**NEW ISSUE**
**BOOK-ENTRY ONLY**

| **Ratings:** | |
|---|---|
| **Fitch:** | **AA+** |
| **Moody's:** | **Aa1** |
| **S&P:** | **AA+** |
| **(See "RATINGS" herein)** | |

*In the opinion of Kutak Rock LLP, Bond Counsel, under current law and subject to the conditions described herein in the section "TAX MATTERS", interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax for individuals. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that interest income from the Bonds is exempt from income taxation by the Commonwealth of Virginia and any of its political subdivisions. See "TAX MATTERS" herein.*

# Commonwealth Transportation Board
# $414,820,000
## Commonwealth of Virginia
## Transportation Capital Projects Revenue Refunding Bonds, Series 2024

**Dated: Date of Delivery** **Due: May 15 (as shown on the inside front cover)**

This Official Statement has been prepared by the Commonwealth Transportation Board of the Commonwealth of Virginia (the "Transportation Board") to provide information on the above-referenced bonds (the "Bonds"). Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.

| | |
|---|---|
| ***Security*** | The Bonds are limited obligations of the Commonwealth of Virginia and the Transportation Board, secured by and payable solely from the revenues, receipts and funds appropriated for such purpose by the General Assembly of the Commonwealth of Virginia, or allocated by the Transportation Board for such purpose from revenues, receipts and funds appropriated to it by the General Assembly of the Commonwealth of Virginia, and do not create or constitute a debt or a pledge of the full faith and credit of the Commonwealth of Virginia or any of its political subdivisions. See the section *"Sources of Payment and Security for the Bonds."* |
| ***Issued Pursuant to*** | The Bonds will be issued pursuant to a Master Indenture of Trust dated as of May 1, 2010 (as previously supplemented and amended), and an Eleventh Supplemental Indenture of Trust dated as of March 1, 2024. |
| ***Purpose*** | The Bond proceeds are being used to (i) refund all or a portion of certain outstanding maturities of the Transportation Board's Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2014 and Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2010A-2 (Federally Taxable Build America Bonds), and (ii) pay certain costs related to the issuance of the Bonds. See the sections *"Introduction" and "Application of Proceeds of the Bonds."* |
| ***Interest Rates/Yields*** | See inside front cover. |
| ***Interest Payment Dates*** | May 15 and November 15, beginning May 15, 2024. |
| ***Denomination*** | $5,000 or multiples thereof. |
| ***Redemption*** | See inside front cover and the section *"The Bonds."* |
| ***Closing/Delivery Date*** | On or about March 14, 2024. |
| ***Registration*** | Book-entry only. See the section *"The Bonds."* |
| ***Trustee/Paying Agent*** | Computershare Trust Company, National Association, Minneapolis, Minnesota. |
| ***Financial Advisor*** | Public Resources Advisory Group, New York, New York. |
| ***Bond Counsel*** | Kutak Rock LLP, Richmond, Virginia. |

Dated: February 28, 2024

# COMMONWEALTH TRANSPORTATION BOARD
## $414,820,000
## Commonwealth of Virginia
## Transportation Capital Projects Revenue Refunding Bonds, Series 2024
**(Base CUSIP† Number 927793)**

| Maturity (May 15) | Principal Amount | Interest Rate | Yield | Price | CUSIP† Suffix |
|---|---|---|---|---|---|
| 2025 | $25,000,000 | 5.000% | 2.970% | 102.312 | X79 |
| 2026 | 26,170,000 | 5.000 | 2.760 | 104.681 | X87 |
| 2027 | 27,460,000 | 5.000 | 2.580 | 107.316 | X95 |
| 2028 | 28,815,000 | 5.000 | 2.520 | 109.753 | Y29 |
| 2029 | 30,260,000 | 5.000 | 2.500 | 112.049 | Y37 |
| 2030 | 31,795,000 | 5.000 | 2.500 | 114.207 | Y45 |
| 2031 | 33,405,000 | 5.000 | 2.510 | 116.241 | Y52 |
| 2032 | 35,110,000 | 5.000 | 2.520 | 118.204 | Y60 |
| 2033 | 36,900,000 | 5.000 | 2.540 | 120.006 | Y78 |
| 2034 | 38,790,000 | 5.000 | 2.550 | 121.821 | Y86 |
| 2035 | 40,760,000 | 5.000 | 2.640* | 120.924* | Y94 |
| 2036 | 14,005,000 | 5.000 | 2.750* | 119.838* | Z28 |
| 2037 | 14,700,000 | 5.000 | 2.840* | 118.958* | Z36 |
| 2038 | 15,440,000 | 5.000 | 2.930* | 118.086* | Z44 |
| 2039 | 16,210,000 | 5.000 | 3.000* | 117.413* | Z51 |

*Price and yield to the first optional redemption date of May 15, 2034.

**Optional Redemption**

The Bonds maturing on or before May 15, 2034, will not be subject to optional redemption. The Bonds maturing on or after May 15, 2035 will be subject to optional redemption, at the sole discretion of the Transportation Board, on and after May 15, 2034, in whole or in part (in increments of $5,000) at any time, at par plus interest accrued on the principal amount to be redeemed to the date fixed for redemption.

† See the last paragraph on page (i) regarding the use of CUSIP numbers in this Official Statement.

**COMMONWEALTH TRANSPORTATION BOARD**

W. Sheppard Miller, III, *Chairperson of the Transportation Board and Secretary of Transportation*
E. Scott Kasprowicz, *Vice Chairperson*

Stephen C. Brich
Darrell R. Byers
Burwell Wayne Coleman
J. Rex Davis
Jennifer DeBruhl
Tom Fowlkes
Linda Green
Mary H. Hynes
H. Randolph Laird
Thomas Moore Lawson
Mark H. Merrill
Laura A. Sellers
Raymond D. Smoot, Jr.
Frederick T. Stant, III
Greg Yates

**VIRGINIA DEPARTMENT OF TRANSPORTATION**

Stephen C. Brich, *Commissioner of Highways*
Laura Farmer, *Chief Financial Officer*

**VIRGINIA DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION**

Jennifer DeBruhl, *Director*
Deanna Oware, *Chief Financial Officer*

**OFFICE OF THE ATTORNEY GENERAL**

Jason S. Miyares, *Attorney General*
Chandra Lantz, *Senior Assistant Attorney General/Section Chief*

**TRUSTEE**

Computershare Trust Company, National Association
Minneapolis, Minnesota

**BOND COUNSEL**

Kutak Rock LLP
Richmond, Virginia

**FINANCIAL ADVISOR**

Public Resources Advisory Group
New York, New York

**The Bonds are exempt from registration under the Securities Act of 1933, as amended. The Bonds are also exempt from registration under the securities laws of the Commonwealth of Virginia.**

**No dealer, broker, salesman or other person has been authorized by the Transportation Board to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Transportation Board. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the Transportation Board and the purchasers or owners of any of the Bonds.**

**All quotations from and summaries and explanations of provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinion and not as representations of fact. This Official Statement speaks as of its date except where specifically noted otherwise and is subject to change without notice. Neither the delivery of this Official Statement, any sale made hereunder, nor any filing of this Official Statement shall under any circumstances create an implication that there has been no change in the affairs of the Transportation Board since the date of this Official Statement or imply that any information herein is accurate or complete as of any later date. The information presented in this Official Statement has been obtained from the Transportation Board and other sources that are believed to be reliable, but such information is not guaranteed to be accurate or complete and should not be construed as a representation by a source as to information provided by another source.**

**This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Transportation Board and its financial results could cause actual results to differ materially from those stated in the forward-looking statements.**

Third parties may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions to (i) overallot in arranging the sales of the Bonds and (ii) make purchases in sales of Bonds, for long or short accounts, on a when-issued basis or otherwise, at such prices, in such amounts and in a manner beyond the Transportation Board's control. Such stabilization, if commenced, may be discontinued at any time.

References to website addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of SEC Rule 15c2-12.

CUSIP is a registered trademark of the American Bankers Association (the "ABA"). CUSIP Global Services is managed on behalf of the ABA by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The CUSIP (Committee on Uniform Securities Identification Procedures) numbers for the Bonds and the referenced refunded bonds have been assigned by an organization not affiliated with the Transportation Board, and the Transportation Board is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The Transportation Board has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers identified in this Official Statement.

## TABLE OF CONTENTS

# OFFICIAL STATEMENT

## Commonwealth Transportation Board
## $414,820,000
## Commonwealth of Virginia
## Transportation Capital Projects Revenue Refunding Bonds, Series 2024

## INTRODUCTION

This Official Statement is provided by the Commonwealth Transportation Board (the "Transportation Board"), a board created and existing pursuant to the laws of the Commonwealth of Virginia (the "Commonwealth"), to furnish information with respect to the offering of $414,820,000 aggregate principal amount of the Commonwealth of Virginia Transportation Capital Projects Revenue Refunding Bonds, Series 2024 (the "Bonds"). The Bonds were offered for sale at competitive bidding and awarded on February 28, 2024. See the section *"Award at Competitive Bidding."*

***This Introduction contains certain information for summary purposes only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. The information contained in this Official Statement is given as of the date stated on the front cover.***

**Commonwealth Transportation Board**

The Transportation Board was created by the enactment of Chapter 2, Title 33.2 of the Code of Virginia of 1950, as amended (the "Virginia Code"), and is responsible for general policies for the construction and use of Virginia's highway system and for the efficient and economic development of transportation. The powers and duties of the Transportation Board include, among other things, the allocation of funds in the Transportation Trust Fund to finance transportation needs, including needs for highway and public transportation. See the section *"Commonwealth Transportation Board, Virginia Department of Transportation, and Virginia Department of Rail and Public Transportation."*

**The Bonds**

The issuance of the Bonds is authorized by the provisions of (i) the Commonwealth Transportation Capital Projects Bond Act of 2007, enactment clause 2 of Chapter 896 of the Acts of the General Assembly of the Commonwealth of Virginia, 2007 Regular Session (the "2007 Act"); (ii) Item 456.H. of Chapter 874 of the Acts of the General Assembly of the Commonwealth of Virginia, 2010 Regular Session, as amended by Chapter 890 of the Acts of the General Assembly of the Commonwealth of Virginia, 2011 Regular Session, and Chapter 732 of the Acts of the General Assembly of the Commonwealth of Virginia, 2016 Regular Session (collectively, the "Appropriation Acts"); (iii) Chapters 830 and 868 of the Acts of the General Assembly of the Commonwealth of Virginia, 2011 Regular Session (the "2011 Amendments"); (iv) Chapter 854 of the Acts of the General Assembly of the Commonwealth of Virginia, 2018 Regular Session (the "2018 Amendments" and, together with the 2007 Act, the Appropriations Acts and the 2011 Amendments, the "Capital Projects Revenue Bond Act"); (v) the Transportation Development and Revenue Bond Act, §§ 33.2-1700 *et seq.* of the Virginia Code (the "State Revenue Bond Act"); and (vi) the resolution adopted by the Transportation Board on June 21, 2022 (the "Resolution"). The Bonds are being issued pursuant to a Master Indenture of Trust dated as of May 1, 2010, as previously supplemented and amended (the "Master Indenture"), and as further supplemented by a Eleventh Supplemental Indenture of Trust dated as of March 1, 2024 (the "Eleventh Supplemental Indenture" and collectively, with the Master Indenture, the "Indenture"), each between the Transportation Board and Computershare Trust Company, National Association, Minneapolis, Minnesota, as trustee for the Bonds (the "Trustee").

The Bonds are the eleventh series of bonds issued by the Transportation Board under the Capital Projects Revenue Bond Act. See the section *"Capital Projects Revenue Bonds Program."* The Bonds, the Prior Capital Projects Revenue Bonds, as hereinafter defined, and any additional bonds issued in the future under the Indenture are referred to collectively as the "Capital Projects Revenue Bonds."

**Purposes of the Bonds**

The Transportation Board will use the net proceeds of the Bonds to (i) deposit a portion of such proceeds into an irrevocable escrow fund to refund all or a portion of certain outstanding maturities of the Transportation Board's Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2014 (the “Series 2014 Refunded Bonds”), and to redeem on the issuance date of the Bonds all or a portion of certain outstanding maturities of the

Transportation Board's Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2010A-2 (Federally Taxable Build America Bonds) (the "Series 2010A-2 Refunded Bonds"), all as more particularly described in Appendix F (collectively, the "Refunded Bonds"), as authorized by the State Revenue Bond Act, and (ii) pay certain costs related to the issuance of the Bonds. See the section *"Application of Proceeds of the Bonds."*

**Limited Obligations**

The Bonds are limited obligations of the Commonwealth and the Transportation Board, secured by and payable solely from the revenues, receipts and funds appropriated for such purpose by the General Assembly of the Commonwealth (the "General Assembly"), or allocated by the Transportation Board for such purpose from the revenues, receipts and funds appropriated to it by the General Assembly, and do not create or constitute a debt or a pledge of the full faith and credit of the Commonwealth or of any of its political subdivisions. **The General Assembly is not obligated to make any such appropriation.**

Specifically, the Bonds are secured by and payable from revenues, receipts and funds (the "Revenues") as follows: (i) from the revenues deposited into the Priority Transportation Fund established pursuant to § 33.2-1527 of the Virginia Code (the "Priority Transportation Fund"), which is a part of the Transportation Trust Fund, established pursuant to § 33.2-1524.1 of the Virginia Code (the "Transportation Trust Fund"), (ii) to the extent required, from revenues legally available from the Transportation Trust Fund and (iii) to the extent required, from any other legally available funds. In addition, the Bonds are payable from and secured by moneys held in certain funds established under the Indenture. The Prior Capital Projects Revenue Bonds, as hereinafter defined, are and future series of Capital Projects Revenue Bonds are expected to be payable and secured on a parity basis with the Bonds as provided under the Indenture. See the sections *"Sources of Payment and Security for the Bonds," "Priority Transportation Fund"* and *"Transportation Trust Fund."*

The Bonds are not secured by any mortgage or lien on any transportation facilities of the Commonwealth or the Transportation Board. In the event of a failure to make any payment on the Bonds when due, the Trustee and the owners of the Bonds shall have no right to take possession of any transportation facilities or to exclude the Commonwealth or the Transportation Board from possession or use of any transportation facilities.

**Approval of Issuance of Bonds and Terms and Structure of Bonds**

Under the 2007 Act, the consent of the Governor of the Commonwealth of Virginia (the "Governor") must be obtained prior to the issuance of all Capital Projects Revenue Bonds. In addition, § 2.2-2416(7) of the Virginia Code requires the approval of the Treasury Board of the Commonwealth (the "Treasury Board") of the terms and structure of all proposed bond issues by state agencies, boards or authorities where debt service payments are expected by the issuing agency, board or authority to be made, in whole or in part, from appropriations of the Commonwealth. On January 17, 2024, the Treasury Board adopted a resolution approving the terms and structure of the Bonds within certain parameters and delegated to the State Treasurer of the Commonwealth (the "State Treasurer") the power to approve the final terms and structure of the Bonds within such parameters. The Transportation Board must obtain the consent of the Governor and the approval of the State Treasurer prior to the issuance of the Bonds, and the Transportation Board expects to receive both the consent and the approval in a timely manner.

## CAPITAL PROJECTS REVENUE BONDS PROGRAM

The 2007 Act authorizes the Transportation Board to issue Capital Projects Revenue Bonds at one or more times in an aggregate principal amount not to exceed $3 billion (the "Overall Limitation"); provided that the aggregate principal amount issued in any one Fiscal Year (which for the Commonwealth and the Transportation Board ends on June 30) (a "Fiscal Year") will not exceed $300 million (the "Annual Limitation"), except that the 2011 Amendments increased the Annual Limitation for the Fiscal Years ending June 30, 2012, and June 30, 2013, by $200 million and $300 million, respectively. If the aggregate principal amount issued in any Fiscal Year is less than the Annual Limitation, then the amount by which such issuance is less than the Annual Limitation may be issued in any subsequent Fiscal Year in addition to the Annual Limitation for the subsequent Fiscal Year. In determining compliance with either the Overall Limitation or any Annual Limitation, the Transportation Board may disregard (i) the principal amount of Capital Projects Revenue Bonds issued to pay issuance or financing expenses or costs (including any original issue discount) and (ii) the principal amount of Capital Projects Revenue Bonds issued to refund any outstanding Capital Projects Revenue Bonds.

The proceeds of the Capital Projects Revenue Bonds will be used to pay the Costs of Projects, which may include payments to an authority, locality, commission, or other entity for the purposes of paying for the costs of transportation projects. A minimum of 20% of the proceeds of the Capital Projects Revenue Bonds will be used for transit capital, a minimum of 4.3% of the proceeds of the Capital Projects Revenue Bonds will be used for rail capital, and the remaining amount of proceeds of the Capital Projects Revenue Bonds will be used for paying the costs of transportation projects, with such proceeds used or allocated (i) to match certain federal highway funds to the extent determined by the Transportation Board, (ii) to provide any required funding to fulfill the Commonwealth's allocation of equivalent revenue sharing matching funds to the extent determined by the Transportation Board and (iii) to pay or fund the costs of statewide or regional projects throughout the Commonwealth. Costs for construction or funding of these transportation projects include, but are not limited to, the costs of environmental and engineering studies, rights-of-way acquisition, improvements to all modes of transportation, acquisition, construction and related improvements, and any financing costs or other financing expenses related to the Capital Projects Revenue Bonds.

The Appropriation Acts authorize the Transportation Board to issue additional Capital Projects Revenue Bonds above the $3 billion authorized by the 2007 Act at one or more times in an aggregate principal amount not to exceed $180,000,000 ("Appropriation Act Bonds"), after all costs, with the net proceeds of the Appropriation Act Bonds to be used exclusively for the purpose of providing funds for paying the costs incurred or to be incurred for construction or funding of transportation projects set forth in Item 449.10 of Chapter 847 of the Acts of the General Assembly, 2007 Regular Session, including but not limited to environmental and engineering studies; rights-of-way acquisition; improvements to all modes of transportation; acquisition, construction and related improvements; and any financing costs and other financing expenses. The 2018 Amendments authorized the Transportation Board, with the consent of the Governor, to issue at one time an additional aggregate principal amount not to exceed $50 million of Capital Projects Revenue Bonds, the proceeds of which would be used exclusively to match federal funds provided for capital projects by the Washington Metropolitan Area Transit Authority ("2018 Amendments Bonds"). The Appropriation Acts and the 2018 Amendments together increased the Overall Limitation to $3.23 billion. All $180 million of authorized Appropriation Act Bonds and $50 million of the authorized 2018 Amendments Bonds have been issued.

[Remainder of Page Intentionally Left Blank]

Set forth in the following chart are the issue dates, original principal amounts and outstanding principal amounts of the ten prior series of Capital Projects Revenue Bonds (the "Prior Capital Projects Revenue Bonds"):

| Series of Capital Projects Revenue Bonds | Issue Date | Original Principal Amount | Outstanding Principal Amount as of February 1, 2024 |
|---|---|---|---|
| Transportation Capital Projects Revenue Bonds, Series 2010A-1 (Tax-Exempt) and 2010A-2 (Federally Taxable – Build America Bonds)* | May 26, 2010 | $492,665,000 | $285,635,000 |
| Transportation Capital Projects Revenue Bonds, Series 2011 | May 25, 2011 | 600,000,000 | *** |
| Transportation Capital Projects Revenue Bonds, Series 2012 | June 14, 2012 | 600,000,000 | *** |
| Transportation Capital Projects Revenue Bonds, Series 2014** | December 3, 2014 | 274,980,000 | 211,530,000 |
| Transportation Capital Projects Revenue Bonds, Series 2016 | May 17, 2016 | 273,740,000 | 223,880,000 |
| Transportation Capital Projects Revenue Bonds, Series 2017 | July 12, 2017 | 260,670,000 | 219,690,000 |
| Transportation Capital Projects Revenue Refunding Bonds, Series 2017A | December 14, 2017 | 629,165,000 | 570,445,000 |
| Transportation Capital Projects Revenue Bonds, Series 2018 | June 14, 2018 | 145,495,000 | 127,110,000 |
| Transportation Capital Projects Revenue Bonds, Series 2019 | April 23, 2019 | 235,965,000 | 212,235,000 |
| Transportation Capital Projects Revenue and Refunding Bonds, Series 2022 | March 16, 2022 | 268,620,000 | 266,465,000 |
| **Total** | | $3,781,300,000 | $2,116,900,000 |

* Includes $266,100,000 in aggregate principal amount of the Series 2010A-2 bonds to be refunded and redeemed with a portion of the proceeds of the Bonds.
** Includes $202,165,000 in aggregate principal amount to be refunded, defeased and redeemed with a portion of the proceeds of the Bonds.
*** Refunded by Capital Projects Revenue Refunding Bonds, Series 2017A and Capital Projects Revenue and Refunding Bonds, Series 2022.

The unused Overall Limitation is approximately $146,620,333 and the available Annual Limitation for the Fiscal Year ending June 30, 2024, is approximately $146,620,333. As described above, the foregoing limitations do not include the $180 million of Appropriation Act Bonds or $50 million of 2018 Amendments Bonds, all of which have been issued. The Transportation Board does not anticipate issuing any of the Annual Limitation during Fiscal Year 2024.

# THE BONDS

**Description of the Bonds**

The Bonds will be issued as fully registered Bonds in book-entry form. The Bonds will be dated their date of delivery, will be issued in denominations of $5,000 or integral multiples of $5,000, and will bear interest from the dated date thereof, payable semiannually on each May 15 and November 15, beginning May 15, 2024, at the rates and will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement. Principal of, premium, if any, and interest on the Bonds will be paid by the Trustee to The Depository Trust Company ("DTC") for distribution as described in the subsection below *"Book-Entry Only System."* Interest on the Bonds is computed on the basis of a year of 360 days and twelve 30-day months. The record date for payments on May 15 is the preceding May 1 and the record date for payments on November 15 is the preceding November 1.

### Optional Redemption

The Bonds maturing on or before May 15, 2034, will not be subject to optional redemption. The Bonds maturing on or after May 15, 2035, will be subject to optional redemption, at the sole discretion of the Transportation Board, on and after May 15, 2034, in whole or in part (in increments of $5,000), at any time, at par plus interest accrued on the principal amount to be redeemed to the date fixed for redemption.

### Selection of Bonds for Redemption

If less than all of the Bonds are called for optional redemption, the maturities of the Bonds to be redeemed will be called in such order as the Transportation Board may determine. If less than all of the Bonds of any maturity are called for optional or mandatory redemption, the Bonds to be redeemed will be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, will be selected by the Trustee by lot in such manner as the Trustee in its discretion may determine. In either event, each portion of $5,000 principal amount shall be counted as one Bond for such purpose.

### Notice of Redemption

Notice of redemption will be given by the Trustee by registered or certified mail not less than 30 nor more than 60 days before the redemption date to DTC, or, if DTC is no longer serving as securities depository for the Bonds, to the substitute securities depository, or if none, to the registered owners of the Bonds to be redeemed at their addresses shown on the registration books maintained by the Trustee. Such notice of redemption also will be given to certain securities depositories and certain national information services which disseminate such redemption notices. Such notice may state that the redemption of the Bonds to be redeemed is conditioned upon the occurrence of certain future events, including, without limitation, the deposit of moneys, in an amount sufficient to effect the redemption, with the Trustee on or before the date fixed for redemption. All Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such Bonds in accordance with the Master Indenture are on deposit with the Trustee. If such moneys are not available on the specified redemption date, such Bonds or portions thereof will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. On presentation and surrender of the Bonds called for redemption at the place or places of payment, such Bonds will be paid and redeemed provided sufficient funds are on deposit with the Trustee. During the period that DTC or its nominee is the registered owner of the Bonds, the Trustee will not be responsible for mailing notices of redemption to the actual beneficial owners of the Bonds (the "Beneficial Owners").

