | $ 4,785,766 | $ 4,762,206 | $ 52,200,050 |
| Food Service Revenue | 97,168 | 99,980 | 73,627 | 113,452 | 156,713 | 88,370 | 98,697 | 84,588 | 104,863 | 138,159 | 113,167 | 127,665 | 1,296,449 |
| Other Revenue | 82,465 | 84,097 | 67,342 | 28,858 | 58,691 | 88,252 | 42,987 | 73,223 | 39,690 | 195,837 | 61,008 | 60,788 | 883,238 |
| NEC Through - Revenue Credit (report gross) | 2,899,305 | 2,910,472 | 2,293,440 | 2,493,011 | 2,763,688 | 4,347,137 | 2,398,650 | 1,968,557 | 2,979,675 | 3,162,011 | 3,487,392 | 3,602,797 | 35,306,135 |
| **Ticket & NEC Thru Revenues** | $ 7,501,801 | $ 7,395,763 | $ 6,169,118 | $ 6,646,651 | $ 7,963,802 | $ 9,971,024 | $ 5,817,199 | $ 5,077,023 | $ 7,884,831 | $ 8,257,871 | $ 8,447,333 | $ 8,553,456 | $ 89,685,872 |
| Ridership | 111,719 | 121,573 | 117,765 | 120,595 | 122,858 | 136,433 | 106,180 | 96,132 | 126,167 | 129,409 | 126,128 | 126,017 | 1,440,976 |
| Revenue Per Rider | $ 67.15 | $ 60.83 | $ 52.38 | $ 55.12 | $ 64.82 | $ 73.08 | $ 54.79 | $ 52.81 | $ 62.50 | $ 63.81 | $ 66.97 | $ 67.88 | $ 742.14 |

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

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

| Amtrak passenger routes in Virginia: | |
|---|---|
| Routes | Trains |
| *Route 46: Washington-Roanoke* | 2 |
| *Route 47: Washington-Newport News* | 2 |
| *Route 50: Washington-Norfolk* | 3 |
| *Route 51: Washington-Richmond* | 1 |



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

(1) Population figures are estimated.

(2) Personal income amount for fiscal year 2024 is estimated.

(3) PY Personal income and per capita income amounts for 2015 - 2023 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Sources:
Virginia Department of Education - School Enrollment
Virginia Department of Taxation - Population 2018-2024
Virginia Employment Commission - Unemployment Rate
U.S. Bureau of Economic Analysis - Personal Income
Weldon Cooper Center at UVA - Population 2015-2017

# COMPLIANCE SECTION

PBMares
CPAs and Consultants

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

To the Board of Directors
Virginia Passenger Rail Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the *Specifications for Audits of Authorities, Boards and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Virginia Passenger Rail Authority (Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 30, 2025.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

PBMares, LLP

Harrisonburg, Virginia
September 30, 2025