### Book-Entry Only System

*The description that follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payments of principal, premium, if any, and interest on the Bonds to DTC, its nominee, Direct Participants, as hereinafter defined, Indirect Participants, as hereinafter defined, or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other Bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners is based solely on information furnished by DTC and is not, and should not be construed as, a representation by the Transportation Board as to its accuracy, completeness or otherwise.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The Beneficial Owner of each Bond is in turn to be recorded on the Direct Participants and the Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant of such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy (an "Omnibus Proxy") to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

BECAUSE DTC IS TREATED AS THE OWNER OF THE BONDS FOR SUBSTANTIALLY ALL PURPOSES UNDER THE INDENTURE, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OF REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO THE TRANSPORTATION BOARD, THE COMMONWEALTH OR DTC, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR BROKER OR DEALER REGARDING DISTRIBUTION OF INFORMATION REGARDING THE BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

Principal, redemption premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Transportation Board or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC, the Trustee or the Transportation Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Transportation Board or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants. THE TRANSPORTATION BOARD AND THE COMMONWEALTH CAN GIVE NO ASSURANCES THAT DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENT TO BENEFICIAL OWNERS.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bond owners or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Transportation Board or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Transportation Board may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The foregoing information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Transportation Board, the Commonwealth nor the Trustee makes any representation or warranty regarding the accuracy or completeness thereof.

**So long as Cede & Co., as nominee for DTC, is the sole holder of the Bonds, the Transportation Board and the Trustee shall treat Cede & Co. as the only holder of the Bonds for all purposes under the Indenture, including receipt of all principal of, premium, and interest on the Bonds, receipt of notices, voting and requesting or directing the Transportation Board and the Trustee to take or not to take, or consenting to, certain actions under the Indenture.**

**The Transportation Board and the Trustee have no responsibility or obligation to the Direct Participants or Indirect Participants or the Beneficial Owners with respect to (i) the accuracy or the maintenance of any records maintained by DTC or any Direct Participant or Indirect Participant; (ii) the payment by any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner with respect to the principal of, premium, and interest on the Bonds or the sending of any transaction statements; (iii) the delivery or timeliness of delivery by DTC or any Direct or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to holders of the Bonds; (iv) the selection of the Beneficial Owners to receive payments upon any partial redemption of the Bonds or (v) other action taken by DTC or Cede & Co. as Bondholder of the Bonds, including the effectiveness of any action taken pursuant to an Omnibus Proxy.**

The Transportation Board or the Trustee may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders of the Bonds.

## APPLICATION OF PROCEEDS OF THE BONDS

Set forth below are the amount and components of the proceeds of the sale of the Bonds and the application of the proceeds on the date of delivery of the Bonds:

| | |
|---|---|
| **Sources:** | |
| Principal Amount of Bonds | $414,820,000.00 |
| Original Issue Premium | 62,157,657.65 |
| Total | $476,977,657.65 |
| **Uses:** | |
| Deposit to Escrow Fund | $476,196,346.35 |
| Deposit to Cost of Issuance Fund | 305,600.88 |
| Underwriter's Discount | 475,710.42 |
| Total | $476,977,657.65 |

The Transportation Board will use a portion of the proceeds of the Bonds to refund, defease and redeem the Refunded Bonds, in the aggregate principal amount of $468,265,000, as more particularly described in Appendix F.

The proceeds of the Bonds used to refund the Series 2010A-2 Refunded Bonds will be applied on the date of issuance of the Bonds to redeem the Series 2010A-2 Refunded Bonds in accordance with a conditional notice of extraordinary optional redemption given with respect to such bonds on February 13, 2024.

The proceeds of the Bonds used to refund, defease and redeem the Series 2014 Refunded Bonds will be deposited in an irrevocable escrow fund (the "Escrow Account"), created under an escrow deposit agreement between the Transportation Board and Computershare Trust Company, National Association, as escrow agent (in such capacity, the "Escrow Agent"). The Escrow Agent will apply the amount so deposited in the Escrow Account to purchase direct, non-callable obligations of the United States Treasury or securities guaranteed by the United States of America (the "Escrow Securities"). The Escrow Securities will mature and bear interest at times and in amounts which, together with cash in the Escrow Account, will be sufficient to pay the interest when due and the principal of the Series 2014 Refunded Bonds through and on their redemption date as set forth in Appendix F. The sufficiency of the Escrow Securities and cash in the Escrow Account to effect the refunding will be verified by the Verification Agent (herein defined). See *"Verification of Mathematical Computations"* herein.

Simultaneously with the issuance of the Bonds, the Trustee will be given irrevocable instructions to optionally redeem the Series 2014 Refunded Bonds on the date shown in Appendix F. As a result of the deposit of the Escrow Securities to the credit of the Escrow Account and such instructions, the Series 2014 Refunded Bonds will no longer be deemed outstanding under the Master Indenture. Amounts held by the Escrow Agent in the Escrow Account are held as trust funds solely for the benefit of the holders of the Refunded Bonds and will not constitute security for the payment of the Bonds.

## SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

### Limited Obligations

**The Bonds are limited obligations of the Commonwealth and the Transportation Board, secured by and payable solely from the revenues, receipts and funds appropriated for such purpose by the General Assembly or allocated by the Transportation Board for such purpose from the revenues, receipts and funds appropriated to it by the General Assembly. The Bonds do not create or constitute a debt or a pledge of the full faith and credit of the Commonwealth or of any of its political subdivisions. The General Assembly is under no obligation to make any such appropriation.**

The Bonds are not secured by any mortgage or lien on any transportation facilities of the Commonwealth or the Transportation Board. In the event of a failure to make any payment on the Bonds when due, the Trustee and the owners of the Bonds shall have no right to take possession of any transportation facilities or to exclude the Commonwealth or the Transportation Board from possession or use of any transportation facilities.

**The Bonds and Other Capital Projects Revenue Bonds**

***General.*** The Bonds and any other Capital Projects Revenue Bonds issued and outstanding under the Indenture will be equally and ratably payable from and secured (i) by Revenues and (ii) from moneys in certain funds established under the Indenture. See the sections *"Priority Transportation Fund," "Transportation Trust Fund"* and *"Summary of the Indenture."*

The Revenues consist of monies appropriated by the General Assembly from time to time for the payment of the Bonds (i) from the revenues deposited into the Priority Transportation Fund established pursuant to § 33.2-1527 of the Virginia Code, which is a part of the Transportation Trust Fund established pursuant to § 33.2-1524.1 of the Virginia Code, (ii) to the extent required, from revenues legally available from the Transportation Trust Fund and (iii) to the extent required, from any other legally available funds.

The Prior Capital Projects Revenue Bonds and future series of Capital Projects Revenue Bonds are expected to be payable and secured on a parity basis with the Bonds as provided under the Indenture.

***Payment Agreement.*** The Transportation Board entered into a Payment Agreement dated as of May 1, 2010, with the Treasury Board and the Secretary of Finance (the "Payment Agreement"). The Payment Agreement provides, among other things, the procedures for requesting appropriations of funds sufficient to pay debt service on the Capital Projects Revenue Bonds and for the payment of such funds to the Trustee under the Indenture. The Payment Agreement requires the Transportation Board and the Treasury Board to use their best efforts to have (i) the Governor include a sufficient appropriation request in each biennial or any supplemental budget of the Commonwealth and (ii) the General Assembly appropriate the amount requested by the Governor. See the section *"Summary of the Payment Agreement."*

***Additional Capital Projects Revenue Bonds.*** The Transportation Board may issue one or more series of additional Capital Projects Revenue Bonds under the Indenture on parity with the Bonds upon satisfaction of various conditions. The Indenture provides that additional Capital Projects Revenue Bonds may be issued only (i) to pay the Costs of the Projects authorized under the Capital Projects Revenue Bond Act or other costs authorized under the Capital Projects Revenue Bond Act, (ii) to refund any Capital Projects Revenue Bonds issued under the Indenture and (iii) for a combination of such purposes. See the section *"Summary of the Indenture – Conditions of Issuing Additional Bonds."*

The 2007 Act provides that no bonds, obligations, or other evidences of debt that expressly require as a source for debt service payments thereon or for the repayment thereof the revenues of the Priority Transportation Fund, such as the Capital Projects Revenue Bonds, shall be issued or entered into unless at the time of the issuance the revenues then in the Priority Transportation Fund or reasonably anticipated to be deposited into the Priority Transportation Fund pursuant to the law then in effect are by themselves sufficient to make 100% of the contractually required debt service payments on all such bonds, obligations, or other evidence of debt, including any interest related thereto and the retirement thereof. For purposes of the foregoing, contractually required debt service shall not include debt service scheduled to be paid from the Project Fund. No such bonds, obligations or other evidences of debt other than the Capital Projects Revenue Bonds have been issued or are authorized. See the section *"Priority Transportation Fund."*

As described in the section *"Capital Projects Revenue Bond Program,"* the General Assembly has imposed an Overall Limitation and Annual Limitations on the principal amounts of Capital Projects Revenue Bonds the Transportation Board may issue. Other than the Bonds, the Transportation Board does not anticipate issuing additional Capital Projects Revenue Bonds in Fiscal Year 2024.

At any time the General Assembly could change the limitations on the issuance of the Capital Projects Revenue Bonds described in the preceding two paragraphs and could authorize bonds, obligations or other evidences of debt other than the Capital Projects Revenue Bonds to be paid from the Priority Transportation Fund.

**Other Bonds**

In addition to the Capital Projects Revenue Bonds, the General Assembly has authorized and may authorize the issuance of other bonds by the Transportation Board under other transportation financing programs to pay the costs of other transportation improvements in the Commonwealth. Such presently outstanding bonds and such possible future bonds could be payable from amounts which may be appropriated by the General Assembly from the Priority

Transportation Fund, other legally available funds in the Transportation Trust Fund, and other legally available funds of the Commonwealth. See the section *"Authorized, Issued and Unissued Bonds Payable from Transportation Trust Fund."*

# PRIORITY TRANSPORTATION FUND

## General

Funds in the Priority Transportation Fund are expected to be the primary source of the Revenues pledged to pay the Bonds. The General Assembly first established the Priority Transportation Fund in 2000. The Priority Transportation Fund currently exists under § 33.2-1527 of the Virginia Code as a special non-reverting fund of the Transportation Trust Fund held in the state treasury. All funds as may be designated in an appropriation act by the General Assembly for deposit to the Priority Transportation Fund shall be paid into the state treasury and credited to the Priority Transportation Fund. From July 1, 2013 to June 30, 2020, the primary sources of such funds were (i) a share of the revenues derived from the annual license tax imposed on insurance companies doing business in the Commonwealth under Chapter 25 of Title 58.1 of the Virginia Code, and (ii) a share of the revenues derived from taxes imposed on motor fuels under the Virginia Fuels Tax Act, Chapter 22 (§ 58.1-2200 et seq.) of Title 58.1 of the Virginia Code. As shown in the following chart, from Fiscal Year 2016 through Fiscal Year 2020, the annual deposits in the Priority Transportation Fund increased from $186.0 million to $225.7 million.

**Historical Priority Transportation Fund Revenues**
(in millions)[1]

| **Fiscal Year:** | **2016** | **2017** | **2018** | **2019** | **2020** |
|---|---|---|---|---|---|
| PTF Insurance Tax Revenues[2] | $150.3 | $163.1 | $168.0 | $168.6 | $183.6 |
| PTF Motor Fuel Tax Revenues | 34.4 | 34.3 | 33.7 | 33.6 | 33.7 |
| Investment Income | 1.3 | 2.5 | 3.5 | 7.0 | 8.4 |
| Total Priority Transportation Fund Revenues | $186.0 | $199.9 | $205.2 | $209.2 | $225.7 |

Sources: Commonwealth of Virginia Department of Accounts, Department of Motor Vehicles, Department of Taxation
1 The sum of the revenue amounts may not equal the total amounts due to rounding.
2 These amounts represent one-third of the total revenues of the Insurance Tax received by the Commonwealth and deposited into the Priority Transportation Fund in each respective year.

## Priority Transportation Fund in Fiscal Years 2021-2023

Starting at the beginning of Fiscal Year 2021 on July 1, 2020, the provisions of Chapter 1230 of the Acts of the General Assembly of the Commonwealth of Virginia, 2020 Regular Session ("Chapter 1230"), became effective. As described in the section *"Transportation Trust Fund-Chapter 1230 and the Commonwealth Transportation Fund,"* Chapter 1230 represents a major restructuring of transportation revenues in the Commonwealth. Chapter 1230 redirects the former major revenue sources for the Priority Transportation Fund to a new fund, the Commonwealth Transportation Fund established under § 33.2-1524 of the Virginia Code, for distribution to the Transportation Trust Fund, and from the Transportation Trust Fund to the Priority Transportation Fund and other transportation-related funds and purposes. The wide-ranging changes provided in Chapter 1230 will be discussed below in this section starting in the following subsection and in the section *"Transportation Trust Fund."* However, in response to the uncertainty produced by the COVID-19 pandemic, in amendments made to the appropriation act for the biennium commencing July 1, 2020 and ending June 30, 2022 (as amended, the "2021-2022 Appropriation Act"), the General Assembly provided the Transportation Board flexibility to take steps to reduce impacts on currently programmed transportation projects, to allow for a phased implementation of the allocation of the revenues in the Commonwealth Transportation Fund as directed by Chapter 1230 and to take actions the Transportation Board deems necessary in Fiscal Years 2021, 2022 and 2023 to ensure appropriate coverage ratios for any outstanding debt backed by the Transportation Trust Fund, such as the Capital Projects Revenue Bonds.

The table below shows the sources of deposits to the Priority Transportation Fund in Fiscal Years 2021, 2022 and 2023. The components of the Priority Transportation Fund allocations are described in the next subsection.

**Priority Transportation Fund Allocations in Fiscal Years 2021 through 2023 (in millions)[1]**

| **Fiscal Year:** | **2021** | **2022** | **2023** |
|---|---|---|---|
| Transportation Trust Fund Deposit | $257.1 | $226.0 | $235.4 |
| Official Forecast Excess Revenues | - | 323.6[2] | - |
| Airspace Revenues | - | - | - |
| PTF Interest Earnings | 2.6 | 1.0 | 12.0 |
| Other Funds | - | - | - |
| Total Priority Transportation Fund Revenues | $259.7 | $550.6 | $247.4 |

Sources: Commonwealth of Virginia Department of Accounts and Department of Taxation.

1 The sum of the revenue amounts may not equal the total amounts due to rounding.

2 Official Forecast Excess Revenues (described below)in Fiscal Year 2022 represent excess revenue from Fiscal Year 2021.

**Expected Funding of the Priority Transportation Fund in Fiscal Year 2024 and Thereafter**

Beginning with the full implementation of Chapter 1230 in Fiscal Year 2024, the following moneys will be credited to the Priority Transportation Fund:

(1) A transfer from the Transportation Trust Fund equal to 10.5% of certain revenues distributed to the Transportation Trust Fund from the Commonwealth Transportation Fund (the "Transportation Trust Fund Deposit");

(2) All revenues that exceed the official forecast, pursuant to § 2.2-1503 of the Virginia Code, for (i) the allocation to the Highway Maintenance and Operating Fund established in § 33.2-1530 of the Virginia Code (the "HMO Fund") as set forth in § 33.2-1524 of the Virginia Code and (ii) the allocation to highway and mass transit improvement projects as set forth in § 33.2-1524.1 of the Virginia Code, but not including any amounts that are allocated to the Commonwealth Port Fund and the Commonwealth Aviation Fund under such section (the "Official Forecast Excess Revenues");

(3) All revenues from the lease or sale and conveyance by the Commissioner of Highways of the airspace superajacent or subajacent to any highway in the Commonwealth under § 33.2-226 of the Virginia Code (the "Airspace Revenues"); and

(4) Any other such funds as may be transferred, allocated, or appropriated.

A description of each such category of moneys follows. Additionally, interest earned on moneys in the Priority Transportation Fund (the "PTF Interest Earnings") remain therein and are credited to it.

Any moneys remaining in the Priority Transportation Fund at the end of each Fiscal Year, including any PTF Interest Earnings, will not revert to the Commonwealth's general fund but will remain in the Priority Transportation Fund and be available for the purposes described in the subsection below *"Application of Moneys in the Priority Transportation Fund."*

***Transportation Trust Fund Deposit***. During the term of the Bonds, the Transportation Trust Fund Deposit is expected to be the primary source of moneys in the Priority Transportation Fund. The annual amount of each such deposit will be determined as described in the section *"Transportation Trust Fund— Transfers from the Transportation Trust Fund to the Priority Transportation Fund and Other Funds and Programs."*

***Official Forecast Excess Revenues***. The Governor is required under §2.2-1503 of the Virginia Code by December 15 of each year to prepare and submit to the General Assembly an estimate of anticipated general fund revenue, an estimate of anticipated transportation fund revenues, and estimates of anticipated revenues for each of the remaining major nongeneral funds for a prospective period of six years. The Governor's estimates are to be based on forecasts of economic activity in the Commonwealth, a review by an advisory board of economists and a review by an advisory council of revenue estimates. Although the Priority Transportation Fund has from time to time received Official Forecast Excess Revenues, for example in Fiscal Year 2022, due to the high degree of uncertainty about such revenues, the Transportation Board does not project to receive these revenues in the Priority Transportation Fund in any Fiscal Year after 2022.

***Airspace Revenues***. As provided in § 33.2-1527 of the Virginia Code, all Airspace Revenues will be deposited in the Priority Transportation Fund. However, the Priority Transportation Fund has not received any Airspace Revenues since the enactment of Chapter 1230 and is not projected to receive any in the future.

***PTF Interest Earnings and Other Funds***. The PTF Interest Earnings are generated by the investment of money in the Priority Transportation Fund, which investment is administered by the State Treasurer under guidelines adopted by the Transportation Board. The Transportation Board has adopted the same guidelines as the Treasury Board for the investment of public funds.

The Transportation Board may transfer, allocate, or appropriate other funds to the Priority Transportation Fund, but no such other funds are projected to be received by the Priority Transportation Fund for purposes of the projections below.

**Projected Priority Transportation Fund Revenues Following Full Implementation of Chapter 1230**

The following table shows the amounts of each category of revenues forecasted to be deposited into the Priority Transportation Fund following the full implementation of Chapter 1230 in Fiscal Year 2024 through Fiscal Year 2027. See the section *"Transportation Trust Fund – Transfers from the Transportation Trust Fund to the Priority Transportation Fund and Other Funds and Programs."*

**Projected Priority Transportation Fund Allocations in Fiscal Years 2024 through 2027 (in millions)[1,2]**

| Fiscal Year: | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Transportation Trust Fund Deposit[3] | $238.6 | $243.6 | $250.7 | $255.8 |
| Official Forecast Excess Revenues[3] | - | - | - | - |
| Airspace Revenues[3] | - | - | - | - |
| PTF Interest Earnings | 7.0 | 7.0 | 6.0 | 6.0 |
| Other Funds[3] | - | - | - | - |
| Total Priority Transportation Fund Revenues | $245.6 | $250.6 | $256.7 | $261.8 |

Sources: Commonwealth of Virginia Department of Accounts and Department of Taxation.

1 The sum of the revenue amounts may not equal the total amounts due to rounding.

2 Projections for Fiscal Years 2024 through 2027 based on Commonwealth Transportation Fund Forecast provided in December 2023. The projections include Governor Youngkin's proposal described above to increase the amount of the retail sales and use tax and to expand the definition of goods and services to capture and subject certain digital goods and services to such tax. Forecasts may be issued several times a year, and the next official forecast is expected in December 2024. Preliminary estimates and actual results may differ materially from such forward-looking statements.

3 As described above, the Transportation Board does not project that the Priority Transportation Fund will receive any Official Forecast Excess Revenues, Airspace Revenues or Other Funds.

**Application of Moneys in the Priority Transportation Fund**

All moneys in the Priority Transportation Fund will first be used for debt service payments on the Bonds, any other Capital Projects Revenue Bonds or other bonds for which the Priority Transportation Fund is expressly required for making debt service payments to the extent needed. No such other bonds have been issued or are currently authorized but not yet issued.

Moneys in the Priority Transportation Fund remaining after the payment of the above-described debt service will be used by the Transportation Board to facilitate the financing of priority transportation projects throughout the Commonwealth. The Transportation Board may use the Priority Transportation Fund either (i) by expending amounts therein on such projects directly, (ii) by payment to any authority, locality, commission or other entity for the purpose of paying the costs thereof or (iii) by using such amounts to support, secure, or leverage financing for such projects. The Transportation Board will use the Priority Transportation Fund to facilitate the financing of priority transportation projects as designated by the General Assembly; provided, however, that, at the discretion of the Transportation Board, funds allocated to projects within a transportation district may be allocated among projects within the same transportation district as needed to meet construction cash-flow needs.

**The Transportation Board makes no representation that the General Assembly (i) will maintain or continue to make transfers to the Priority Transportation Fund, (ii) appropriate moneys in the Priority Transportation Fund to pay debt service, (iii) will not authorize the issuance of additional bonds payable from the Priority Transportation Fund or (iv) will not repeal or materially modify the legislation creating the Priority Transportation Fund or prescribing the revenues to be deposited into the Priority Transportation Fund.**

## DEBT SERVICE REQUIREMENTS

The following table sets forth for each Fiscal Year the amounts needed in each annual period for payment of principal of and interest on the Bonds and the Prior Capital Projects Revenue Bonds, as of the date of the issuance of the Bonds.

| Fiscal Year | Outstanding Bond Debt Service[1] | 2024 Bond Principal | 2024 Bond Interest | 2024 Bond Debt Service | Total Fiscal Year Debt Service |
|---|---|---|---|---|---|
| 2024[2] | $181,722,020 | | $ 3,514,447 | $ 3,514,447 | $185,236,467 |
| 2025 | 140,131,225 | $ 25,000,000 | 20,741,000 | 45,741,000 | 185,872,225 |
| 2026 | 140,120,475 | 26,170,000 | 19,491,000 | 45,661,000 | 185,781,475 |
| 2027 | 140,121,725 | 27,460,000 | 18,182,500 | 45,642,500 | 185,764,225 |
| 2028 | 140,129,975 | 28,815,000 | 16,809,500 | 45,624,500 | 185,754,475 |
| 2029 | 140,134,575 | 30,260,000 | 15,368,750 | 45,628,750 | 185,763,325 |
| 2030 | 140,127,425 | 31,795,000 | 13,855,750 | 45,650,750 | 185,778,175 |
| 2031 | 140,126,575 | 33,405,000 | 12,266,000 | 45,671,000 | 185,797,575 |
| 2032 | 135,154,625 | 35,110,000 | 10,595,750 | 45,705,750 | 180,860,375 |
| 2033 | 135,161,075 | 36,900,000 | 8,840,250 | 45,740,250 | 180,901,325 |
| 2034 | 135,153,325 | 38,790,000 | 6,995,250 | 45,785,250 | 180,938,575 |
| 2035 | 135,157,725 | 40,760,000 | 5,055,750 | 45,815,750 | 180,973,475 |
| 2036 | 135,152,025 | 14,005,000 | 3,017,750 | 17,022,750 | 152,174,775 |
| 2037 | 97,328,025 | 14,700,000 | 2,317,500 | 17,017,500 | 114,345,525 |
| 2038 | 63,003,338 | 15,440,000 | 1,582,500 | 17,022,500 | 80,025,838 |
| 2039 | 63,000,069 | 16,210,000 | 810,500 | 17,020,500 | 80,020,569 |
| 2040 | 63,003,538 | | | | 63,003,538 |
| 2041 | 63,002,763 | | | | 63,002,763 |
| 2042 | 46,207,588 | | | | 46,207,588 |
| 2043 | 29,682,863 | | | | 29,682,863 |
| 2044 | 5,423,913 | | | | 5,423,913 |
| 2045 | 5,421,413 | | | | 5,421,413 |
| 2046 | 5,425,200 | | | | 5,425,200 |
| Total | $2,279,891,476 | $414,820,000 | $159,444,197 | $574,264,197 | $2,854,155,673 |

[1] Excludes debt service on the Refunded Bonds.

[2] Reflects debt service for FY 2024 and includes the debt service payment on the Prior Capital Project Bonds made on November 15, 2023.

## TRANSPORTATION TRUST FUND

### General

The Capital Projects Revenue Bond Act provides that if revenues in the Priority Transportation Fund are insufficient for the payment of the Bonds and the other Capital Projects Revenue Bonds, the second source of revenues to make such payment is revenues legally available in the Transportation Trust Fund.

The Transportation Trust Fund was established by the General Assembly in Chapters 11, 12, 13 and 15 of the Acts of the Assembly, 1986 Special Session (the "1986 Special Session Acts"), as a special non-reverting fund administered and allocated by the Transportation Board for the purpose of increased funding for construction and other capital needs of state highways, airports, mass transit and ports, including the support of the Capital Projects Revenue Bond Program and the other transportation bond programs described in the section *"Authorized, Issued and Unissued Bonds Payable from Transportation Trust Fund."* From the effective date of the 1986 Special Session Acts through Fiscal Year 2020, the Transportation Trust Fund was funded primarily from a base of revenues derived from the retail sales and use tax, motor vehicle fuels tax and motor vehicle related taxes and fees. As described below, Chapter 1230 effected numerous changes in the Commonwealth's transportation funding system commencing in Fiscal Year 2021.

The following table summarizes the actual Transportation Trust Fund revenues for Fiscal Years 2016 through 2020. Historical receipts of the Transportation Trust Fund may not be indicative of future receipts, particularly because of the changes related to Chapter 1230. In addition, the information below includes data for periods prior to the outbreak of COVID-19 and should not be relied upon as representing revenue amounts or trends that may be available in future years.

**Total Transportation Trust Fund Revenues – All Modes (Before Chapter 1230)**
**(in millions)[1]**

| **Fiscal Year:** | **2016** | **2017** | **2018** | **2019** | **2020** |
|---|---|---|---|---|---|
| Retail Sales and Use Tax | $723.7 | $743.3 | $751.3 | $786.4 | $813.9 |
| Motor Vehicle Sales and Use Tax[2] | 265.4 | 275.4 | 272.8 | 285.9 | 269.9 |
| Motor Fuels Taxes[3] | 138.9 | 138.6 | 136.5 | 136.5 | 136.9 |
| Motor Vehicle Registration Fees[4] | 21.6 | 22.2 | 21.6 | 22.5 | 41.3 |
| Recordation Tax[5] | 29.5 | 48.1 | 47.8 | 47.1 | 59.7 |
| Investment Income | 2.4 | 3.9 | 5.4 | 9.4 | 10.9 |
| Priority Transportation Fund[6] | 186.0 | 199.9 | 205.2 | 209.2 | 226.5 |
| **Total Transportation Trust Revenues** | $1,367.5 | $1,431.4 | $1,440.6 | $1,497.0 | $1,558.2 |

Sources: Department of Accounts and Department of Motor Vehicles.

1 Net of moneys deposited in the Federal Fund, which is part of the Transportation Trust Fund. Totals may not add due to rounding.

2 Motor Vehicle Sales and Use Tax and Motor Vehicle Rental Tax. Note these taxes were amended by Chapter 766 (as hereinafter defined).

3 Motor Fuels Tax, Special Fuel Tax, Aviation Special Fuel Tax and Road Tax for Diesel Fuel. Note these taxes were amended by Chapter 766 and Chapter 837 of the Acts of Assembly, 2019 Regular Session ("Chapter 837"). The 2019 increase in road taxes was committed to Interstate Improvements.

4 Motor Vehicle Registration Fees includes the revenue anticipated from an increase in truck registration fees beginning July 1, 2019 in accordance with Chapter 837. These funds were committed to Interstate Improvements in Fiscal Year 2020.

5 Reflects the deposits into the Transportation Trust Fund on and after July 1, 2008, from the revenues collected each Fiscal Year from $0.02 of the total state recordation taxes imposed pursuant to §§ 58.1-801 and 58.1-803 of the Virginia Code. Beginning in Fiscal Year 2017, the estimate reflects the revenue from $0.01 of the total state recordation taxes that was previously dedicated to the HMO Fund and subsequently dedicated to the Commonwealth Transit Capital Fund.

6 Reflects the deposits into the Priority Transportation Fund on and after July 1, 2008, of one-third of the revenues of the insurance tax and incremental motor fuels tax revenues (as described in the section *"Priority Transportation Fund - General"*). Amounts shown include estimated investment income.

### Transportation Trust Fund in Fiscal Years 2021-2023

In the 2021-2022 Appropriation Act the General Assembly authorized the Transportation Board to take the steps necessary to address the projected reduction in revenues as a result of the COVID-19 pandemic in a manner to reduce the impacts on currently programmed projects and allow for a phased implementation of the allocation of the revenues in the Commonwealth Transportation Fund as directed by Chapter 1230.

In Item 430 of the 2021-2022 Appropriation Act, the Transportation Board was authorized to utilize revenue sharing funds, which had been allocated to any construction project in Fiscal Year 2020 or previous Fiscal Years and not currently needed to support the project based on the project's current schedule, to increase the funding available for the Commonwealth Transportation Fund for distribution to the funds and programs supported by the Commonwealth Transportation Fund to help mitigate the impacts of the projected reduced revenues resulting from COVID-19. The Virginia Department of Transportation ("VDOT") identified $495.1 million of project funding that met this criterion of which $303.7 million was provided in Fiscal Year 2021 and $191.4 million was provided in Fiscal Year 2023 from construction projects to the Commonwealth Transportation Fund for distribution. These project commitments were replaced in Fiscal Years 2021 through 2024 from funds made available for revenue sharing distribution under § 33.2-357 of the Virginia Code.

The Transportation Board also planned for targeted investments in program areas through Fiscal Year 2023. These include: funding for construction programs to support High Priority Projects, the Construction District Grant Program, and the Highway Safety Improvement Program; funding for match to Passenger Rail Investment and Improvement Act Projects; funding for transit to support operating and capital costs; funding for the Washington Metropolitan Area Transit Authority; funding for the Transit Ridership Incentive Program; funding for Rail Programs; and additional funds for the Port Fund, the Aviation Fund, the Commonwealth Spaceflight Fund and for the Department of Motor Vehicles.

**Commonwealth Transportation Fund and Transportation Trust Fund – Phased Implementation of Chapter 1230 (in millions)[1]**

| **Fiscal Year:** | **2021** | **2022** | **2023** |
|---|---|---|---|
| Retail Sales and Use Tax | $1,265.1 | $1,344.2 | $1,440.7 |
| Motor Vehicles Sales and Use Tax | 1,110.5 | 1,200.2 | 1,206.6 |
| Motor Fuels Taxes | 971.6 | 1,216.8 | 1,384.8 |
| Road Tax for Diesel Fuel | 56.4 | 71.2 | 87.6 |
| International Registration Plan | 121.4 | 118.7 | 115.1 |
| Motor Vehicle Registration Fees | 241.6 | 231.0 | 196.6 |
| State Insurance Premium Tax | 181.4 | 180.7 | 202.5 |
| Recordation Tax | 83.8 | 81.6 | 52.6 |
| Motor Vehicles Rental Tax | 25.8 | 36.5 | 40.5 |
| Highway Use Fee | 42.7 | 53.8 | 58.4 |
| Revenue Sharing Allocation | 303.7 | -- | 191.4 |
| **Total Commonwealth Transportation Fund Revenues** | **$4,403.9** | **$4,534.7** | **$4,976.8** |
| | | | |
| **Distribution of Commonwealth Transportation Fund** | | | |
| Route 58 Corridor Development Fund | $40.0 | $40.0 | $40.0 |
| Northern Virginia Transportation District Fund | 40.0 | 40.0 | 40.0 |
| Special Structures Fund | -- | 60.0 | 80.0 |
| Targeted Investments | 183.8 | 220.9 | 228.2 |
| CTF Administrative Costs | 1.1 | 3.7 | 3.1 |
| Highway Maintenance and Operating Fund | 2,262.4 | 2,240.7 | 2,403.3 |
| **Allocation to Transportation Trust Fund** | **$1,876.7** | **$2,152.8** | **$2,242.0** |
| **Transportation Trust Fund Deposit to Priority Transportation Fund** | **$257.1** | **$226.0** | **$235.4** |

Sources: Commonwealth of Virginia Department of Accounts, Department of Motor Vehicles, and Department of Taxation.
[1] Totals may not add due to rounding.

**Chapter 1230 and the Commonwealth Transportation Fund**

The General Assembly enacted Chapter 1230 in 2020 to effect numerous structural changes to the transportation funding system in the Commonwealth. The General Assembly preserved for transportation purposes the base of revenues allocated to the Transportation Trust Fund in the 1986 Special Session Acts and added new revenue sources. Under Chapter 1230 most of the Commonwealth's transportation-related revenues have been directed to a new, special non-reverting fund known as the Commonwealth Transportation Fund, and the distribution of revenues has been streamlined, based on codified formulas, to sub-funds established to meet the Commonwealth's varying transportation needs and different modes of transportation.

Under Chapter 1230, the transportation revenues allocated to the Commonwealth Transportation Fund include: (i) motor fuels taxes and road taxes for diesel fuel; (ii) vehicle registration fees; (iii) highway use fees; (iv) 0.5% statewide sales and use taxes; (v) 0.3% statewide sales and use taxes for transportation; (vi) 4.15% motor vehicles sales and use taxes; (vii) motor vehicle rental taxes (10% of gross proceeds from rentals for most passenger vehicles); (viii) $0.03 of the $0.25 per $100 of assessed value of the statewide recordation taxes; (ix) International Registration

Plan fees; and (x) one-third of the revenue from insurance premium taxes. See the subsection below *"Sources of Revenues."*

The revenues in the Commonwealth Transportation Fund must be applied to make several "off-the-top" allocations before any amounts are available to be transferred to the Transportation Trust Fund and thence to the Priority Transportation Fund; provided that in Fiscal Years 2021 through 2023 the "off-the-top" allocations are subject to change under the provisions of the 2021-2022 Appropriation Act. Commencing in Fiscal Year 2024, the "off-the-top" allocations will be (i) $40 million annually to be deposited into the Route 58 Corridor Development Fund; (ii) $40 million annually to be deposited into the Northern Virginia Transportation District Fund; and (iii) $80 million annually (as adjusted annually based on changes in consumer price index for urban consumers) to be deposited into the Special Structure Fund.

Commencing in Fiscal Year 2024, the revenues remaining in the Commonwealth Transportation Fund following the "off-the-top" allocations will be allocated 51% to the HMO Fund and 49% to the Transportation Trust Fund (the "49% Share").

**Transfers from the Transportation Trust Fund to the Priority Transportation Fund and Other Funds and Programs**

Following the full implementation of Chapter 1230 in Fiscal Year 2024, the 49% Share will be distributed from the Transportation Trust Fund as follows: (i) 53% for construction programs; (ii) 23% to the Commonwealth Mass Transit Fund; (iii) 7.5% to the Commonwealth Rail Fund; (iv) 2.5% to the Commonwealth Port Fund; (v) 1.5% to the Commonwealth Aviation Fund; (vi) 1% to the Commonwealth Space Flight Fund; (vii) 10.5% to the Priority Transportation Fund, which is referred to above as the "Transportation Trust Fund Deposit;" and (viii) 1% to a special fund within the Commonwealth Transportation Fund to be used to meet the necessary expenses of the Department of Motor Vehicles.

The following chart depicts the transportation revenues (see the subsection below *"Sources of Revenues"*) to be allocated to the Commonwealth Transportation Fund and from the Commonwealth Transportation Fund to the Transportation Trust Fund and then to the Priority Transportation Fund following the full implementation of Chapter 1230.

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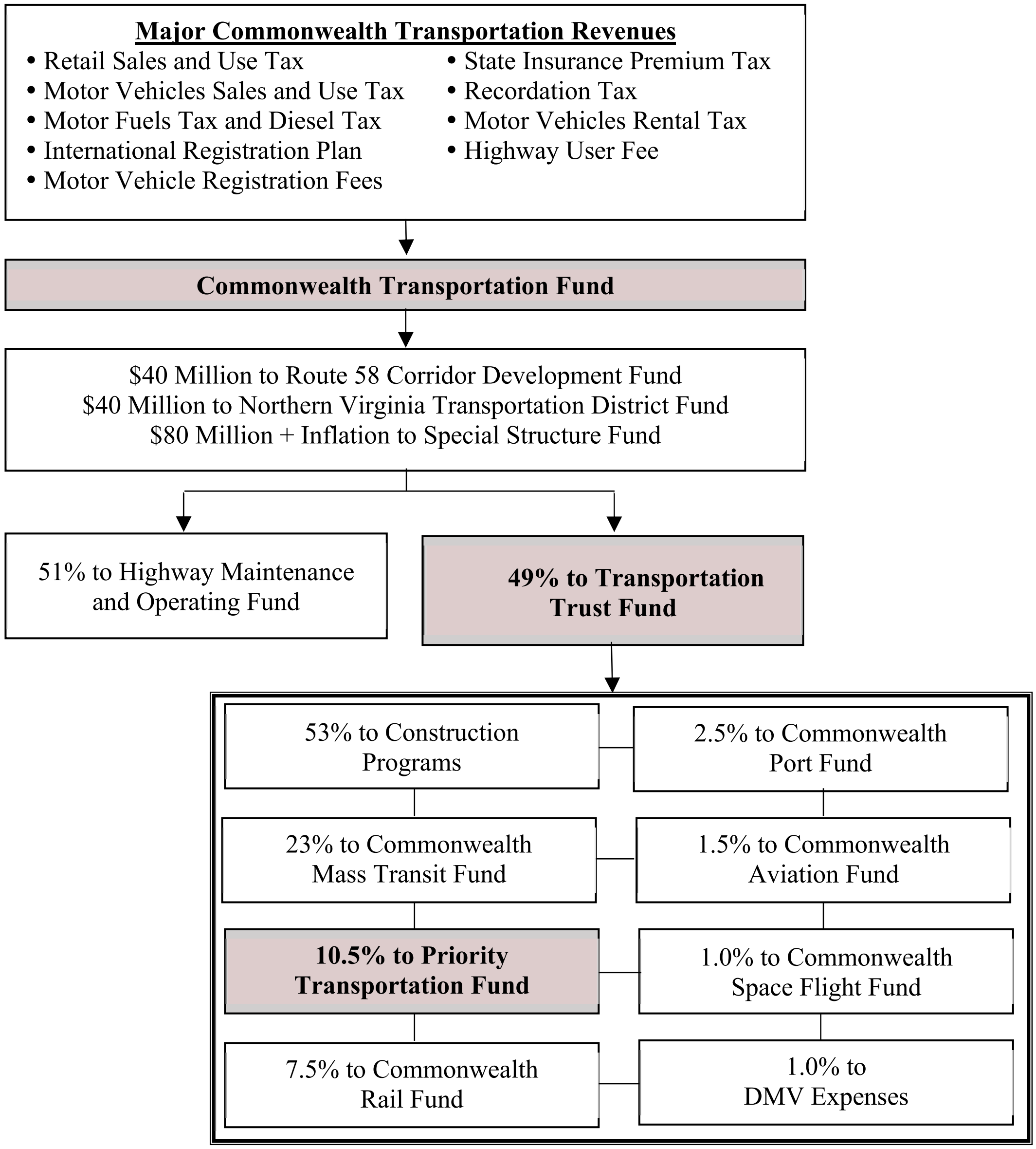


**The Transportation Board makes no representation (i) that the General Assembly will maintain the Commonwealth Transportation Fund, the Transportation Trust Fund or the Priority Transportation Fund or (ii) that the General Assembly will not repeal or materially modify Chapter 1230 or any other legislation affecting such funds.**

**Highway Maintenance and Operating Fund**

The HMO Fund is established in the Virginia Code to address the highway maintenance and operating needs of VDOT. The HMO Fund was initially created in 1987, separating funding for this purpose from funds meant for highway construction. Since this time, the revenue sources dedicated to the HMO Fund have been updated to provide for additional funding to meet highway maintenance and operating needs. Chapter 1230 dedicates a significant share of the Commonwealth Transportation Fund to the HMO Fund.

In the Six-Year Improvement Program for Fiscal Years 2024 through 2029 adopted by the Transportation Board in June 2023 (the "Current SYIP"), in Fiscal Year 2024 $363.0 million in funds allocated to construction programs from the Transportation Trust Fund were reallocated to the HMO Fund to meet the obligations of the HMO Fund for the maintenance and operations of Virginia's highways.

**The Transportation Board makes no representation that the General Assembly will maintain the HMO Fund.**

**Sunset Provision**

The provisions of Chapter 1230 that generate additional state revenue for transportation purposes expire on December 31 of any year in which the General Assembly appropriates any of such revenues for any non-transportation-related purpose (the "Sunset Provision").

The General Assembly has from time to time made appropriations of portions of transportation revenue for non-transportation-related purposes which would have activated similar sunset provisions under other transportation legislation had the General Assembly not also enacted a savings clause to override such sunset provisions (a "Savings Clause").

**No assurance can be given that the General Assembly will not activate the Sunset Provision of Chapter 1230 in future appropriation acts, and no assurance can be given that, if the Sunset Provision is activated, the General Assembly will enact a Savings Clause to override it.**

**Highway Allocation Formula**

The Transportation Board is required by the Virginia Code to allocate each year all funds made available for highway purposes, including the 53% of the 49% share allocable to the Transportation Trust Fund for "construction programs," in accordance with the priorities established by § 33.2-358 of the Virginia Code. Highway funds are allocated first for maintenance of interstate, primary, secondary and certain local roads and highways, administrative and general expenses, and other payments. The distribution of funding after this allocation was changed by Chapter 1230.

**After the first allocation of highway purposes funds as described above, the Transportation Board shall allocate all such funds remaining, as follows: (i) 30% to the Transportation Board's "State of Good Repair Purposes", (ii) 20% to the Transportation Board's "High Priority Project Program," (iii) 20% to the "Construction District Grant Program," (iv) 20% to the "Interstate Operations and Enhancement Program," and (v) 10% to the "Virginia Highway Safety Improvement Program."**

**While the Virginia Code establishes the priorities by which the Transportation Board must allocate the funds made available to it, the Transportation Board, VDOT and other transportation agencies are responsible for allocating such funds among transportation projects throughout the Commonwealth. In the normal course of business, the Transportation Board, VDOT and the other agencies procure and enter into contracts with private parties for the rehabilitation, construction and improvement of transportation projects. The procurements are conducted in various ways as permitted under the Virginia Code, including traditional sealed bidding, design build arrangements and procurements under the Public-Private Transportation Act of 1995 (§ 33.2-1800 et. seq.) (the "PPTA"). The PPTA encourages investment in the Commonwealth by private entities to facilitate the development and/or operation of transportation facilities, and PPTA contracts typically involve an allocation of financial, completion and other risks between the private entity and the Commonwealth that differ from the risk allocation in more traditional procurement formats. If any of these contracts were terminated or if the applicable project was delayed or altered, the Transportation Board, VDOT or the other applicable agency could be contractually obligated to pay certain costs associated with the delay or determination of the project incurred by the private party and to pay other related expenses and fees, which may or may not exceed the funding currently allocated to the applicable project. The payment obligation of the Transportation Board, VDOT or the other applicable agency is generally subject to appropriation by the General Assembly. While no specific funding source is identified, the Transportation Trust Fund is one possible funding source for such payments. If such a payment were to be made from the Transportation Trust Fund, the funds for such payment would be made available by changing the allocation of available funds among the projects in the Six-Year Improvement Plan. A change in the allocation of funds would not impact the revenues appropriated to the Transportation Trust Fund, but the change could impact the planned schedules of other projects and the availability of funds in the Transportation Trust Fund to pay debt service on bonds for which the Transportation Trust Fund serves as a secondary source of payment (such as the Capital Projects Revenue Bonds). The Transportation Board, VDOT and the other agencies regularly adjust the allocation of the funds among transportation projects to account for a variety of factors. See the sections *"Authorized, Issued and***

***Unissued Bonds Payable from Transportation Trust Fund"* and *"Commonwealth Transportation Board, Virginia Department of Transportation and Virginia Department of Rail and Public Transportation."***

**Sources of Revenues**

The following is a brief description of the various taxes and fees designated for deposit to the Commonwealth Transportation Fund.

***Retail Sales and Use Tax***. The retail sales tax is imposed on every transaction involving (i) the business of selling at retail or distributing tangible personal property in the Commonwealth; (ii) the leasing or rental of tangible personal property as part of an established business; (iii) the storing for use or consumption in the Commonwealth of any item or article of tangible personal property or leasing or renting such property within the Commonwealth; (iv) the furnishing of transient accommodations or (v) the selling of certain services. The tax on sales is based on the gross sales price of each item or article of tangible personal property. The seller collects the tax from the customer by separately stating the amount of the tax and adding it to the sales price or charge. The tax on accommodations, leases and rentals, which is based upon the lessor's gross proceeds from the leases and rentals, is collected by the lessor by separately stating the amount of tax and adding it to the charge made to the lessee. The tax on items or articles of tangible personal property stored in the Commonwealth for use or consumption in the Commonwealth is based on the cost price of each item or article. The tax on taxable services is based on the gross sales of services.

The use tax is imposed on the use or consumption of tangible personal property in the Commonwealth, or the storage of such property outside the Commonwealth for use or consumption in the Commonwealth. This tax applies to (i) tangible personal property purchased outside the Commonwealth that would have been subject to sales tax if purchased in the Commonwealth and (ii) purchases, leases or rentals made in the Commonwealth if the sales tax was not paid at the time of purchase, lease or rental. In general, the tax is based on the cost price of each item or article of tangible personal property used or consumed in the Commonwealth or the cost price of each item or article of tangible personal property stored outside the Commonwealth for use or consumption in the Commonwealth. The Virginia Code provides various exclusions and exemptions to the retail sales and the use tax.

The state and local retail sales and use taxes were increased from 4.0% to 4.5% by the General Assembly in the 1986 Special Session Acts and increased again in 2004 from 4.5% to 5.0%. The 1986 Special Session Acts designated the tax revenues from a 0.5% sales and use tax to the Transportation Trust Fund. Pursuant to Chapter 766 of the Acts of the General Assembly of the Commonwealth of Virginia 2013 Regular Session ("Chapter 766"), the 2013 General Assembly increased taxes by 0.3% to 5.3% (a portion of which was allocated to the HMO Fund), and pursuant to Chapter 766 the Commonwealth can collect the tax on online sales, if there is a change in federal law. On June 19, 2018, the U.S. Supreme Court in *South Dakota v. Wayfair, Inc.* held that states may require an out-of-state retailer to collect and remit sales tax on purchases by residents within that state. Under Chapter 815 of the Acts of the General Assembly of the Commonwealth of Virginia, 2019 Regular Session, remote sellers and marketplace facilitators who sell or facilitate the sale of greater than $100,000 in annual gross revenue from retail sales into the Commonwealth or 200 annual transactions to Virginia customers are required to collect and remit retail sales and use tax beginning July 1, 2019. Chapter 1230 dedicates Retail Sales and Use Taxes committed to transportation to the Commonwealth Transportation Fund.

Under current law, certain dealers are required to make an accelerated payment of a portion of the retail sales and use taxes estimated to be due for the last month of each Fiscal Year before the end of the Fiscal Year (rather than on the normal payment date occurring in the subsequent Fiscal Year).

Under current law, food purchased for human consumption and essential personal hygiene products are taxed at the reduced rate of 1%. The rate of tax levied on those items is a 1% local option tax. Prior to January 1, 2023, the tax rate was 2.5% with 1.5% of this rate representing a state retail sales and use tax. Of this amount, revenue equal to 0.5% of the state's 1.5% rate is provided to the Commonwealth Transportation Fund. The impact of this change is reflected in the revenue estimates provided for Retail Sales and Use Tax.

On December 20, 2023, Governor Glenn Youngkin proposed updating the definition of goods and services in the Virginia Tax Code to capture digital goods and services such as software packages, digital downloads, streaming music and videos, cloud storage and other electronic media. In addition, Governor Glenn Youngkin proposed an increase to the Commonwealth's sales tax of 0.9%, from 4.3% to 5.2%. Item 4-14, Enactment Clause 7 of the 2024 Introduced Budget (as defined below), directs the proposed additional sales and use tax revenue generated by taxable services and digital personal property to be distributed: (i) an amount attributable to one-half to be distributed to the

Transportation Partnership Opportunity Fund ("TPOF") and (ii) an amount attributable to one-half to be distributed to the Interstate 81 Corridor Improvement Fund until June 30, 2031, or such time as a total of $400 million has been deposited.

The revenue estimates herein do consider this policy proposal as if it is implemented.

***Motor Vehicle Sales and Use Tax***. A tax based on the gross sales price or gross proceeds is levied upon the sale or use of motor vehicles in the Commonwealth, other than a sale to or use by a person for rental as an established business or part of an established business or incidental or germane to such business.

The tax applies to the sale price of motor vehicles, mobile homes and mobile offices sold in the Commonwealth, with the exceptions noted above, and to the sale price of motor vehicles, mobile homes and mobile offices not sold in the Commonwealth but used or stored for use in the Commonwealth. Under Commonwealth law, certain motor vehicles are exempt from the sales and use tax. In general, the minimum tax levied on the sale of any motor vehicle in the Commonwealth is $75.00.

The tax on the sale or use of a motor vehicle is paid by the purchaser or user of the new motor vehicle and collected by the Commissioner of the Department of Motor Vehicles (the "DMV Commissioner") at the time the owner applies to that Department for, and obtains, a certificate of title. No tax is levied or collected upon the sale or use of a motor vehicle for which no certificate is required by the Commonwealth.

As a result of the 1986 Special Session Acts, this tax increased from 2.0% to 3.0%, effective January 1, 1987. Since then, the General Assembly has appropriated the net additional revenues generated by the increase to the Transportation Trust Fund. As a result of Chapter 766, effective July 1, 2013, this tax increased from 3.0% to 4.0%, and increased by 0.05% on each successive July 1 up to and including July 1, 2016, at which time the rate equaled 4.15%. Chapter 1230 dedicates the Motor Vehicle Sales and Use Tax to the Commonwealth Transportation Fund.

***Motor Fuels Tax and Diesel Tax***. A tax is levied on motor fuels sold and delivered or used in the Commonwealth. Certain categories of motor fuels, however, are exempt from this tax under § 58.1-2226 of the Virginia Code, including, but not limited to, fuel for the exclusive use of the governments of the United States, the Commonwealth and the Commonwealth's political subdivisions and diesel fuel used for certain purposes. The motor fuels tax is collected by and paid to the Commonwealth only once with respect to any motor fuels. All aviation fuels that are sold and delivered or used in the Commonwealth are taxed. Synthetic motor fuel produced in the Commonwealth from coal is subject to an incremental tax. Likewise, motor fuels refined in the Commonwealth exclusively from crude oil produced in the Commonwealth in a refinery meeting certain specifications are subject to an incremental tax. Chapter 1230 increased the statewide tax on motor fuels incrementally from 16.2 cents to 21.2 cents per gallon in Fiscal Year 2021 and from 21.2 cents to 26.2 cents per gallon in Fiscal Year 2022 and then indexes the tax for inflation thereafter. Chapter 1230 also increased the statewide tax on diesel fuels to 20.2 cents per gallon in Fiscal Year 2021 and to 27 cents per gallon in Fiscal Year 2022 and then indexes the tax for inflation thereafter. Chapter 1230 dedicates all motor fuels tax and diesel tax to the Commonwealth Transportation Fund.

Each dealer or limited dealer in motor fuels must file monthly a report with the DMV Commissioner showing, among other things, the quantity of motor fuels and aviation fuel used, sold, or delivered during the preceding month. The motor fuels tax must be paid at the time the report is rendered to the DMV Commissioner.

***International Registration Plan Fees.*** The Governor may enter into reciprocal agreements on behalf of the Commonwealth with the appropriate authorities of any state of the United States or a state or province of a country providing for the assessing and collecting of license fees for motor vehicles, tractor trucks, trucks, trailers, and semitrailers on an apportionment or allocation basis, as outlined in the International Registration Plan. The DMV Commissioner may assess any owner, lessor, or lessee for any license fees due to the Commonwealth. Trip permit registration may be issued for any vehicle or combination of vehicles that could be lawfully operated in the jurisdiction if registration were obtained. The fee for this permit is $15, and the permit is valid for 10 days. Chapter 1230 dedicates this fee to the Commonwealth Transportation Fund.

***Motor Vehicle Annual Registration Fees***. The annual registration fee collected by the DMV Commissioner for all motor vehicles, trailers and semi-trailers was increased $3 per vehicle by the 1986 Special Session Acts, and the General Assembly has appropriated the net additional revenues from this fee increase to the Transportation Trust Fund. Chapter 1230 captures all registration fees for the Commonwealth Transportation Fund, including those previously dedicated to the HMO Fund and truck registration fees formerly committed to Interstate Improvements.

***Recordation Taxes***. Recordation taxes are imposed on every deed and deed of trust (mortgage) recorded in the Commonwealth subject to certain exceptions and exemptions. The 2007 Act provides that, effective July 1, 2008, of the state recordation taxes imposed pursuant to §§ 58.1-801 and 58.1-803 of the Virginia Code, the revenues collected each Fiscal Year from $0.02 of the total tax imposed under each section are appropriated for and deposited into the Transportation Trust Fund for the Commonwealth Mass Transit Fund. Chapter 684 of the Acts of the General Assembly of the Commonwealth of Virginia 2015 Regular Session ("Chapter 684"), effective July 1, 2017, provides that, of the state recordation taxes imposed pursuant to § 58.1-801 and § 58.1-803 of the Virginia Code, the revenues collected each Fiscal Year from $0.01 of the total tax are appropriated for and deposited into the Transportation Trust Fund for use in the Commonwealth Transit Capital Fund through Fiscal Year 2020. Chapter 1230 now dedicates all of these revenues to the Commonwealth Transportation Fund for distribution.

***Insurance License Tax.*** Chapter 25 of Title 58.1 of the Virginia Code imposes an annual license tax on insurance companies doing business in the Commonwealth, which tax is equal to a percentage of the insurance companies' direct gross income from its premiums or subscriber fees collected in the most recently ended Fiscal Year. Under § 58.1-2531 of the Virginia Code, one-third of the revenues derived from such tax, less one-third of the total amount of such tax refunded in the most recently ended Fiscal Year, will be deposited in the Commonwealth Transportation Fund.

***Motor Vehicle Rental Tax.*** A tax upon the rental of motor vehicles in Virginia, without regard to whether such vehicles are required to be licensed by the Commonwealth, is levied at a rate of up to 10% of the gross proceeds from rentals of most passenger vehicles. Chapter 1230 dedicates the revenues from this tax to the Commonwealth Transportation Fund.

***Highway Use Fee.*** Chapter 1230 imposes a highway use fee on fuel efficient, alternative fuel, and electric vehicles. The fee, which is paid at the time of registration, is based on 85% of the difference between fuel taxes paid by the average vehicle (based on 23.7 miles per gallon) and the fuel tax paid by the fuel-efficient vehicle. In the alternative, motorists will have the option of participating in a "mileage based user fee" program, effective July 1, 2022. Such user fee is a per-mile fee, capped at the applicable highway use fee, determined by dividing the applicable highway use fee by the average number of miles travelled by passenger vehicles in Virginia. In connection with the new fee structure, Chapter 1230 repeals the $64 vehicle license tax for electric vehicles previously in place and dedicates the revenues from the highway use fee to the Commonwealth Transportation Fund.

**There is no assurance that any of these taxes or fees will remain in effect or that they will continue at their current levels. The General Assembly is under no obligation to continue the appropriation of the revenues generated by Chapter 1230 to the Commonwealth Transportation Fund or for other transportation-related purposes. Further unanticipated costs related to delayed, altered or terminated major transportation projects may be paid from the Transportation Trust Fund and the Priority Transportation Fund.**

**Projected Transportation Revenues for Fiscal Years 2024 through 2027**

The following table provides the projected revenues for Fiscal Years 2024 through 2027 to be received in the Commonwealth Transportation Fund and allocated to the Transportation Trust Fund and from the Transportation Trust Fund to the Priority Transportation Fund following the full implementation of the Chapter 1230 changes. The projected revenues are based on the Commonwealth's revenue estimate from December 2023. The projections include Governor Youngkin’s proposal described above to increase the amount of the retail sales and use tax and to expand the definition of goods and services to capture and subject certain digital goods and services to such tax.

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**Commonwealth Transportation Fund After Chapter 1230 Full Implementation**
**(in millions)**

| Fiscal Year: | Forecast 2024[1] | Forecast 2025[1] | Forecast 2026[1] | Forecast 2027[1] |
|---|---|---|---|---|
| Retail Sales and Use Tax | $1,372.1 | $1,435.9 | $1,562.0 | $1,623.6 |
| Motor Vehicles Sales and Use Tax | 1,178.9 | 1,193.5 | 1,220.6 | 1,215.2 |
| Motor Fuels Taxes | 1,452.8 | 1,506.3 | 1,556.6 | 1,601.8 |
| Road Tax for Diesel Fuel | 85.4 | 85.1 | 82.9 | 84.0 |
| International Registration Plan | 114.1 | 119.6 | 120.0 | 120.3 |
| Motor Vehicle Registration Fees | 225.6 | 219.5 | 221.9 | 220.3 |
| State Insurance Premium Tax | 217.8 | 221.3 | 220.2 | 224.2 |
| Recordation Tax | 52.5 | 55.9 | 56.0 | 56.0 |
| Motor Vehicles Rental Tax | 41.9 | 41.5 | 42.1 | 42.2 |
| Highway Use Fee | 61.8 | 65.4 | 67.9 | 68.5 |
| **Total Commonwealth Transportation Fund Revenues** | **$4,802.9** | **$4,944.0** | **$5,150.2** | **$5,256.1** |
| **Distribution of Commonwealth Transportation Fund** | | | | |
| Route 58 Corridor Development Fund | 40.0 | 40.0 | 40.0 | 40.0 |
| Northern Virginia Transportation District Fund | 40.0 | 40.0 | 40.0 | 40.0 |
| Special Structures Fund | 85.0 | 85.0 | 86.7 | 88.6 |
| Distribution to TPOF and I-81[2] | - | 43.7 | 109.6 | 114.9 |
| CTF Administrative Costs | 1.1 | 1.1 | 1.2 | 1.2 |
| Highway Maintenance and Operating Fund | 2,364.8 | 2,414.4 | 2,485.1 | 2,535.4 |
| **Allocation to Transportation Trust Fund** | **$2,272.0** | **$2,319.7** | **$2,387.6** | **$2,436.0** |
| **Transportation Trust Fund Deposit to Priority Transportation Fund** | **$238.6** | **$243.6** | **$250.7** | **$255.8** |

Sources: Commonwealth of Virginia Department of Accounts, Department of Motor Vehicles, and Department of Taxation.

[1] Projections for Fiscal Years 2024 through 2027 based on Commonwealth Transportation Fund Forecast provided in December 2023. The projections include Governor Youngkin's proposal described above to increase the amount of the retail sales and use tax and to expand the definition of goods and services to capture and subject certain digital goods and services to such tax. Forecasts may be issued several times a year, and the next forecast is expected in December 2024. Preliminary estimates and actual results may differ materially from such forward-looking statements.

[2] Reflects the dedication of the proposed additional retail sales and use tax revenue from Governor Youngkin's proposal as described above.

### Economic Conditions Affecting Commonwealth Transportation Revenues

The availability of revenues in the Commonwealth Transportation Fund for transfer to the Transportation Trust Fund and subsequent transfer to the Priority Transportation Fund is dependent on a number of economic factors. The bulk of such funds dedicated to the Commonwealth Transportation Fund consists of the motor fuels taxes, motor vehicles sales and uses taxes and retail sales and use taxes described herein, which may fluctuate based on, among other things, the condition of the Commonwealth and national economies, population growth, income and employment levels, levels of tourism, weather conditions, fuel prices, vehicle fuel efficiency, road conditions, and the availability of alternate modes of transportation. There can be no assurance that downturns in any of the numerous factors affecting these revenues will not significantly affect the availability of funds to make timely payments on the Bonds. See the section "*Recent Developments Affecting the Commonwealth,*" and Appendix C, *"Commonwealth of Virginia, Demographic and Economic Information"* for certain information regarding some of these factors. The availability of funds in the Commonwealth Trust Fund, the Transportation Trust Fund and the Priority Transportation Fund is also subject to appropriation by the General Assembly.

### Information Pertaining to the Commonwealth

The Capital Projects Revenue Bonds Act provides that if the revenues in the Priority Transportation Fund and the Transportation Trust Fund are insufficient to pay the debt service on the Bonds and the other Capital Projects Revenue Bonds, then the payment will be made from any other legally available funds, subject to appropriation by the General Assembly for such purpose. Appendices B and C contain, respectively, certain financial, demographic and economic information pertaining to the Commonwealth, and Appendix A contains the comprehensive financial statements of the Commonwealth for its Fiscal Year 2023. See also the subsection below *"Current Budget Appropriation Status Related to Transportation"* and the section *"Recent Developments Affecting the Commonwealth."*

**Current Budget Appropriation Status Related to Transportation**

Item 452 of the appropriation act for Fiscal Year 2024 provided $208,579,023 to VDOT for Fiscal Year 2024 for the payment of debt service on the Bonds and the Prior Capital Projects Revenue Bonds and the other bonds of the Transportation Board described in the section *"Authorized, Issued and Unissued Bonds Payable from the Transportation Trust Fund"* (the "Other TTF Bonds"). Of such amount, $193,739,164 was to be provided from the Priority Transportation Fund for the payment of debt service on the Bonds and the Prior Capital Projects Revenue Bonds.

On December 20, 2023, Governor Glenn Youngkin presented to the General Assembly's Joint Money Committee, his proposed budget bill for the 2025-2026 biennium (covering Fiscal Years 2025 and 2026) (the "2024 Introduced Budget"). Item 443 of the 2024 Introduced Budget would provide to VDOT $370,467,161 in Fiscal Year 2025 and $400,539,655 in Fiscal Year 2026 for the payment of the debt service on the Bonds and the Prior Capital Projects Revenue Bonds and the Other TTF Bonds, which is projected to be sufficient to pay such debt service. The amounts to be provided from the Priority Transportation Fund are proposed to be $192,768,525 in Fiscal Year 2025 and $198,955,663 in Fiscal Year 2026, which is projected to be sufficient to pay the debt service on the Bonds and the Prior Capital Projects Revenue Bonds in each such fiscal year. See the section *"Debt Service Requirements."* No member of the General Assembly has filed any amendments to the 2024 Introduced Budget affecting Item 443.

Item 438 K of the "2024 Introduced Budget" directs the Commonwealth Transportation Board to provide at least $200 million to the Transportation Partnership Opportunity Fund out of the revenue of the Commonwealth Transportation Fund in fiscal years 2025 through 2030. The revenue estimates herein do not include this distribution.

For further discussion, see the subsections entitled "Budgetary Process," "2023 Appropriation Act and "2024 Introduced Budget" in the section "FINANCIAL FACTORS" in Appendix B.

The Virginia Constitution provides that no funds are to be paid out of the state treasury unless appropriated by law by the General Assembly. The General Assembly has never failed to adopt a biennial budget in a timely fashion. There is no definitive guidance from the courts of the Commonwealth as to whatever emergency or implied executive spending powers the Governor of the Commonwealth may have, if any, including the power to make debt service payments that are subject to appropriation, in the absence of a budget or other appropriation therefor having been enacted by the General Assembly.

## AUTHORIZED, ISSUED AND UNISSUED BONDS PAYABLE FROM TRANSPORTATION TRUST FUND

The General Assembly has enacted from time to time legislation providing for the issuance of revenue bonds for transportation facilities which are payable from various sources, including appropriations from the Transportation Trust Fund. Set forth below are descriptions of the financing programs for highway projects, the bonds for which the General Assembly has committed, subject to appropriation, to pay from Transportation Trust Fund revenues. The descriptions include the credit structure of and the authorized, issued and unissued bonds under each such program. **The Transportation Board makes no representation that the General Assembly will maintain the Transportation Trust Fund or that the General Assembly will not repeal or materially modify the statutes governing any of the programs described below, including the amount of bonds authorized thereunder, or the Transportation Trust Fund.** See the section *"Transportation Trust Fund."*

***Northern Virginia Transportation District Program.*** The General Assembly enacted legislation in 1993, which was amended in the 1994, 1998, 1999, 2002, 2005 and the 2020 Regular Sessions ("NVTD Bond Legislation"), to authorize the Transportation Board to issue Transportation Revenue Bonds ("NVTD Bonds"), pursuant to the State Revenue Bond Act, as amended, in the amount of $500,200,000, plus an additional amount for issuance costs, capitalized interest, reserve funds and other financing expenses for certain projects in the Northern Virginia Highway Construction District (the "NVTD Program"). Refunding bonds are not included in this limit. It is expected that revenue for payment of the debt service on the NVTD Bonds will be provided from funds appropriated by the General Assembly from (i) the Northern Virginia Transportation District Fund (the "NVTD Fund"), (ii) to the extent required, funds appropriated and allocated, pursuant to the highway allocation formula as provided by law, to the Northern Virginia Highway Construction District or the city or county in which the project or projects to be financed by the

NVTD Bonds are located, (iii) to the extent required, legally available revenues of the Transportation Trust Fund, and (iv) such other funds which may be appropriated by the General Assembly. The NVTD Fund consists of (i) transfers of $40,000,000 annually from the Commonwealth Transportation Fund; (ii) any public rights-of-way use fees appropriated by the General Assembly; (iii) any state or local revenues which may be deposited to the NVTD Fund pursuant to a contract between a jurisdiction participating in the Northern Virginia Transportation District Program and the Transportation Board; and (iv) any other funds as may be appropriated by the General Assembly and designated for the NVTD Fund and all earnings on the NVTD Fund. Since its first issuance in 1993, the Transportation Board has issued $477,870,000 in NVTD Bonds, which includes amounts to cover issuance costs, reserve funds, and other financing expenses, to finance the costs of the NVTD Program plus an additional $505,415,000 to refund NVTD Bonds that had been previously issued. Of the total amount of NVTD Bonds issued, $43,230,000 is currently outstanding. Chapters 854 and 856 of the 2018 Acts of Assembly and Chapter 1230 amended § 33.2-2400 of the Virginia Code, requiring $20 million each year be transferred from the NVTD Fund to the Washington Metropolitan Area Transit Authority Capital Fund established pursuant to § 33.2-3401, beginning in Fiscal Year 2019, and to the Northern Virginia Transportation Authority Fund established pursuant to § 33.2-2509, beginning in Fiscal Year 2021.

***U.S. Route 58 Corridor Development Program.*** The General Assembly enacted legislation in 1989, which was amended in the 1999, 2013 and 2020 Regular Sessions ("U.S. Route 58 Bond Legislation"), that authorized the Transportation Board to issue Transportation Revenue Bonds ("U.S. Route 58 Bonds"), pursuant to the State Revenue Bond Act, in an amount not to exceed $1,300,000,000, plus an amount for issuance costs, reserve funds and other financing expenses, to finance a portion of the costs of the development of a modern, safe and efficient highway system generally along the U.S. Route 58 Corridor ("U.S. Route 58 Program"). Refunding bonds are not included in this limit. The U.S. Route 58 Bonds are payable from funds appropriated by the General Assembly from (i) the $40,000,000 of annual collections from the Commonwealth Transportation Fund, (ii) to the extent required, other revenues legally available from the Transportation Trust Fund and (iii) to the extent required, other legally available funds. Since its first inception in 1989, the Transportation Board has issued $1,057,130,000 in U.S. Route 58 Bonds, which includes amounts to cover issuance costs, reserve funds, and other financing expenses, to finance the costs of U.S. Route 58 Program plus an additional $963,715,000 to refund U.S. Route 58 Bonds that had been previously issued. Of the total amount of U.S. Route 58 Bonds issued, $361,925,000 is currently outstanding.

***Transportation Improvement Program Set-Aside Fund.*** The 1993 Session of the General Assembly also authorized the creation of the Transportation Improvement Program Set-aside Fund (the "Set-aside Fund") for transportation improvements endorsed by the requesting local jurisdiction or jurisdictions affected and to provide for the issuance of Transportation Program Revenue Bonds pursuant to the State Revenue Bond Act to finance those improvements. The jurisdiction or jurisdictions requesting participation in the Set-aside Fund and the issuance of bonds must agree that certain distributions of state recordation taxes attributable to them be deposited in the Set-aside Fund by the State Treasurer and used to pay debt service on any Transportation Program Revenue Bonds issued by the Transportation Board to finance the cost of the improvements. Before any bonds may be issued, the improvements to be financed must be approved by the General Assembly.

If amounts in the Set-Aside Fund are insufficient to pay debt service on Transportation Program Revenue Bonds, such Transportation Program Revenue Bonds may be paid, subject to appropriation, from Transportation Trust Fund revenues.

The 1994 Session of the General Assembly authorized the issuance of $32,500,000 Transportation Program Revenue Bonds, plus an additional amount for issuance costs, capitalized interest, reserve funds and other financing expenses, to finance the cost of the Oak Grove Connector project. In July 1997, the Transportation Board issued bonds in the amount of $32,500,000 to finance the Oak Grove Connector, a portion of which was refunded by the Transportation Program Revenue Refunding Bonds Series 2006A, which were refunded by the Transportation Program Revenue Refunding Bonds, Series 2016A (the "Oak Grove Connector Bonds"). These Transportation Program Revenue Bonds are the only bonds authorized to be paid from the Set-aside Fund, and the Oak Grove Connector Bonds were retired on May 15, 2022.

***Transportation Contract Revenue Bonds.*** In the 1988 Regular Session, the General Assembly enacted legislation which authorized the Transportation Board to issue Transportation Contract Revenue Bonds pursuant to the State Revenue Bond Act in an amount not to exceed $160,700,000 to finance the costs of Phase I of the Route 28 project, plus an amount for issuance costs, reserve funds and other financing expenses. Due to a subsequent reduction in the estimated Phase I cost, the Transportation Board issued $138,483,372.25 of Transportation Contract Revenue Bonds, Series 1988 (the "Series 1988 Bonds"). The balance of the authorization was not required to complete Phase I of the Route 28 project. In the 1990 Session, the General Assembly amended the legislation to permit any proceeds of the Series 1988 Bonds remaining after the completion of Phase I and any of the unissued Transportation Contract Revenue Bonds authorized under the legislation to be applied to Phase II of the Route 28 project. No other bonds have been authorized for Phase II. In 1992, the Transportation Board refunded all of the outstanding Series 1988 Bonds by issuing $111,680,000 of Transportation Contract Revenue Bonds, Series 1992 (the "Series 1992 Bonds"). The 1993 Session of the General Assembly provided for the rezoning of commercial and industrial property within the Route 28 Transportation Improvement District to residential property provided the property owner makes a one-time payment equal to the projected tax revenues over the life of the Series 1992 Bonds as if the property had remained zoned for commercial or industrial use. In October 2002, the Transportation Board issued bonds in the amount of $83,820,000 to refund the outstanding principal balance on the Series 1992 Bonds and issued Transportation Contract Revenue Bonds in the amount of $36,823,667.45 to finance a portion of the costs of Phase II improvements plus an amount for issuance costs. These Transportation Contract Revenue Bonds were issued under a new Master Indenture of Trust, dated as of October 1, 2002 (the "Route 28 Indenture"), with security features similar to those for the Series 1988 Bonds and Series 1992 Bonds. The Series 2002 Bonds are payable from funds appropriated by the General Assembly for such purpose from the following three sources: (i) special tax revenues collected from a tax levied on commercial and industrial property in the Route 28 Transportation Improvement District, (ii) money appropriated and allocated, pursuant to the highway allocation formula as provided by law, to the Northern Virginia Highway Construction District or to the Counties of Fairfax or Loudoun, and (iii) other legally available money in the Transportation Trust Fund. In the Route 28 Indenture, the Transportation Board agrees that it shall issue no further notes, bonds or other evidence of indebtedness under the provisions of the Master Indenture of Trust, dated as of September 1, 1988, pursuant to which the Series 1988 Bonds and Series 1992 Bonds were issued. In May 2012, the Transportation Board issued bonds in the amount of $50,620,000 to refund a portion of the outstanding Series 2002 Bonds. Of the total amount of Transportation Contract Revenue Bonds issued, as of February 1, 2024, $29,884,331 is outstanding (net of unamortized discount on the outstanding Series 2002 capital appreciation bonds).

***Federal Transportation Grant Anticipation Revenue Notes***. In Chapters 830 and 868 of the 2011 Acts of Assembly, which became effective July 1, 2011, the General Assembly authorized the Transportation Board by and with the consent of the Governor, to issue, pursuant to the provisions of the State Revenue Bond Act, in one or more series from time to time revenue obligations of the Commonwealth to be designated "Commonwealth of Virginia Federal Transportation Grant Anticipation Revenue Notes, Series ....." ("GARVEEs"). The aggregate principal amount of GARVEEs outstanding at any time shall not exceed $1.2 billion, and exclusive of (i) the amount of any revenue obligations that may be issued to refund GARVEEs, and (ii) any amounts issued for financing expenses (including, without limitation, any original issue discount). The net proceeds of GARVEEs shall be used exclusively for the purpose of providing funds, together with any other available funds, for paying the costs incurred or to be incurred for construction or funding of such projects to be designated by the Transportation Board. In connection with the issuance of each series of GARVEEs, the Transportation Board shall establish a fund, which secures and is used for the payment of such series of GARVEEs. In the fund there shall be deposited such amounts, appropriated therefor by the General Assembly, as are required to pay principal or purchase price of, and redemption premium, if any, and interest on such GARVEEs, as and when due and payable, (i) first from the federal highway reimbursements received by the Commonwealth from time to time only with respect to the project or projects to be financed by the series of GARVEEs; (ii) then, at the discretion of the Transportation Board, to the extent required, from legally available revenues of the Transportation Trust Fund; and (iii) then from such other funds, if any, which are designated by the General Assembly for such purpose. The Transportation Board has issued $1,380,380,000 in GARVEE Bonds to finance the costs of the GARVEE Program plus an additional $287,665,000 to refund GARVEE Bonds previously issued. Of the total amount of GARVEE Bonds issued, $716,885,000 is currently outstanding.

## RECENT DEVELOPMENTS AFFECTING THE COMMONWEALTH

### Recent Financial Information

*Revenue Report for Fiscal Year Ended June 30, 2023*.[1] Based on the General Fund highlights contained in the comprehensive financial statements of the Commonwealth for the fiscal year ended June 30, 2023, attached hereto as Appendix A, the State Comptroller reported that, at the end of the fiscal year, the General Fund reported a combined ending fund balance of $12.5 billion, an increase of $838.1 million in comparison with the prior year. Of this total fund balance, $163.0 million represents non-spendable fund balance, $2.8 billion represents restricted fund balance, $7.7 billion represents committed fund balance, and $1.8 billion represents assigned fund balance. Fiscal year 2023 General Fund revenues were 2.7 percent, or $799.9 million, lower than fiscal year 2022 revenues. This revenue change was due primarily to an overall decrease in taxes collected of $1.9 billion, which was primarily attributable to the

[1] This section has been updated since the Preliminary Official Statement dated February 16, 2024.

dramatic decrease of realizations of capital gains reported within individual and fiduciary income taxes. This was offset by an increase in interest, dividends and rents of $1.0 billion, which was due to overall market interest rates. Fiscal year 2023 expenditures increased by 12.4 percent, or $3.1 billion, when compared to fiscal year 2022. While all expenditures categories increased during fiscal year 2023, the largest increases were primarily attributable to education and individual and family services expenditures of $1.3 billion and $1.1 billion, respectively. Net other financing sources and uses increased by $200.4 million, which is primarily due to higher transfers "in" from other funds and decreased transfers "to" other funds coupled with issuances of long-term subscription-based information technology arrangements.

**See also APPENDIX B – COMMONWEALTH OF VIRGINIA FINANCIAL AND OTHER INFORMATION and APPENDIX A – COMMONWEALTH OF VIRGINIA AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023.**

*Commonwealth Budget Status.* The Commonwealth's current biennial budget (for the 2022-2024 fiscal years that commenced July 1, 2022) was originally approved by the General Assembly at a reconvened special session on June 17, 2022, signed by Governor Youngkin on June 22, 2022, and enrolled as Chapter 2, 2022 Acts of Assembly, Special Session I.

On December 15, 2022, the Governor announced proposed amendments to the 2022-2024 biennium budget. The General Assembly began consideration of the Governor's proposed budget amendments during its 2023 regular legislative session that convened on January 11, 2023. A scaled-down set of amendments from both the General Assembly and the Governor was adopted in an interim amended budget known as Chapter 769, 2023 Acts of Assembly, which was enacted on April 22, 2023.

On September 6, 2023, the General Assembly reconvened for a special session to consider additional amendments to the fiscal year 2024 appropriations contained in the budget. Such amendments were passed by the General Assembly, and the resulting budget bill was signed by the Governor and enacted on September 14, 2023 (known as Chapter 1, 2023 Acts of Assembly, Special Session I) ("Chapter 1").

For a general discussion of the 2022-2024 budget, including highlights of the original budget enacted on June 22, 2022, and an overview of the amendments enacted on April 12, 2023, and September 14, 2023, see the subsections entitled "Budgetary Process" and "2023 Appropriation Act and 2023 Special Session Amendments" within the section "FINANCIAL FACTORS" in Appendix B.

On December 20, 2023, Governor Youngkin presented amendments to Chapter 1, affecting appropriations for the remainder of the 2022-2024 biennium. Fourteen individual operating amendments increase general fund spending by $85.7 million and 23 individual operating amendments decrease spending by $478.2 million for a net operating spending reduction of $392.5 million for the remainder of fiscal year 2024.

For a general discussion of the most recent proposed amendments, see the section entitled "2024 Amendments to the 2023 Special Session Appropriation Act (HB/SB 29 Introduced)" within the section "FINANCIAL FACTORS" in Appendix B.

On December 20, 2023, Governor Youngkin presented the Budget Bill for the 2024-2026 biennium that begins July 1, 2024 (House Bill 30/Senate Bill 30) (the "2024 Budget Bill"). The introduced 2024 Budget Bill proposes a net operating spending increase of $3.1 billion over the biennium and an increase in general fund spending of $916.6 million.

For more information, see the subsection entitled "2024 Introduced Budget" within the section "FINANCIAL FACTORS" in Appendix B.

*Interim Revenue Reports for Fiscal Year Ending June 30, 2024.* In the normal course, the Commonwealth Secretary of Finance provides periodic financial reports to the Governor of Virginia regarding, among other things, the Commonwealth's revenue forecasts and tax collections for the then current fiscal year. The report dated February 14, 2024, covers the first seven months (which ended January 31, 2024) of the current fiscal year ending June 30, 2024 (the "January Revenue Report"). The January Revenue Report incorporates the revised general fund revenue forecast on which the 2024 Budget Bill and the amendments to the Fiscal Year 2024 budget are based. The revised forecast projected the general fund revenues to decline 0.6 percent for Fiscal Year 2024, compared to the 5.5 percent decline assumed in the amended budget enacted in September 2023. The forecast includes the impacts of various tax policy actions adopted in 2022 and 2023 and reflects the potential for a U.S. recession anticipated to begin in the fourth quarter of the current fiscal year and lasting three quarters.

The January Revenue Report indicated that year-to-date, general fund revenues are up 5.3 percent through the first seven months of Fiscal Year 2024. Adjusting for the effects of Pass-Through Entity Tax ("PTET") (legislation enacted for tax years 2021 through 2025 allowing a member of a pass-through entity to choose to be taxed at the entity level rather than the individual level), collections and refunds, and the associated timing of enacted policy actions to better reflect underlying economic trends, revenue collections are up 5.3 percent year-to-date.

In comparison to the revenue forecast assumed in the Governor's amendments to the Fiscal Year 2024 budget and accounting for monthly variations in tax collections, year-to-date total general fund revenues are ahead of projections by $704.1 million. Revenues in excess of the forecast are primarily attributable to individual income tax withholding and non-withholding collections. Excluding non-withholding and refunds, which continue to be distorted by PTET, year-to-date collections are ahead of plan by $419.8 million, a variance of 3.0 percent.

More specifically, on a fiscal year-to-date basis, collections of individual income tax withholding (estimated to represent 58.0 percent of general fund revenues for the fiscal year) have increased 7.7 percent over the same period last year after adjustments, and 4.5 percent on an unadjusted basis. Through January 2024, collections are ahead of the adjusted forecast by $401.4 million.

On a fiscal year-to-date basis, collections of individual income tax non-withholding (estimated to represent 21.0 percent of general fund revenues for the fiscal year) have decreased 4.5 percent over the same period last year, on an unadjusted basis. Fiscal year-to-date non-withholding collections are $218.3 million ahead of forecast.

Individual income tax refunds (estimated to represent -12.0 percent of general fund revenues for the fiscal year) have been issued in the amount of $1,191.3 million, compared with $1,435.4 million over the same period last year, a decrease of 17.0 percent.

Collections of sales and use taxes (estimated to represent 16.0 percent of general fund revenues for the fiscal year) have decreased 1.6 percent year-to-date, and are $11.5 million above projections. Adjusting for the repeal of the Accelerated Sales Tax (a law requiring high-volume businesses to remit sales taxes to the Commonwealth more frequently than lower volume businesses) and the elimination of the state sales tax on grocery, sales tax collections are up 1.4 percent year-to-date.

Collections of corporate income taxes (estimated to represent 8.0 percent of general fund revenues for the fiscal year) have increased 11.7 percent for the fiscal year compared to the same period last year, and ahead of projections by $7.1 million.

*The references above to revenue forecasts constitute forward-looking statements, rather than historical facts. The ability of the Commonwealth to achieve such revenue forecasts involves known and unknown risks, uncertainties and other factors that may cause actual revenues to differ materially from those estimated in such forward-looking statements. In addition, the interim revenue reports described above are based on preliminary, unaudited financial information and are subject to change. Actual revenues collected over the course of the full fiscal year may be different from those budgeted or implied by current revenue trends, and such differences may be material.*

*Available Cash and Investments*. Based on available monthly analysis of the Commonwealth's cash and investments, the Office of the Comptroller reported that for the period ended December 31, 2023, the Commonwealth had approximately $15.83 billion in net unrestricted cash available to support cashflow in the general fund (compared to approximately $16.32 billion available as of November 30, 2023), and an additional approximately $14.36 billion in restricted non-general fund sources to support cash flow in other Commonwealth operating funds as necessary (compared to approximately $13.86 billion available as of November 30, 2023).

# COMMONWEALTH TRANSPORTATION BOARD, VIRGINIA DEPARTMENT OF TRANSPORTATION, AND VIRGINIA DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION

**Commonwealth Transportation Board**

The Transportation Board consists of 17 members, including the Secretary of Transportation of the Commonwealth, the Commissioner of Highways, the Director of the Department of Rail and Public Transportation, and 14 citizen members from various areas of the Commonwealth appointed by the Governor, subject to confirmation by the General Assembly. One member is chosen from each of the Commonwealth's nine highway construction districts, three members are selected as urban at-large members and two members are selected as rural at-large members. In addition to representing rural and urban transportation needs, the at-large members represent the interests of seaport, airport, railway and mass transit users. The Chairperson of the Transportation Board is the Secretary of Transportation. Only the 14 citizen members of the Transportation Board have voting privileges, except that the Chairperson has voting privileges in the event of a tie.

The current membership of the Transportation Board, the expiration dates of their terms and the constituency represented by each member are as follows:

| Member | Term Expires | Constituency |
|---|---|---|
| W. Sheppard Miller, III | At the Pleasure of the Governor | Chairperson, Transportation Board; Secretary of Transportation |
| Stephen C. Brich | At the Pleasure of the Governor | Commissioner of Highways |
| Jennifer DeBruhl | At the Pleasure of the Governor | Director, Department of Rail and Public Transportation |
| E. Scott Kasprowicz | June 30, 2025 | Vice Chairperson, Transportation Board, At-Large Urban |
| Darrell R. Byers | June 30, 2026 | Culpeper District |
| Wayne Coleman | June 30, 2026 | At-Large Urban |
| J. Rex Davis | June 30, 2027 | Richmond District |
| Tom Fowlkes | June 30, 2024 | Bristol District |
| Linda Green | June 30, 2027 | Lynchburg District |
| Mary H. Hynes | June 30, 2024 | Northern Virginia District |
| Thomas Moore Lawson | June 30, 2026 | At-Large Rural |
| H. Randolph Laird | June 30, 2026 | At-Large Rural |
| Mark H. Merrill | June 30, 2024 | Staunton District |
| Laura A. Sellers | June 30, 2026 | Fredericksburg District |
| Raymond D. Smoot, Jr. | June 30, 2025 | Salem District |
| Frederick T. Stant, III | June 30, 2025 | Hampton Roads District |
| Greg Yates | June 30, 2024 | At-Large Rural |

***W. Sheppard Miller, III*** Sheppard "Shep" Miller III was appointed as Secretary of Transportation of the Commonwealth by Governor Glenn Youngkin, and confirmed by the General Assembly. The Transportation Secretariat provides a wide array of products and services including road construction and repairs, rest area maintenance, regulating seaports, airports and rail, and issuing license plates and driver's licenses. Prior to being named Secretary, Mr. Miller was a member of the Transportation Board, having served from 2011 to 2014 and again from 2018 to his appointment as Secretary. In 2017, he retired as Chairman upon his sale of KITCO Fiber Optics, a defense-contracting firm. Mr. Miller received a B.A. from Hampden-Sydney College and a MBA from the College of William & Mary. In addition to serving as Secretary, Mr. Miller is a member of the Virginia House Ethics Advisory Council, the Board of Directors of Virginia Free, the Board of Trustees of Hampden-Sydney College, the Board of Visitors & Governors of Washington College, and the Board of Trustees of the Virginia Foundation for Independent Colleges. He further serves as Vice Chairman of the Norfolk Board of TowneBank and is an Executive Board member of both the Greater Norfolk Corporation and the Hampton Roads Chamber of Commerce. His past community activities include service as Chairman and President of the Norfolk Economic Development Authority, the Norfolk Redevelopment & Housing Authority, the Hampton Roads Chamber of Commerce Political Action Committee, the Better Business Bureau of Greater Hampton Roads, the Peninsula United Way Campaign, Hampton Roads Ventures and the Norfolk Rotary Club. He lives in Norfolk, Virginia.

**Virginia Department of Transportation**

VDOT has the responsibility for construction, maintenance and operation of the Commonwealth highway system under legislation enacted by the General Assembly and in accordance with policies and procedures adopted by the Transportation Board.

VDOT's budget for Fiscal Year 2024 is approximately $8.7 billion. VDOT's revenues provide funding for debt service, maintenance, administration and construction and VDOT's budget reflects the planned use of the revenues available to the agency and also includes pass-through funds to regional Commonwealth transportation entities. VDOT's Highway Construction Program as approved by the Transportation Board in June 2023 is valued at $19.6 billion and supports more than 4,700 projects.

The Commonwealth has the nation's third largest system of state-maintained highways totaling approximately 59,450 miles of interstate, primary and secondary roads. The system includes approximately 21,000 bridges and culverts. In addition, independent cities and towns maintain about 11,600 miles of local streets and receive funds from the Transportation Board for such purpose.

The Commonwealth is divided geographically into nine construction districts for highway purposes as follows:

| | | |
|---|---|---|
| Bristol District | Hampton Roads District | Richmond District |
| Culpeper District | Lynchburg District | Salem District |
| Fredericksburg District | Northern Virginia District | Staunton District |

These districts are divided into 29 residencies, each typically consisting of one to four counties. The field organization is further subdivided into 248 other locations across the Commonwealth that provide area maintenance. About 82% of VDOT's nearly 7,200 employees (as of November 29, 2023) are assigned to the field organization. The remainder is assigned to the central office in Richmond or to units associated with the central office that serve an administrative function.

**Financial Accountability and Program Delivery**

VDOT has been focused on the continuous improvement of its financial accountability and program delivery processes. The agency has developed a long-term strategic vision and uses a business plan with performance goals and strategies. Transparency of operations has been enhanced through the creation of a public Dashboard, and the streamlining of operations, reorganization and the improvement of business practices have been a major focus.

Each quarter, VDOT prepares a performance report for review with the Transportation Board. Since tracking began in 2001, VDOT's performance shows a continued trend of improvement.

For Fiscal Year 2021, the agency attained on-time and on-budget performance goals by delivering more than 76% of all construction and maintenance projects on or before their original due dates, and by completing more than 88% of those projects within their budgets. In comparison, when tracking started in 2001 only 20% of construction contracts and 38% of maintenance contracts were delivered on time, while less than 60% were completed within budget.

The Current SYIP for Fiscal Years 2024 through 2029 is based on the revenue forecast updates and cost estimates available. The issuance of Capital Projects Revenue Bonds and the utilization of existing authorization for the issuance of GARVEEs and U.S. Route 58 Bonds are reflected in the adopted Current SYIP. The program reflects the Transportation Board's commitment to citizen safety, by prioritizing critical safety and maintenance needs of the existing transportation system. The priorities of the update to the Current SYIP include: funding complete project phases, maximizing the use of federal funding, funding deficient bridges and paving projects, and implementation of a statewide prioritization process for project selection mandated by Section 33.2-214.1 of the Virginia Code. The Transportation Board and VDOT strive to be flexible with their project selection and implementation by proceeding with projects in phases. By doing so, the Transportation Board and VDOT remain able to allocate resources between projects in the event that funding decreases or is interrupted.

**Virginia Department of Transportation Staff**

***Stephen C. Brich, P.E.*** was named Commissioner by then Governor-Elect Ralph Northam in December 2017. At the time, Mr. Brich was a vice president with Kimley-Horn and Associates, Inc., focusing on transportation-related matters in Virginia. He has more than 25 years of experience, specializing in traffic engineering, safety, operations, transportation planning and research. Prior to joining Kimley-Horn, he served in several senior roles with VDOT, including as the assistant district urban program manager, division administrator – Operations Management and assistant division administrator – Mobility Management. He successfully led and managed a wide array of transportation-related projects and studies during his tenure with VDOT, as well as in a consultant capacity. He also has been instrumental in developing various policy directives for VDOT as it relates to traffic engineering and transportation system management and operations. He began his career as an engineering technician in Norfolk. Mr. Brich holds a Bachelors of Science degree in civil engineering from Old Dominion University and a Masters of Science degree in civil engineering from the University of Virginia. He is a registered engineer in Maryland and Virginia. Mr. Brich is from the Hampton Roads area.

***Laura Farmer*** was named the Virginia Department of Transportation's (VDOT) Chief Financial Officer in October 2019. She is responsible for the agency's $8.7 billion annual budget and nearly 150 team members serving VDOT's financial planning, capital investment, fiscal management, public-private partnerships, and tolling programs. During this time, she has managed the financial implications of the pandemic and the financial arrangements for the Interstate 81 Corridor Improvement Program to deliver over $3 billion in capital and operational improvements.

She previously served as the agency's Director of Financial Planning. In this role, she was instrumental in establishing Virginia's Grant Anticipation Revenue Vehicles (GARVEE) program and provided financial arrangements around the agency's innovative finance programs and public-private partnership projects, including the Elizabeth River Tunnels projects and I-95 Express Lanes. Prior to joining VDOT, Laura served as a budget analyst for health and human resources agencies at the Virginia Department of Planning and Budget.

Farmer earned a bachelor's in history from Chowan University in Murfreesboro, N.C., and a master's degree in public policy from the College of William and Mary. She is a graduate of the Commonwealth Leadership Academy, Virginia Executive Institute, the Commonwealth Management Institute and the International Bridge, Tunnel and Turnpike Association Leadership Academy.

**Virginia Department of Rail and Public Transportation**

The Virginia Department of Rail and Public Transportation ("DRPT"), is one of the agencies that is part of the Transportation Secretariat. DRPT works closely with VDOT. Each of DRPT's three primary areas of activity (rail, public transportation, and commuter services) focuses on the movement of people and goods throughout the Commonwealth.

Rail transportation involves the movement of people and goods on railways owned and operated by private railroad companies. There are more than a dozen railroad companies and services in the Commonwealth, including Norfolk Southern, CSX, Amtrak, VRE, and ten shortline railroads. Freight rail programs help ensure the economic vitality of businesses and communities with a cost-effective, reliable way to bring goods to market, while passenger rail programs relieve congestion on highways and offer travelers more transportation choices. DRPT supports both passenger and freight rail initiatives through funding options, expert advice, research, and advocacy. To safeguard the Commonwealth's connections to the national rail network, DRPT represents the state's interests in interstate and national rail issues.

Public transportation systems help manage traffic congestion and provide transportation choices while safely transporting people to destinations across the Commonwealth. There are 67 public transportation systems in the Commonwealth that range in size from two-bus programs in small towns to larger regional systems like WMATA (Metrorail) in Northern Virginia and HRT in Hampton Roads. Some systems are fee-based, while others provide free access for the elderly and disabled. There are 49 human transportation services in Virginia. By advising, supporting and funding public transportation programs statewide, DRPT helps provide safe, reliable transportation options for everyone.

Commuter services programs work to promote carpools, vanpools, tele-work and other alternative modes of transportation to the Commonwealth's commuters. These programs not only save people (and employers) time and money, they can also help manage traffic congestion and benefit the environment. DRPT currently partners with eighteen commuter service programs operating in the Commonwealth to provide people with information, business incentives, and ride matching services at no charge.

**DRPT Staff**

***Jennifer DeBruhl,*** AICP, PMP, was appointed the Director for the Virginia Department of Rail and Public Transportation (DRPT) in June 2022 by Governor Youngkin. She also serves as a member of the Commonwealth Transportation Board, chair of the Virginia Passenger Rail Authority board, and as a board member for several transit organizations around the Commonwealth. Ms. DeBruhl joined DRPT as the Chief of Public Transportation in 2016 following over 20 years of distinguished public service to the transportation community, at the Virginia Department of Transportation (VDOT) and Federal Highway Administration (FHWA). At DRPT, Ms. DeBruhl played a significant role in the development and implementation of Virginia's Making Efficient + Responsible Investments in Transit (MERIT) program increasing accountability in public transportation funding, launching the Virginia Breeze intercity bus service, and spearheading the new Transit Ridership Incentive Program to expand regional connectivity and reduce barriers to transit use. Ms. DeBruhl has an undergraduate degree in Urban Studies, a master's degree in Urban and Regional Planning, and a Certificate in Public Management, all from Virginia Commonwealth University. She is a member of the American Institute of Certified Planners, Leadership APTA Class of 2018, Chair of the APTA State Affairs Committee and member of the Board of Directors, Vice Chair of the AASHTO Multi-state Transit Technical Assistance Program Steering Committee, and is a certified Project Management Professional.

***Deanna Oware*** joined DRPT in June 2023 as the agency's Chief Financial Officer. She oversees DRPT's $1 billion budget composed of state, federal, and local resources that go toward improving rail and public transportation capacity and service across the Commonwealth. As CFO, Ms. Oware leads budget, financial programming, financial reporting, fiscal operations, and audits. Ms. Oware previously served as the Chief Financial Officer for the Indiana Department of Workforce Development. She had over 20 years of progressively responsible experience with the State of Indiana. Her previous roles include serving as the Deputy Budget Director and Budget Analyst for the Indiana State Budget Agency, Chief Budget Officer and Director of Grants for the Indiana Department of Natural Resources, and Community Development Director for what is now the Indiana Economic Development Corporation. Ms. Oware has also served on numerous professional and community boards and commissions, including the Board of the Indiana Public Retirement System and Indiana's Deferred Compensation Committee. The Indianapolis Business Journal recognized her as 2021 CFO of the Year for Governmental/Non-Profit Entities. She holds a bachelor's degree in bioenvironmental science from Texas A&M University and a Master of Public Administration focused in public finance and urban management from Indiana University.

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## SUMMARY OF THE INDENTURE

The following, in addition to the information presented in the sections *"Bonds"* and *"Sources of Payment and Security for the Bonds"* summarizes certain provisions of the Indenture. This summary does not purport to be comprehensive or definitive and is qualified by reference to the Indenture and any additional supplemental agreements in their entireties, copies of which may be obtained at the office of the Transportation Board. For the address of the office, see the section *"Miscellaneous."*

***Definitions.*** In addition to the terms previously defined in this Official Statement, the following words used in this summary will have the following meanings unless a different meaning clearly appears from the context:

**"Account"** means any account established in a Fund with respect to a Related Series of Bonds or otherwise pursuant to the terms of the Master Indenture or any Supplemental Indenture.

**"Agency Obligations"** means senior debt obligations of U.S. government-sponsored agencies that are not backed by the full faith and credit of the U.S. government, including, but not limited to, Federal Home Loan Mortgage Corporation debt obligations, Farm Credit System consolidated system wide bonds and notes, Federal Home Loan Banks consolidated debt obligations, Federal National Mortgage Association debt obligations, Student Loan Marketing Association debt obligations, Resolution Funding Corporation debt obligations, and U.S. Agency for International Development guaranteed notes.

**"Amortization Requirement,"** as applied to any Term Bonds of any maturity for any Bond Year, means the principal amount or amounts fixed by, or computed in accordance with the terms of, the Related Supplemental Indenture for the retirement of such Term Bonds by mandatory purchase or redemption on the Principal Payment Date or Dates established by such Supplemental Indenture.

**"Ancillary Contract"** means any type of contract or arrangement that the Transportation Board determines is to be used, or is intended to be used, to manage or reduce the cost of any indebtedness on any Bonds or to convert any indebtedness on all or any portion of a Series of Bonds from one form to another, including, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; or (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls or to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk.

**"Ancillary Contract Counterparty"** means, with respect to an Ancillary Contract, the Person that is identified in such agreement as the counterparty to, or contracting party with, the Transportation Board.

**"Ancillary Contract Obligation"** means an obligation of the Transportation Board to make payments to an Ancillary Contract Counterparty pursuant to an Ancillary Contract.

**"Board Obligations"** means any bonds or other evidences of obligations that the Transportation Board is permitted to issue under the Capital Projects Revenue Bond Act, including, but not limited to, the Bonds, Parity Obligations, Reimbursement Obligations, Ancillary Contract Obligations, and Subordinate Obligations.

**"Board Representative"** means the Chairman or the Vice-Chairman of the Transportation Board and any other member, officer or employee of the Transportation Board authorized by resolution of the Transportation Board to perform the act or sign the document in question.

**"Bond"** or **"Bonds"** means any or all Commonwealth of Virginia Transportation Capital Projects Revenue Bonds issued pursuant to Article V of the Master Indenture and any or all Bond Anticipation Notes. For clarification, this definition applies only to such terms as used in this section "Summary of the Indenture" and in the section "Summary of the Payment Agreement." For all other parts of this Official Statement, the "Bonds" shall refer to the Commonwealth of Virginia Transportation Capital Projects Revenue Refunding Bonds, Series 2024.

**"Bond Anticipation Notes"** means notes issued by the Transportation Board in anticipation of the sale of the Bonds, as authorized in the Capital Projects Revenue Bond Act and issued pursuant to Article V of the Master Indenture.

**"Bond Counsel"** means (i) Kutak Rock LLP or (ii) other Counsel selected by the Office of the Attorney General of the Commonwealth that is nationally recognized as experienced in matters relating to obligations issued or incurred by states and other governmental entities.

**"Bond Credit Facility"** means a line of credit, letter of credit, standby bond purchase agreement, municipal bond insurance or similar credit enhancement or liquidity facility established to provide credit or liquidity support for all or any portion of a Series of Bonds as provided in the Related Supplemental Indenture.

**"Bond Credit Provider"** means, as to all or any portion of a Series of Bonds, the Person providing a Bond Credit Facility, as designated in the Related Supplemental Indenture in respect of such Bonds.

**"Bond Debt Service Fund"** means the Bond Debt Service Fund established pursuant to Section 7.1 of the Master Indenture and required by the Capital Projects Revenue Bond Act.

**"Capital Appreciation Bonds"** means Bonds the interest on which is compounded and accumulated at the rates and on the dates set forth in the Related Supplemental Indenture and is payable upon redemption or on the maturity date of such Bonds or on the date, if any, upon which such Bonds become Current Interest Bonds.

**"Commonwealth"** means the Commonwealth of Virginia.

**"Cost of Issuance Fund"** means the Cost of Issuance Fund established with respect to a Series of Bonds as provided in Section 7.1 of the Master Indenture.

**"Counsel"** means any attorney or firm of attorneys, who or which may be Bond Counsel or counsel for the Transportation Board or the Trustee.

**"Current Interest Bonds"** means Bonds the interest on which is payable currently on the Interest Payment Dates provided therefor in the Related Supplemental Indenture.

**"Custodian"** means a bank or trust company that is (i) organized and existing under the laws of the United States or any of its states and (ii) acceptable to the Trustee.

**"Defeasance Obligations"** means noncallable (i) Agency Obligations, (ii) Government Obligations, (iii) Government Certificates, (iv) Defeased Municipal Obligations, and (v) Defeased Municipal Obligation Certificates.

**"Defeased Municipal Obligation Certificates"** means evidence of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a Custodian.

**"Defeased Municipal Obligations"** means obligations of the Commonwealth or any county, city, town, district, authority, agency, political subdivision or other public body of the Commonwealth, which are rated in the highest rating category by any Rating Agency, provision for the payment of the principal of and interest on which has been made by the deposit with a trustee or escrow agent of Government Obligations or Government Certificates, the maturing principal of and interest on which, when due and payable, will provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations.

**"Department"** means the Virginia Department of Transportation, an executive agency of the Commonwealth.

**"Escrow Fund"** means an escrow fund relating to a Series of Refunding Bonds that may be established pursuant to the Related Supplemental Indenture and Sections 7.2 and 7.9 of the Master Indenture.

**"Event of Default"** means any of the events enumerated in Section 10.1 of the Master Indenture.

**"Fund"** means any fund established pursuant to the terms of the Master Indenture or any Supplemental Indenture.

**"General Assembly"** means the General Assembly of the Commonwealth.

**"Government Certificates"** mean certificates representing ownership of United States Treasury bond principal at maturity or interest coupons for accrued periods, which bonds or coupons are held in the capacity of custodian by a Custodian that is independent of the seller of such certificates.

**"Government Obligations"** means direct obligations of, or obligations the payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America.

**"Interest Payment Date"** means, with respect to each Series of Bonds, each date as provided by the Related Supplemental Indenture on which interest is payable.

**"Interest Requirement"** means, for any Interest Payment Date, as applied to all of the Current Interest Bonds or a portion thereof, the total of the interest regularly scheduled to become due on such Bonds on such Interest Payment Date. Interest expense shall be excluded from the definition of Interest Requirement to the extent that proceeds of any Bonds are held by the Trustee to pay such interest. Unless the Transportation Board shall otherwise provide in a Supplemental Indenture, interest expense on Bond Credit Facilities drawn upon to purchase but not to retire Bonds, to the extent such interest exceeds the interest otherwise payable on such Bonds, shall not be included in the determination of an Interest Requirement.

**"Majority Owners"** means the Owners of at least 51% of the aggregate principal amount of the Bonds Outstanding.

**"Master Indenture"** means the Master Indenture of Trust dated as of May 1, 2010, between the Transportation Board and the Trustee, as the same may be modified, altered, amended and supplemented in accordance with its terms by one or more Supplemental Indentures.

**"Officer's Certificate"** means a certificate signed by a Board Representative and filed with the Trustee.

**"Opinion of Bond Counsel"** means a written opinion of Bond Counsel.

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**"Optional Tender Bonds"** means any Bonds issued under the Master Indenture a feature of which is an option on the part of the Owners of such Bonds to tender to the Transportation Board, or to the Trustee or other fiduciary for such Owners, or to an agent of any of the foregoing, all or a portion of such Bonds for payment or purchase.

**"Outstanding"** when used in reference to the Bonds and as of a particular date, means all Bonds authenticated and delivered under the Master Indenture except:

(i) any Bond canceled or required to be canceled by the Trustee at or before such date;

(ii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered under the Master Indenture;

(iii) any Bond deemed paid under Article IX of the Master Indenture except that any such Bond shall be considered Outstanding until its maturity or redemption date only for the purpose of actually being paid and for purposes of Articles III and IV and Section 6.1 of the Master Indenture (or the corresponding provisions of the Related Supplemental Indenture, as the case may be); and

(iv) any Bond not deemed Outstanding under, but only to the extent provided for in, Section 12.2 of the Master Indenture.

**"Owner"** means the registered owner of any Bond.

**"Parity Obligations"** means any Board Obligations, other than the Bonds, incurred in accordance with Section 5.6 of the Master Indenture, which are secured on a parity with the Bonds. Parity Obligations may include, without limitation, Reimbursement Obligations and Ancillary Contract Obligations.

**"Payment Agreement"** means the agreement by and among the Transportation Board, the Treasury Board and the Secretary of Finance of the Commonwealth, dated as of May 1, 2010, providing for the request for appropriation of funds from the General Assembly and payments of such funds to the Trustee for payment of debt service on the Bonds, as the same may be modified, altered, amended and supplemented in accordance with its terms.

**"Payment Date"** means a date that is an Interest Payment Date or a Principal Payment Date or both.

**"Person"** means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

**"Principal"** means (i) with respect to a Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest) except when used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default in which case "principal" means the initial public offering price of the Capital Appreciation Bond (the difference between the Accreted Amount and the initial public offering price being deemed interest) and (ii) with respect to the principal amount of any Current Interest Bond, the principal amount of such Bond payable in satisfaction of an Amortization Requirement, if applicable, or at maturity.

**"Principal and Interest Requirements"** for any Payment Date or for any period means the sum of the Principal Requirements and the Interest Requirements for such date or such period, respectively.

**"Principal Payment Date"** means, with respect to each Series of Bonds, each date provided by the Related Supplemental Indenture upon which the principal amount of any Bond is stated to mature or upon which the principal of any Term Bond is subject to redemption in satisfaction of an Amortization Requirement.

**"Principal Requirement"** means for any Principal Payment Date, as applied to all Bonds or a portion thereof, the total of the principal regularly scheduled to become due on such Principal Payment Date. Principal payments shall be excluded from the definition of Principal Requirement to the extent that proceeds of any Bonds are held by the Trustee to pay such Principal.

**"Priority Transportation Fund"** means the Priority Transportation Fund established by § 33.2-1527 of the Virginia Code.

**"Project"** means any transportation project for which the net proceeds of the Bonds may be used to provide funds pursuant to the Capital Projects Revenue Bond Act.

**"Project Fund"** means the Project Fund to be established as provided in Section 7.1 of the Master Indenture.

**"Rating Agency"** means, with respect to any Bonds Outstanding, any nationally recognized credit rating agency if and for so long as such rating agency, at the request of the Transportation Board, maintains a rating on such Bonds.

**"Rating Confirmation"** means written evidence that no rating that has been requested by the Transportation Board and is then in effect from a Rating Agency with respect to a Bond will be withdrawn, reduced, or suspended solely as a result of an action to be taken hereunder.

**"Rebate Amount"** means the liability of the Transportation Board under Section 148 of the Tax Code (including any "yield reduction payments") with respect to any Series of Bonds as may be calculated or specified (including with such reserves or error margin as the Transportation Board may deem appropriate) in accordance with the Related Supplemental Indenture or the Related Tax Compliance Agreement.

**"Rebate Fund"** means the Rebate Fund to be established with respect to a Series of Bonds as provided in Section 7.1 of the Master Indenture.

**"Refunding Bonds"** shall have the meaning set forth in Section 5.3 of the Master Indenture.

**"Reimbursement Fund"** means the Reimbursement Fund Related to a Series of Bonds that may be established by the Related Supplemental Indenture and Section 7.2 of the Master Indenture.

**"Reimbursement Obligations"** means any reimbursement or payment obligations of the Transportation Board for which moneys in the Reimbursement Fund are pledged or payable pursuant to the provisions of the Master Indenture or any Supplemental Indenture.

**"Related"** as the context may require, means (i) when used with respect to any Cost of Issuance Fund, Escrow Fund, Rebate Fund or Reimbursement Fund, the Fund so designated and established by the Master Indenture and the Supplemental Indenture authorizing a particular Series of Bonds, (ii) when used with respect to a Supplemental Indenture, the Supplemental Indenture authorizing a particular Series of Bonds, or Supplemental Indenture related thereto, (iii) when used with respect to a Bond Credit Facility or Reimbursement Obligation, the Bond Credit Facility securing a particular Series of Bonds and the Reimbursement Obligation entered into in connection therewith or (iv) when used with respect to an Ancillary Contract or an Ancillary Contract Obligation, the Ancillary Contract applicable to a particular Series of Bonds and the Ancillary Contract Obligation entered into in connection therewith.

**"Revenues"** means monies appropriated by the General Assembly from time to time for the payment of the Bonds (i) from revenues deposited into the Priority Transportation Fund pursuant to § 33.2-1527 of the Virginia Code, (ii) to the extent required, from revenues legally available from the Transportation Trust Fund, and (iii) to the extent required, from any legally available funds.

**"Serial Bonds"** means the Bonds of a Series that are stated to mature in semiannual or annual installments and that are so designated in the Related Supplemental Indenture.

**"Series"** means all of the Bonds of a particular series authenticated and delivered pursuant to the Master Indenture and the Related Supplemental Indenture and identified as such pursuant to such Supplemental Indenture, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Master Indenture and such Supplemental Indenture, regardless of variations in lien status, maturity, interest rate, sinking fund installments or other provisions.

**"State Revenue Bond Act"** means §§ 33.2-1700 *et seq.* of the Virginia Code.

**"Subordinate Obligations"** means any Board Obligations that are made specifically subordinate as to payment and security to the Bonds and the Parity Obligations. Subordinate Obligations may include, without limitation, Reimbursement Obligations and Ancillary Contract Obligations.

**"Supplemental Indenture"** means any indenture supplementary to or amendatory of the Master Indenture or any Supplemental Indenture now or hereafter duly executed and delivered in accordance with the provisions of the Master Indenture.

**"Tax Code"** means the Internal Revenue Code of 1986, as amended, as in effect upon the issuance of and thereafter applicable to any Series of Bonds and the regulations of the U.S. Department of the Treasury promulgated thereunder as in effect upon the issuance of and thereafter applicable to any Series of Bonds.

**"Tax Compliance Agreement"** means, with respect to any Series of Bonds, the Federal Tax Certificate and Compliance Agreement, dated the date of the issuance of the Related Series of Bonds, between the Transportation Board and the Trustee, as the same may be modified, altered, amended or supplemented pursuant to its terms or any similar agreement of certification of the Transportation Board respecting compliance with the Tax Code.

**"Term Bonds"** means all or some of the Bonds of a Series, other than Serial Bonds, that shall be stated to mature on one or more dates and that are so designated in the Related Supplemental Indenture.

**"Transportation Board"** means the Commonwealth Transportation Board, created and existing under the laws of the Commonwealth, and its successors and assigns.

**"Transportation Trust Fund"** means the Transportation Trust Fund established pursuant to § 33.2-1524.1 of the Virginia Code.

**"Treasury Board"** means the Treasury Board of the Commonwealth, created and existing under the laws of the Commonwealth, and its successors and assigns.

**"Trustee"** means Computershare Trust Company, National Association, as successor to Wells Fargo Bank, National Association, and its successors serving in the same capacity under the Master Indenture.

**"Variable Rate Bonds"** means any Bonds the interest rate on which is not established, at the time such Bonds are issued, at a single numerical rate for the entire term of the Bonds.

**"Virginia Code"** means the Code of Virginia of 1950, as amended, and any successor provisions of law.

***Bond Debt Service Fund.*** Pursuant to the Capital Projects Revenue Bond Act, the Transportation Board established the Bond Debt Service Fund under the Master Indenture to secure and be used to pay the debt service on the Capital Projects Revenue Bonds when due, to the credit of which there will be deposited amounts, subject to appropriation by the General Assembly, from (i) revenues deposited into the Priority Transportation Fund; (ii) revenues legally available from Transportation Trust Fund; and (iii) any other legally available funds.

***Permitted Investments.*** Subject to the provisions of any Supplemental Indenture, any amounts held in any Fund or Account established by the Master Indenture or any Supplemental Indenture may be separately invested and reinvested by the Trustee, at the request of and as directed in writing by the State Treasurer after consultation with a Board Representative, in any investments which are at the time legal investments for public funds of the type to be invested under Virginia law, including without limitation the Capital Projects Revenue Bond Act and the Investment of Public Funds Act, Chapter 45, Title 2.2 of the Virginia Code, as amended, or any successor provision of law.

***Covenants with Bond Credit Providers.*** The Transportation Board may make such covenants as it may, in its sole discretion determine to be appropriate, with any Bond Credit Provider that shall agree to provide for Bonds of any one or more Series a Bond Credit Facility that shall enhance the security or the value of such Bonds and thereby reduce the Principal and Interest Requirements on such Bonds. Such covenants may be set forth in the Related Supplemental Indenture or other Supplemental Indenture and shall be binding on the Transportation Board, the Trustee, and the Owners of the Bonds the same as if such covenants were set forth in full in the Master Indenture.

***Conditions of Issuing Additional Bonds.*** Prior to the issuance of additional Bonds under the Indenture, the Transportation Board must deliver to the Trustee the following items:

(a) An executed counterpart of a Supplemental Indenture including the details of the additional Bonds;

(b) A certified copy of each resolution adopted by the Transportation Board authorizing the additional Bonds and the Related Supplemental Indenture;

(c) If required by law, a certificate of the Transportation Board that certifies that the Revenues in the Priority Transportation Fund or reasonably anticipated to be deposited in the Priority Transportation Fund pursuant to the law then in effect are by themselves sufficient to make 100% of the contractually required debt service payments on all bonds, obligations, or evidences of debt that expressly require as a source for debt service payments or for the repayment of such bonds, obligations, or other evidence of debt the revenues of the Priority Transportation Fund, including any interest related thereto and the retirement of such bonds, obligations, or other evidences of debt (the 2007 Act requires this certification);

(d) If the additional Bonds are refunding other Outstanding Bonds:

    (i) Evidence satisfactory to the Trustee that the Transportation Board has provided for the payment or redemption of the Bonds to be refunded, as required by the Master Indenture; and

    (ii) A report of a nationally-recognized independent verification agent or firm of independent certified public accountants that the proceeds of the refunding Bonds together with other funds, if any, will be sufficient to pay at redemption or maturity, as applicable, the principal of and premium, if any, and interest in the Bonds to be refunded.

(e) An Opinion of Counsel that the Related Supplemental Indenture has been duly executed and delivered by the Transportation Board and complies with Master Indenture

(f) An Opinion of Bond Counsel that the Bonds to be issued are valid and legally binding limited obligations of the Transportation Board;

(g) A certificate of the Transportation Board certifying that upon the issuance of the additional Bonds no Event of Default under the Indenture and no event or condition, which with the giving of notice or lapse of time or both would become an Event of Default will have occurred and be continuing; and

(h) A certified copy of a resolution of the Treasury Board approving the terms and structure of the additional Bonds.

***Events of Default and Remedies upon Default.*** Each of the following events shall constitute an Event of Default under the Master Indenture: (i) default in the payment of any installment of interest in respect of the Bonds of any Series as the same shall become due and payable; (ii) default in the payment of the principal of or premium, if any, in respect of the Bonds of any Series as the same shall become due and payable either at maturity, upon redemption, or otherwise; (iii) default in the payment of any Amortization Requirement in respect of any Term Bond as the same shall become due and payable; (iv) subject to certain provisions of the Master Indenture, failure on the part of the Transportation Board duly to observe or perform any other of the covenants or agreements on the part of the Transportation Board contained in the Master Indenture, a Supplemental Indenture, a Tax Compliance Agreement, or any Bond or (v) appointment by a court of competent jurisdiction of a receiver for all or any substantial part of the Revenues and the other Funds and Accounts pledged pursuant to the Master Indenture, or the filing by the Transportation Board of any petition for reorganization of the Transportation Board or rearrangement or readjustment of the obligations of the Transportation Board under the provisions of any applicable bankruptcy or insolvency law.

Notwithstanding any other provision of the Master Indenture, failure to pay the principal or any Amortization Requirement of or interest on any Subordinate Obligation will not constitute an Event of Default with respect to any of the Bonds or Parity Obligations.

The Transportation Board may, pursuant to a Supplemental Indenture, provide for a particular Series of Bonds different or additional Events of Default and remedies upon the occurrence thereof including, but not limited to, Events of Default upon the occurrence of events specified in any agreement entered into in connection with the delivery of a Bond Credit Facility or an Ancillary Contract and acceleration of the full principal amount of such Bonds.

The principal of and interest on the Bonds is not subject to acceleration upon the occurrence or the continuation of an Event of Default.

Upon the occurrence and continuation of an Event of Default, the Trustee may, in its discretion, and shall, at the written request of the Majority Owners of the Bonds Outstanding and subject to certain provisions of the Master Indenture, pursue any available remedy, at law or in equity, to remedy any Event of Default.

Notwithstanding anything in the Master Indenture or any Supplemental Indenture to the contrary, upon the occurrence and continuation of an Event of Default, the Majority Owners of the Bonds Outstanding shall, subject to certain provisions of the Master Indenture, have the right, by an instrument in writing executed and delivered to the Trustee, to control and direct all actions of the Trustee in remedying such Event of Default, provided that such direction is in accordance with law and the Master Indenture and that the Trustee shall have the right to decline to follow any such direction which, in the sole judgment of the Trustee, would be unduly prejudicial to the rights of Owners not joining in such direction. Notwithstanding the foregoing, the Trustee shall have the right to select and retain Counsel of its choosing to represent it in any such remedial proceedings and the Trustee may take any other action which is not inconsistent with any direction given by the Majority Owners to the Trustee under this Section.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, shall upon being indemnified to its satisfaction therefore, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts or omissions to act which may be unlawful or in violation hereof or (ii) to preserve or protect the interests of the Owners, provided that such request is in accordance with law and the provisions hereof and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Owners of Bonds not making such request.

Notwithstanding any other provision of the Master Indenture, so long as any Bonds or Parity Obligations are Outstanding, no owner or holder of any Subordinate Obligation may exercise any remedy under the Master Indenture or any Supplemental Indenture.

***Defeasance of Bonds.*** If the Transportation Board shall pay or provide for the payment of the entire indebtedness on all Bonds Outstanding in any one or more of the following ways: (i) by paying or causing to be paid the principal of and premium, if any, and interest on such Bonds, as and when the same shall become due and payable; (ii) by delivering such Bonds to the Trustee for cancellation or (iii) by depositing with the Trustee (or an escrow agent), in trust, cash and/or Defeasance Obligations in such amount as will, together with the income or increment to accrue thereon (the "Payment Amount"), be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds Outstanding at or before their respective maturity dates, without consideration of any reinvestment of the Payment Amount, as a firm of nationally-recognized independent verification agents or a firm of independent certified public accountants shall verify to the Trustee's satisfaction; and if the Transportation Board shall pay or provide for the payment of (on the date of defeasance or over time) all other sums payable hereunder by the Transportation Board, and if any of the Bonds Outstanding are to be redeemed before their maturity, notice of such redemption shall have been given as provided in the Master Indenture (and the corresponding sections of the

Supplemental Indentures) or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the Master Indenture and the estate and rights granted thereunder (except for the provisions of the Master Indenture regarding the general terms and conditions of the Bonds and the redemption of the Bonds (and the corresponding sections of the Supplemental Indentures) and payment of the Bonds) shall cease, determine, and become null and void. Thereupon the Trustee shall, upon receipt by the Trustee of an Officer's Certificate and an Opinion of Bond Counsel each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Master Indenture as provided above have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Master Indenture (except for the provisions of the Master Indenture regarding the general terms and conditions of the Bonds and the redemption of the Bonds (and the corresponding sections of the Supplemental Indentures) and payment of the Bonds) and the lien thereof.

Any moneys, securities, or other property remaining on deposit in any of the Funds or Accounts established by the Master Indenture and held by the Trustee (except the cash and/or Defeasance Obligations deposited in trust as above provided) shall, upon the full satisfaction of the Master Indenture as provided above, forthwith be distributed to the Transportation Board.

***Amendments and Supplemental Indentures.*** The Transportation Board and the Trustee may, without the consent of, or notice to, any of the Owners of the Bonds, enter into such Supplemental Indenture or Supplemental Indentures as shall not be inconsistent with the terms and provisions of the Master Indenture or any Supplemental Indenture for any one or more of the following purposes:

(a) To cure or correct any ambiguity, formal defect, omission or inconsistent provision in the Master Indenture or in a Supplemental Indenture;

(b) To grant to or confer on the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred on the Owners or the Trustee or either of them;

(c) To subject to the lien and pledge of the Master Indenture additional revenues, properties or collateral;

(d) To provide for the issuance of coupon Bonds if authorized under the Related Supplemental Indenture;

(e) To amend certain provisions of the Master Indenture or any Supplemental Indenture in any manner consistent with Sections 103 and 141 through 150 of the Tax Code (or such other hereinafter enacted sections of the Tax Code as may be applicable to the Bonds) as in effect at the time of the amendment;

(f) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by the Master Indenture or any Supplemental Indenture, of the Revenues or any other moneys, property or Funds or Accounts;

(g) To modify, amend or supplement the Master Indenture or any Supplemental Indenture as required to permit its qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to permit the qualification of any of the Bonds for sale under the securities laws of any of the states of the United States, and, if the Transportation Board and the Trustee so determine, to add to the Master Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939, as amended, or similar federal statute;

(h) To add to the covenants and agreements of the Transportation Board contained in the Master Indenture or any Supplemental Indenture other covenants and agreements thereafter to be observed for the Owners' protection, including, but not limited to, additional requirements imposed by virtue of a change of law, or to surrender or to limit any right, power or authority therein reserved to or conferred upon the Transportation Board;

(i) To amend, modify or change the terms of any agreements governing any book-entry-only system for any of the Bonds;

(j) To provide for the issuance of additional Series of Bonds (including Refunding Bonds) or any Subordinate Obligations, and to provide for such other related matters as may be required or contemplated by or appropriate under the Master Indenture;

(k) To provide for the issuance of Parity Obligations that, as expressed in a finding or determination by the Transportation Board (which shall be stated in the Related Supplemental Indenture, and may be based on an Opinion of Bond Counsel or the written opinion of the Transportation Board's financial advisor), would not materially affect the security for the Bonds adversely;

(l) To make any changes necessary to comply with the requirements of a Rating Agency, a Bond Credit Provider, or an Ancillary Contract Counterparty that, as expressed in a finding or determination by the Transportation Board (which shall be stated in the Related Supplemental Indenture, and may be based on an Opinion of Bond Counsel or the written opinion of the Transportation Board's financial advisor), would not materially adversely affect the security for the Bonds;

(m) To make any other changes that (i) will have no adverse effect upon the ratings currently assigned to the Bonds by any Rating Agency, as expressed in a Rating Confirmation or (ii) shall not prejudice in any material respect the rights of the Owners of the Bonds then Outstanding, as expressed in a determination or finding by the Transportation Board (which shall be stated in the Supplemental Indenture, and may be based upon an Opinion of Bond Counsel or the written opinion of the Transportation Board's financial advisor); and

(n) To restate in one document the Master Indenture and all Supplemental Indentures, which restatement shall then become the Master Indenture for all purposes, effective as of the date of the Master Indenture with respect to matters set forth therein and as of the date of any Supplemental Indenture included in the restatement as to matters set forth in any such Supplemental Indenture. Supplemental Indentures and the Bonds issued thereunder prior to a restatement shall be deemed to relate to the restated Master Indenture without any further action or amendment.

Exclusive of Supplemental Indentures covered above and subject to the terms and provisions contained in this Section, the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right from time to time, notwithstanding any other provision of this Indenture, to consent to and approve the execution by the Transportation Board and the Trustee of such other Supplemental Indenture or Supplemental Indentures as the Transportation Board shall deem necessary or desirable to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Master Indenture or in any Supplemental Indenture; provided, however, that without the consent and approval of the Owners of all of the affected Bonds then Outstanding nothing in the Master Indenture shall permit, or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest on it, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds except as otherwise provided herein, or (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture.

If at any time the Transportation Board shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of the Supplemental Indenture to be mailed to each Owner of Bonds then Outstanding by registered or certified mail to the address of each such Owner as it appears on the registration books for the Bonds; provided, however, that failure to give such notice by mailing, or any defect in it, shall not affect the validity of any proceedings under this Section. Such notice shall briefly state the nature of the proposed Supplemental Indenture and shall state that copies of it are on file at the Trustee's designated corporate trust office for inspection by all Owners. If, within six months or such longer period as shall be prescribed by the Transportation Board following the giving of such notice, the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have consented to and approved its execution as provided under this Section, no Owner of any Bond shall have any right to object to any of the terms and provisions contained in it, or its operation, or in any manner to question the propriety of its execution, or to enjoin or restrain the Trustee or the Transportation Board from executing such Supplemental Indenture or from taking any action under its provisions. Upon the execution of any such Supplemental Indenture as in this Section permitted and provided, the Master Indenture shall be deemed to be modified and amended in accordance therewith.

Bonds owned or held by or for the account of the Transportation Board or any Person controlling, controlled by or under common control with the Transportation Board shall not be deemed Outstanding for the purpose of consent or any calculation of Outstanding Bonds for purposes of entering into Supplemental Indentures. At the time of any such calculation, the Transportation Board shall furnish the Trustee an Officer's Certificate, upon which the Trustee may rely, describing all Bonds so to be excluded.

Anything contained in the Master Indenture to the contrary notwithstanding, the Transportation Board and the Trustee may enter into any Supplemental Indenture upon receipt of the consent of the Owners of all Bonds then Outstanding.

## SUMMARY OF THE PAYMENT AGREEMENT

The following, in addition to the information presented in the section *"Sources of Payment and Security for the Bonds,"* summarizes certain provisions of the Payment Agreement. This summary does not purport to be comprehensive or definitive and is qualified by reference to the Payment Agreement in its entirety, copies of which may be obtained at the office of the Treasury Board or the office of the Transportation Board.

Under the Payment Agreement, the Transportation Board is obligated to do the following:

(a) Each year and in accordance with the schedule of the Department of Planning and Budget of the Commonwealth, the Transportation Board or the Transportation Board's designee shall request that the Governor include in the budget to be delivered to the General Assembly during their next session a provision that there be appropriated Revenues sufficient to pay the Principal and Interest Requirements coming due on the Bonds and all other amounts required to be paid under the Master Indenture during the next succeeding Fiscal Year or biennial period, as applicable.

(b) The Transportation Board shall use its best efforts to have (i) the Governor include, in each biennial or any supplemental budget that is presented to the General Assembly, the amounts described in (a) above and (ii) the General Assembly deposit, appropriate and reappropriate, as applicable, such amounts.

(c) The Transportation Board shall provide to the Treasury Board, as and when reasonably requested by the Treasury Board, all requisitions and documents and shall take all actions necessary to have paid to the Treasury Board from Revenues appropriated as described in (a) above all amounts due under the Payment Agreement and to direct the Treasury Board to make from such funds all payments due under the Master Indenture to the Trustee on the Transfer Date.

(d) The Transportation Board shall take all actions necessary to have payments which are made pursuant to (c) above charged against the proper appropriation made by the General Assembly.

(e) The Transportation Board shall notify the Treasury Board, the Secretary of Finance, and the Trustee promptly upon becoming aware of any failure by the General Assembly to appropriate for the next succeeding Fiscal Year or biennial period, as applicable, amounts sufficient to pay all debt service on the Bonds coming due or expected to come due and all other amounts required to be paid under the Master Indenture coming due or expected to come due.

Under the Payment Agreement, the Treasury Board is obligated to do the following:

(a) The Treasury Board shall use its best efforts to have (i) the Governor include in each biennial or any supplemental budget of the Commonwealth Revenues sufficient to pay the Principal and Interest Requirements coming due on the Bonds and all other amounts required to be paid under the Master Indenture during the next succeeding Fiscal Year or biennial period, as applicable, and (ii) the General Assembly deposit, appropriate and reappropriate, as applicable, such amounts.

(b) The Treasury Board shall use its best efforts to obtain each year the appropriate requisitions and documents needed from the Transportation Board to make all payments due under the Master Indenture to the Trustee on the Transfer Date.

(c) The Treasury Board shall make all debt service payments on the Bonds to the Trustee on the Transfer Dates solely from moneys made available to it.

(d) The Treasury Board shall notify the Transportation Board, the Secretary of Finance, and the Trustee promptly upon becoming aware of any failure by the General Assembly to appropriate for the next succeeding Fiscal Year or biennial period, as applicable, amounts sufficient to pay all debt service on the Bonds coming due or expected to come due and all other amounts required to be paid under the Master Indenture coming due or expected to come due.

Under the Payment Agreement, the Secretary of Finance is obligated to use his or her best efforts to have (i) the Governor include in each biennial or any supplemental budget of the Commonwealth Revenues sufficient to pay the Principal and Interest Requirements coming due on the Bonds and all other amounts required to be paid under the Master Indenture during the next succeeding Fiscal Year or biennial period, as applicable, and (ii) the General Assembly deposit, appropriate and reappropriate, as applicable, such amounts.

The Commonwealth's budgetary process, to which the Payment Agreement provisions relate, is described in the subsection *"Budgetary Process"* within the section *"Financial Factors"* in Appendix B - Commonwealth of Virginia, Financial and Other Information.

The Trustee is a third party beneficiary of the Payment Agreement and is entitled to enforce, on behalf of the holders of the Bonds, all of the obligations of the Transportation Board and the obligations and the rights of the parties thereto to the same extent as if the Trustee were one of the contracting parties.

## CERTAIN LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinions of Kutak Rock LLP, Richmond, Virginia, Bond Counsel, which will be furnished at the expense of the Transportation Board upon delivery of the Bonds, substantially in the forms set forth in Appendix D. Bond Counsel's opinions will be limited to matters relating to the authorization and the validity of the Bonds and to the federal income status of interest on the Bonds, as described in the section *"Tax Matters."* Bond Counsel has not been engaged to investigate the financial resources of the Transportation Board, the Commonwealth or the ability to provide for payment of the Bonds, and Bond Counsel's opinion letter will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase the Bonds.

Certain legal matters will be passed upon for the Commonwealth by the Office of the Attorney General of Virginia.

## TAX MATTERS

***General Matters.*** In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax for individuals. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. The opinion described above assumes the accuracy of certain representations and compliance by the Transportation Board with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Transportation Board will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

Bond Counsel is also of the opinion that, under existing statutes of the Commonwealth, interest income on the Bonds is exempt from taxation by the Commonwealth and its political subdivisions.

***Original Issue Premium.*** The Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

***Backup Withholding.*** As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

***Internal Revenue Service Audits.*** The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations such as the Bonds to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is included in the gross income for federal income tax purposes. It cannot be predicted whether or not the Internal Revenue Service will commence an audit of any of the Bonds. If an audit is commenced, under current procedures the Internal Revenue Service may treat the Transportation Board as the issuer of the Bonds as a taxpayer, and the registered owners of the Bonds may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the related Bonds until the audit is concluded, regardless of the ultimate outcome.

***Changes in Federal and State Tax Law.*** From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

**PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.**

## LEGALITY FOR INVESTMENT

The 2007 Act provides that the Bonds are securities in which all public officers and bodies of the Commonwealth and its political subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees and other fiduciaries in the Commonwealth may properly and legally invest funds under their control.

No representation is made as to the eligibility of the Bonds for investment or for any other purpose under the laws of any other state.

## LITIGATION

There is no litigation now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or in any way contest or affect the validity of the Bonds, any proceeding of the Transportation Board or the Treasury Board taken with respect to their issuance or sale, or any appropriation of funds to pay debt service on the Bonds.

See the section *"Litigation of the Commonwealth"* in Appendix B for a discussion of litigation pending against the Commonwealth.

## CERTIFICATE CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Bonds, officials who signed the Bonds will certify that, to the best of their knowledge, the Official Statement did not as of its date, and does not as of the date of delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading. Such certificate will also state, however, that such officials did not independently verify the information in the Official Statement from sources other than the Transportation Board and VDOT, but that they have no reason to believe that such information contains any untrue statement of a material fact or omits to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

## CONTINUING DISCLOSURE

### Rule 15c2-12 in General

Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), prohibits an underwriter from purchasing or selling municipal securities unless it has determined that the issuer of such securities and/or other persons deemed to be materially "obligated persons" (hereinafter referred to as "MOPs" and each, a "MOP") have committed to provide (i) on an annual basis, certain financial information and operating data (collectively, "Annual Reports") and (ii) notice of the events described in Rule 15c2-12 ("Event Notices"), to the Municipal Securities Rulemaking Board (the "MSRB").

### Transportation Board Continuing Disclosure

The Transportation Board will covenant in a Continuing Disclosure Agreement, in substantially the form set forth in Appendix E, for the benefit of the holders of the Bonds, to provide to the MSRB Annual Reports and Event Notices to the MSRB.

### Commonwealth Continuing Disclosure

The Commonwealth, which the Transportation Board has determined to be a MOP for purposes of Rule 15c2-12, will covenant in a Continuing Disclosure Agreement, in substantially the form set forth in Appendix E, to be executed prior to the issuance of the Bonds for the benefit of the holders of the Bonds, to provide to the MSRB Annual Reports with respect to the Commonwealth. Similarly, the State Treasurer will provide Event Notices to the MSRB on rating changes with respect to the Commonwealth's general obligation bonds.

The Commonwealth has entered into numerous continuing disclosure undertakings with respect to its own debt issuances, as well as debt issuances by related Virginia authorities. Such undertakings require in part that the Commonwealth annually file on the MSRB's Electronic Municipal Market Access System (the "EMMA System") its audited Annual Financial Statements and its Annual Report (consisting of a separately filed Appendix B - Financial and Other Information and a separately filed Appendix C – Demographic and Economic Information). The Commonwealth has become aware that (a) for Fiscal Years 2019 and 2020, such filings were not successfully linked on the EMMA System to all of the CUSIPs for the Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2011A, issued by the Virginia College Building Authority ("VCBA"), and (b) for Fiscal Year 2020, such filings were not successfully linked on the EMMA System to any of the CUSIPs for the Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2020A, and Educational Facilities Federally Taxable Revenue and Revenue Refunding Bonds (21st Century College and Equipment Programs), Series 2020B, issued by VCBA. Such filings were otherwise available on the EMMA System with respect to other continuing disclosure undertakings of the Commonwealth. The Commonwealth has made a remedial filing to correct the linkage problem for any such VCBA bonds that are currently outstanding.

More generally, the Commonwealth is aware that, notwithstanding timely and accurate filings of its annual financial information and event notices, certain filings made by the Commonwealth and related bond issuing authorities have from time to time not remained linked to all of the pertinent Commonwealth-related CUSIP numbers on the EMMA System. Such de-linkage issues may be related to the frequent refunding and partial refunding of specific bond maturities and the splitting of pre-refunded and unrefunded maturities into different CUSIPs. When the Commonwealth has become aware of such CUSIP linkage issues, either as a result of its own review or otherwise, the Commonwealth has worked promptly to remediate and re-link the particular filings to the pertinent CUSIPs.

## RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") assigned the Bonds ratings of AA+, Aa1, AA+, respectively.

Such ratings reflect only the respective views of such organizations. Reference should be made to the individual rating agency for a fuller explanation of the significance of the rating assigned by such rating agency. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by any of the rating agencies if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of ratings may have an adverse effect on the market price of the Bonds.

## AWARD AT COMPETITIVE BIDDING

The Bonds were offered for sale pursuant to several electronic competitive bidding processes on February 28, 2024, and were awarded to JP Morgan Securities LLC (the "Underwriter"). The Underwriter supplied the information as to the initial offering prices of the Bonds as set forth on the inside cover of this Official Statement. The Bonds are being purchased at an aggregate purchase price of $476,501,947.23, reflecting a discount of $475,710.42 (0.114679% of the aggregate principal amount of the Bonds) from the initial public offering prices of the Bonds. The Underwriter may offer to sell the Bonds to certain dealers and others at prices lower than the initial offering prices, and the Underwriter may change the public offering prices from time to time.

## FINANCIAL ADVISOR

Public Resources Advisory Group ("PRAG"), New York, New York, is serving as financial advisor to the Transportation Board on the issuance of the Bonds. PRAG has assisted in the preparation of this Official Statement and in matters relating to the planning, structuring and issuance of the Bonds and has provided other advice. PRAG is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal or any other negotiable instruments.

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations of the adequacy of (i) the cash for the redemption price of the Series 2010A-2 Refunded Bonds on their redemption date and (ii) cash and maturing principal amounts of an interest on the Escrow Securities in the Escrow Account to pay when due all principal of and interest on the Series 2014 Refunded Bonds through and on their redemption date will be verified by Robert Thomas CPA, LLC.

## TRUSTEE

The Transportation Board originally appointed Wells Fargo Bank, National Association, a national banking association under the laws of the United States, as trustee for the Bonds. Computershare Trust Company, National Association, purchased substantially all of the corporate trust business and assets of Wells Fargo Bank, National Association on November 1, 2021. Computershare Trust Company, National Association is eligible to act as trustee under the Indenture, and has therefore become the successor trustee under the Indenture. The Trustee shall carry out those duties assigned to it under the Indenture. Except for the material under this heading, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement, the Indenture or the Bonds, or for the validity, sufficiency, or legal effect of any of those documents.

Other than verifying that the Transportation Board has satisfied the procedures for requisitioning moneys from the Project Fund, the Trustee is not accountable for the Transportation Board's use or application of the proceeds of the Bonds. The Trustee is not responsible or liable for any loss suffered in connection with any investment of money made by it in accordance with the Indenture. The Trustee has not evaluated the risks, benefits or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any of the assets or revenues pledged or assigned as security for the Bonds, the technical or financial feasibility of any Project, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

## RELATIONSHIP OF PARTIES

Kutak Rock LLP, Richmond, Virginia, Bond Counsel, represents Computershare Trust Company, National Association, the trustee, from time to time, in matters unrelated to the Bonds.

## MISCELLANEOUS

The references in this Official Statement to the Indenture, the Payment Agreement, and other documents are brief outlines of certain of their provisions. These outlines do not purport to be complete and reference is made to such documents, copies of which will be furnished by the Transportation Board, upon request made to Laura Farmer, Chief Financial Officer, Virginia Department of Transportation, 1401 East Broad Street, Richmond, Virginia 23219 (telephone: 804-786-3096).

So far as any statements made in this Official Statement involve matters of opinion, forward-looking statements or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Bonds.

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. All quotations from and summaries and explanations of laws contained in this Official Statement do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

The Transportation Board has deemed this Official Statement final as of its date within the meaning of Rule 15c2-12.

The distribution of this Official Statement has been duly authorized by the Transportation Board.

**COMMONWEALTH TRANSPORTATION BOARD**

By: */s/ W. Sheppard Miller, III*
W. Sheppard Miller, III, Chairperson

**APPENDIX A**

# COMMONWEALTH OF VIRGINIA

## FINANCIAL STATEMENTS OF THE COMMONWEALTH

## FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 15, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Sharon H. Lawrence
Acting State Comptroller

**INDEPENDENT AUDITOR'S REPORT**

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

*Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of certain blended and discretely presented component units of the Commonwealth, which are discussed at Note 1.B. These component units account for the following percentages of total assets and deferred outflows of resources; revenues, additions, and other financing sources; and net position/fund balance of the opinion units affected as of June 30, 2023.

| Opinion Unit | Total Assets and Deferred Outflows | Net Position/Fund Balance | Revenues, Additions, and Other Financing Sources |
|---|---|---|---|
| Governmental Activities | 2.30 % | 4.25 % | 1.88 % |
| Aggregate Remaining Fund Information | 1.33 % | 1.39 % | 3.27 % |
| Aggregate Discretely Presented Component Units | 30.45 % | 24.34 % | 13.26 % |

Those financial statements were audited by other auditors whose report reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for certain blended and discretely presented component units of the Commonwealth, are based solely on the reports of the other auditors.

*Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commonwealth of Virginia, 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.

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The financial statements of Danville Science Center Inc., Library of Virginia Foundation, Science Museum of Virginia Foundation, and Virginia Museum of Fine Arts Foundation, which were audited by other auditors upon whose reports we are relying, were not audited in accordance with Government Auditing Standards.

*Emphasis of Matters*

Change in Accounting Principle

The Commonwealth of Virginia's basic financial statements for the year ended June 30, 2023, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements. The Commonwealth implemented the requirements of the standard in accordance with the required effective date. See Note 2 of the accompanying financial statements for the impact of the standard's implementation. Our opinions are not modified with respect to this matter.

Correction of 2022 Financial Statements

As discussed in Note 2 of the accompanying financial statements, the fiscal year 2022 governmental activities, the Commonwealth Transportation major fund and the component unit financial statements have been restated to correct misstatements. Our opinions are not modified with respect to this matter.

Investments with Values that are not Readily Determined

As discussed in Note 8, the Virginia College Savings Plan major fund includes investments valued at $1.8 billion (57.6% and 27.9% of the major fund and business-type activity total assets, respectively) and $320.2 million for the private purpose trust fund (0.2% of the aggregate remaining fund information's total assets), whose fair values have been estimated by management based on information provided by the fund managers or the general partners in the absence of readily determinable values. Our opinions are 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 Commonwealth of Virginia's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth of Virginia'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth of Virginia'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 following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 27 through 37; Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Major Special Revenue Funds; Schedule of Changes in Employer's Net Pension Liability; Schedule of Employer Contributions - Pension Plans; Schedule of Changes in Employers' Net Other Postemployment Benefit Liability (Asset); Schedule of the Commonwealth's Proportionate Share of the Net Other Postemployment Benefit Liability; Schedule of Employer Contributions - Other Postemployment Benefit Plans; Schedule of Changes in Employers' Total Other Postemployment Benefit Liability; Claims Development Information - Risk Management; and Notes to the Required Supplementary Information schedules on pages 206 through 246. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth of Virginia's basic financial statements. The Combining and Individual Fund Statements and Schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Statements and Schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Other Information*

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

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

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

In accordance with Government Auditing Standards, our report dated December 15, 2023, on our consideration of the Commonwealth of Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters is issued in the Commonwealth of Virginia Single Audit Report. We anticipate releasing that report on or before February 13, 2024. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commonwealth of Virginia's internal control over financial reporting and compliance.

Staci A. Henshaw

AUDITOR OF PUBLIC ACCOUNTS

# Management's Discussion and Analysis
## *(Unaudited)*

The following is a discussion and analysis of the Commonwealth of Virginia's (the Commonwealth) financial performance, including an overview and analysis of the financial activities of the Commonwealth for the fiscal year ended June 30, 2023. Readers should consider this information in conjunction with the transmittal letter, which is located in the Introductory Section of this report, and the Commonwealth's financial statements, including the notes to the financial statements, which are located after this analysis.

## Financial Highlights

**Government-wide Highlights**

The primary government's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2023, by $45.5 billion. Net position of governmental activities increased by $2.8 billion and net position of business-type activities increased by $318.5 million. Component units reported an increase in net position of $3.0 billion from June 30, 2022.

**Fund Highlights**

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of $22.2 billion, an increase of $1.3 billion in comparison with the prior year. Of this total fund balance, $438.7 million represents nonspendable fund balance, $6.0 billion represents restricted fund balance, $13.9 billion represents committed fund balance, and $1.9 billion represents assigned fund balance. The Enterprise Funds reported net position at June 30, 2023, of $3.4 billion, an increase of $330.0 million during the year which is primarily attributable to increases for the Virginia College Savings Plan Fund (major) and the Unemployment Compensation Fund (major). See page 33 for additional information regarding the Virginia College Savings Plan and Unemployment Compensation Fund.

The General Fund recognized higher total fund assets, total fund liabilities, and expenditures as well as lower revenues when compared to fiscal year 2022. See page 34 for additional information.

**Long-term Debt**

The Commonwealth's total debt rose during the fiscal year to $55.4 billion, an increase of $1.7 billion, or 3.2 percent. During the fiscal year, the Commonwealth issued new debt in the amount of $1.6 billion and $3.1 billion for the primary government and component units. Debt balances for the primary government increased to $17.6 billion. Debt balances for the component units increased to $37.8 billion.

## Overview of the Financial Statements

This discussion and analysis is an introduction to the Commonwealth's basic financial statements, which include three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains additional required supplementary information and other information.

**Government-wide Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Commonwealth's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Commonwealth's financial position which helps readers determine whether the Commonwealth's financial position has improved or deteriorated during the fiscal year. These statements include all non-fiduciary financial activity on the full accrual basis of accounting. This means that all revenue and expenditures are reflected in the financial statements even if the related cash has not been received or paid as of June 30.

The Statement of Net Position (pages 40 and 41) presents information on all of the Commonwealth's assets and deferred outflows of resources, and liabilities and deferred inflows of resources; net position represents the difference between all other elements in a statement of financial position and is displayed in three components – net investment in capital assets; restricted; and unrestricted. Over time, increases or decreases in net position may indicate whether the financial position of the Commonwealth is improving or deteriorating.

The Statement of Activities (pages 42 through 44) presents information showing how the Commonwealth's net position changed during fiscal year 2023. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Position and Statement of Activities report three separate activities. These activities are described as follows:

**Governmental Activities** – account for functions of the Commonwealth that are primarily supported by taxes and intergovernmental revenues. The majority of the Commonwealth's basic services, such as education, individual and family services, transportation, resources and economic development, administration of justice, and general government, fall within this category.

**Business-type Activities** – account for functions that are intended to recover all or a significant portion of their costs through user fees and charges. The major business-type activities of the Commonwealth include the Virginia Lottery, Virginia College Savings Plan, and Unemployment Compensation Fund.

**Discretely Presented Component Units** – account for functions of legally separate entities for which the Commonwealth is financially accountable. The Commonwealth has 26 non-higher education and 21 higher education component units that are reported as discretely presented component units. Information regarding the individual financial statements of the component units is presented in the notes to the financial statements.

This report includes two schedules (pages 48 and 52) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities on the appropriate government-wide statements (full accrual accounting). The following indicates some of the reporting differences between the government-wide financial statements and the fund financial statements.

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term liabilities, unless due and payable, are not included in the fund financial statements. These liabilities are only included in the government-wide statements.
- Internal service funds are reported as governmental activities in the government-wide statements, but are reported as proprietary funds in the fund financial statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in the governmental fund statements, but not deferred in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures in the fund financial statements.
- Bond proceeds provide current financial resources on the fund financial statements, but are recorded as long-term liabilities in the government-wide financial statements.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commonwealth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Commonwealth's funds can be divided into three categories: governmental, proprietary, and fiduciary. Each of these categories uses different accounting approaches. Fund financial statements begin on page 46 and provide detailed information about the major individual funds.

- **Governmental funds** – Most of the basic services provided by the Commonwealth are reported in the governmental funds. These statements provide a detailed, short-term view of the functions reported as governmental activities in the government-wide financial statements. The government-wide financial statements are reported using the full accrual basis of accounting, but the governmental fund financial statements are reported using the modified accrual basis of accounting. This allows the reader to focus on assets that can be readily converted to cash and determine whether there are adequate resources to meet the Commonwealth's current needs.

  Because the focus of governmental funds is more limited than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison can help readers better understand the long-term impact of the Commonwealth's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

  The Commonwealth reports 15 individual governmental funds. Information is presented separately in the governmental fund statements for the General, Commonwealth Transportation, Federal Trust, and Literary funds, which are all considered major funds. Data from the other 11 governmental funds are aggregated into a single column on the fund statements. Individual fund data for these nonmajor governmental funds is provided in the combining financial statements immediately following the required supplementary information.

- **Proprietary funds** – The Commonwealth maintains two different types of proprietary funds: enterprise and internal service. These funds report activities that operate more like those of private-sector business and use the full accrual basis of accounting.

  Enterprise funds report activities that charge fees for supplies or services to the general public like the Virginia Lottery. Enterprise funds are reported as business-type activities on the government-wide financial statements. The enterprise funds use the full accrual basis of accounting and the only differences between amounts reported on the government-wide statements and the enterprise fund statements are due to internal service fund activity (see reconciliations on pages 54 and 56).

  Internal service funds report activities that charge fees for supplies and services to other Commonwealth agencies, like Fleet Management. Internal service funds are reported as governmental activities in the government-wide statements because these types of services predominantly benefit governments rather than business-type functions.

  The Commonwealth reports 27 individual proprietary funds. Information is presented separately in the proprietary fund statements for the Virginia Lottery, Virginia College Savings Plan, and Unemployment Compensation Funds, all of which are considered major funds. Data from the other enterprise funds is aggregated into a single column on the fund statements. All internal service funds are aggregated into a single column on the fund statements. Individual fund data for all nonmajor proprietary funds is provided in the combining financial statements immediately following the required supplementary information.

- **Fiduciary funds** – These funds are used to account for resources held for the benefit of parties outside the government and use the full accrual basis of accounting in accordance with GASB Statement No. 84, *Fiduciary Activities*. Fiduciary funds are excluded from the government-wide financial statements because the resources of these funds are restricted and cannot be used to finance the Commonwealth's operations. The Commonwealth's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position beginning on page 64.

  The Commonwealth's fiduciary funds are the:

  - Private Purpose Trusts, which reports the activities for four separate funds and accounts for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments;
  - Pension and Other Employee Benefit Trusts, which reports the activities of nine separate pension and other employment retirement plans for employees;
  - Custodial Funds - External Investment Pool, which accounts for the activity of the external investment pool not meeting the GASB Statement No. 84 trust criteria; and,
  - Custodial Funds - Other, which accounts for 10 separate funds similar to Private Purpose Trust Funds except they do not have a trust that meets GASB Statement No. 84 criteria.

  Individual fund data for all fiduciary funds is provided in the combining financial statements immediately following the required supplementary information.

- **Component Units** – The government-wide financial statements report information for all component units aggregated in a single column. Information is provided separately in the component unit fund statements for the Virginia Housing Development Authority, Virginia Public School Authority, Virginia Resources Authority, and Virginia College Building Authority, all of which are considered major component units. Data from the other component units is aggregated into a single column on the fund statements. Individual fund data for all nonmajor component units is provided in the combining financial statements immediately following the required supplementary information.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit fund financial statements.

**Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles fund balances at June 30. It also includes information concerning net pension liability, other postemployment benefit liability plans, and employer contributions for pension and other postemployment benefit plans, as well as trend information for Commonwealth-managed risk pools.

**Other Information**

The combining statements referred to earlier in connection with nonmajor funds and component units can be found beginning on page 250 of this report. The individual fund information is aggregated into a single total on the combining financial statements, which carries forward to the fund financial statements.

## Government-wide Financial Analysis

The primary government's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $45.5 billion during the fiscal year. The net position of the governmental activities increased $2.8 billion, or 7.1 percent, primarily due to increases in cash and investments in the General Fund (major) and increases in capital assets, which were offset by increases in long-term liabilities outstanding. The General Fund is discussed further on page 34. Capital assets are discussed further on page 35, and long-term liabilities are discussed further on page 36. Business-type activities had an increase of $318.5 million, or 10.4 percent, primarily due to increases in the Virginia College Savings Plan (major) and the Unemployment Compensation Fund (major). See page 33 for additional information regarding the Virginia College Savings Plan and the Unemployment Compensation Fund. As discussed in Note 2, the government-wide beginning balance was restated for GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and the correction of prior year errors to arrive at a restated beginning balance of $42.4 billion.

**Figure 11**
**Net Position as of June 30, 2023 and 2022**
*(Dollars in Thousands)*

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 as restated | 2023 | 2022 | 2023 | 2022 as restated |
| Current and other assets | $ 42,436,188 | $ 41,216,598 | $ 5,661,482 | $ 5,469,814 | $ 48,097,670 | $ 46,686,412 |
| Capital assets | 39,557,651 | 36,432,609 | 556,966 | 340,820 | 40,114,617 | 36,773,429 |
| Total Assets | 81,993,839 | 77,649,207 | 6,218,448 | 5,810,634 | 88,212,287 | 83,459,841 |
| Deferred outflows of resources | 1,807,397 | 1,478,016 | 55,910 | 48,745 | 1,863,307 | 1,526,761 |
| Total assets and deferred outflows of resources | 83,801,236 | 79,127,223 | 6,274,358 | 5,859,379 | 90,075,594 | 84,986,602 |
| Long-term liabilities outstanding | 15,469,399 | 15,419,923 | 2,172,620 | 2,061,395 | 17,642,019 | 17,481,318 |
| Other liabilities | 16,516,647 | 16,975,376 | 687,696 | 656,829 | 17,204,343 | 17,632,205 |
| Total Liabilities | 31,986,046 | 32,395,299 | 2,860,316 | 2,718,224 | 34,846,362 | 35,113,523 |
| Deferred inflows of resources | 9,697,517 | 7,388,896 | 43,561 | 89,152 | 9,741,078 | 7,478,048 |
| Total liabilities and deferred inflows of resources | 41,683,563 | 39,784,195 | 2,903,877 | 2,807,376 | 44,587,440 | 42,591,571 |
| Net position: | | | | | | |
| Net investment in capital assets | 27,140,283 | 26,630,845 | 147,064 | 146,289 | 27,287,347 | 26,777,134 |
| Restricted | 5,314,619 | 5,093,065 | 1,503,800 | 1,416,339 | 6,818,419 | 6,509,404 |
| Unrestricted | 9,662,771 | 7,619,118 | 1,719,617 | 1,489,375 | 11,382,388 | 9,108,493 |
| Total net position | $ 42,117,673 | $ 39,343,028 | $ 3,370,481 | $ 3,052,003 | $ 45,488,154 | $ 42,395,031 |

The largest portion of the primary government's net position reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure, construction-in-progress, right-to-use intangible assets, and intangible assets including water rights, easements and software), less any related outstanding debt and deferred inflows of resources used to acquire those assets. These assets are recorded net of depreciation and amortization in the financial statements. The primary government uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the primary government's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (**Figure 11**).

An additional portion of the primary government's net position represents restricted net position. These resources are subject to external restrictions or constitutional provisions specifying how they may be used. The remaining balance of $11.4 billion is unrestricted net position (**Figure 11**). The significant increase in restricted net position is primarily due to the required constitutional deposit to the Revenue Stabilization Fund discussed in Note 5.

Approximately 47.5 percent of the primary government's total revenue came from taxes. While the primary government's expenses cover many services, the largest expenses are for individual and family services and education. General revenues normally fund governmental activities. For fiscal year 2023, program and general revenues exceeded governmental expenses by $1.7 billion. Program revenues exceeded expenses from business-type activities by $1.4 billion. The following condensed financial information (**Figure 12**) was derived from the Government-wide Statement of Activities and provides detail regarding the change in net position (see page 42).

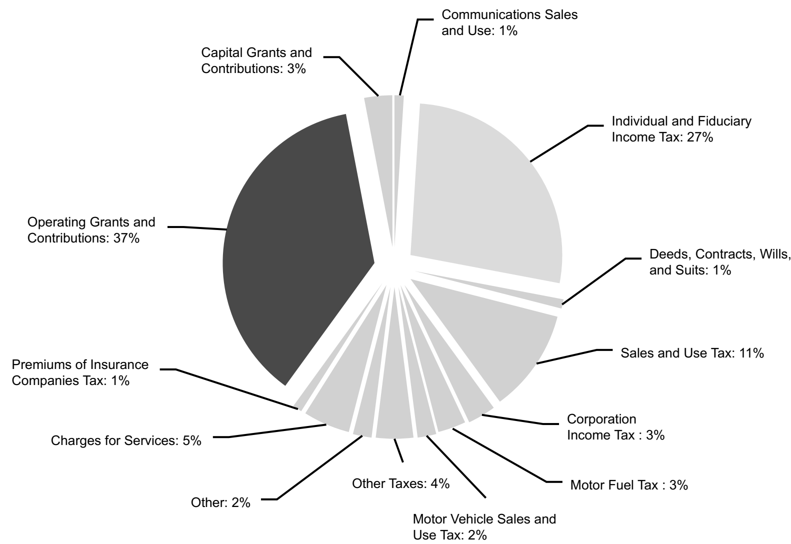
## Figure 12
## Changes in Net Position for the Fiscal Years Ended June 30, 2023 and 2022
*(Dollars in Thousands)*

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 as restated | 2023 | 2022 as restated | 2023 | 2022 as restated |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | $ 3,303,121 | $ 3,434,889 | $ 7,294,570 | $ 5,947,931 | $ 10,597,691 | $ 9,382,820 |
| Operating Grants and Contributions | 24,071,390 | 25,387,334 | 6,329 | 1,054,362 | 24,077,719 | 26,441,696 |
| Capital Grants and Contributions | 1,976,822 | 1,584,666 | — | 3,713 | 1,976,822 | 1,588,379 |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Individual and Fiduciary Income | 17,846,206 | 19,564,418 | — | — | 17,846,206 | 19,564,418 |
| Sales and Use | 7,416,977 | 7,447,659 | — | — | 7,416,977 | 7,447,659 |
| Corporation Income | 2,071,744 | 1,999,923 | — | — | 2,071,744 | 1,999,923 |
| Motor Fuel | 1,883,633 | 1,772,518 | — | — | 1,883,633 | 1,772,518 |
| Motor Vehicle Sales and Use | 1,217,555 | 1,214,463 | — | — | 1,217,555 | 1,214,463 |
| Communications Sales and Use | 290,356 | 301,108 | — | — | 290,356 | 301,108 |
| Deeds, Contracts, Wills, and Suits | 526,020 | 802,583 | — | — | 526,020 | 802,583 |
| Premiums of Insurance Companies | 664,322 | 612,317 | — | — | 664,322 | 612,317 |
| Alcoholic Beverage Sales | 238,693 | 227,552 | — | — | 238,693 | 227,552 |
| Tobacco Products | 247,239 | 276,056 | — | — | 247,239 | 276,056 |
| Estate | — | 27 | — | — | — | 27 |
| Public Service Corporations | 121,361 | 119,039 | — | — | 121,361 | 119,039 |
| Beer and Beverage Excise | 38,645 | 41,302 | — | — | 38,645 | 41,302 |
| Wine and Spirits/ABC Liter | 32,070 | 33,121 | — | — | 32,070 | 33,121 |
| Bank Stock | 31,010 | 37,481 | — | — | 31,010 | 37,481 |
| Other Taxes | 1,731,292 | 1,352,900 | 9,142 | 9,142 | 1,740,434 | 1,362,042 |
| Unrestricted Grants and Contributions | 60,461 | 63,736 | — | — | 60,461 | 63,736 |
| Investment Earnings | 735,374 | (538,448) | 4,020 | 249 | 739,394 | (538,199) |
| Miscellaneous | 555,583 | 749,323 | 606 | 16,043 | 556,189 | 765,366 |
| Total Revenues | 65,059,874 | 66,483,967 | 7,314,667 | 7,031,440 | 72,374,541 | 73,515,407 |
| Expenses: | | | | | | |
| General Government | 3,674,160 | 3,747,319 | — | — | 3,674,160 | 3,747,319 |
| Education | 16,864,567 | 14,981,955 | — | — | 16,864,567 | 14,981,955 |
| Transportation | 6,915,970 | 6,569,333 | — | — | 6,915,970 | 6,569,333 |
| Resources and Economic Development | 1,748,899 | 1,633,558 | — | — | 1,748,899 | 1,633,558 |
| Individual and Family Services | 30,182,322 | 29,496,374 | — | — | 30,182,322 | 29,496,374 |
| Administration of Justice | 3,711,500 | 3,221,895 | — | — | 3,711,500 | 3,221,895 |
| Interest and Charges on Long-term Debt | 309,967 | 288,246 | — | — | 309,967 | 288,246 |
| Virginia Lottery | — | — | 3,736,692 | 2,950,964 | 3,736,692 | 2,950,964 |
| Virginia College Savings Plan | — | — | 220,775 | 122,969 | 220,775 | 122,969 |
| Unemployment Compensation | — | — | 191,441 | 170,269 | 191,441 | 170,269 |
| Alcoholic Beverage Control | — | — | 1,021,781 | 927,850 | 1,021,781 | 927,850 |
| Risk Management | — | — | 5,869 | 12,472 | 5,869 | 12,472 |
| Local Choice Health Care | — | — | 524,575 | 477,953 | 524,575 | 477,953 |
| Line of Duty | — | — | 23,482 | 17,519 | 23,482 | 17,519 |
| Advantage Vanpool Self Insurance Fund | — | — | 183 | 98 | 183 | 98 |
| Virginia Industries for the Blind | — | — | 44,676 | 43,221 | 44,676 | 43,221 |
| Consolidated Laboratory | — | — | 13,791 | 13,763 | 13,791 | 13,763 |
| eVA Procurement System | — | — | 19,430 | 21,424 | 19,430 | 21,424 |
| Department of Environmental Quality Title V | — | — | 11,809 | 10,636 | 11,809 | 10,636 |
| Wireless E-911 | — | — | 51,132 | 58,021 | 51,132 | 58,021 |
| Museum and Library Gift Shops | — | — | 8,125 | 7,390 | 8,125 | 7,390 |
| Behavioral Health Canteen and Work Activity | — | — | 272 | 271 | 272 | 271 |
| Total Expenses | 63,407,385 | 59,938,680 | 5,874,033 | 4,834,820 | 69,281,418 | 64,773,500 |
| Excess before transfers | 1,652,489 | 6,545,287 | 1,440,634 | 2,196,620 | 3,093,123 | 8,741,907 |
| Transfers | 1,122,156 | 1,076,426 | (1,122,156) | (1,076,426) | — | — |
| Increase in net position | 2,774,645 | 7,621,713 | 318,478 | 1,120,194 | 3,093,123 | 8,741,907 |
| Net position, July 1, as restated | 39,343,028 | 31,721,315 | 3,052,003 | 1,931,809 | 42,395,031 | 33,653,124 |
| Net position, June 30 | $ 42,117,673 | $ 39,343,028 | $ 3,370,481 | $ 3,052,003 | $ 45,488,154 | $ 42,395,031 |

**Governmental Activities Revenues**

**Figure 13** is a graphical representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues decreased by $1.4 billion, or 2.1 percent. The net decrease is mainly attributable to decreases in the Commonwealth Transportation fund and Federal Trust Fund (see page 35), which were offset by large increases associated with long-term debt and capital assets, which is discussed on pages 35 and 36.

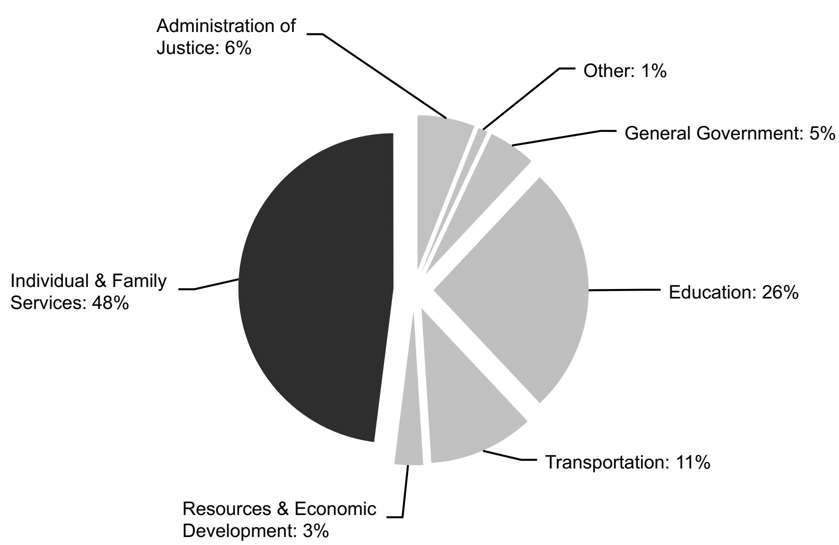
**Figure 13**
**Revenues by Source – Governmental Activities**
**Fiscal Year 2023**




**Governmental Activities Expenses**

**Figure 14** is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by $3.5 billion, or 5.8 percent. While there were increases in multiple expense types, the largest increase was in Individual and Family Services. See pages 34 and 35 for additional information.

**Figure 14**
**Expenses by Type – Governmental Activities**
**Fiscal Year 2023**



**Net Position of Business-type Activities**

Net position of business-type activities increased by $318.5 million during the fiscal year. As shown in **Figure 15**, highlights of the changes in net position for the major enterprise funds were as follows:

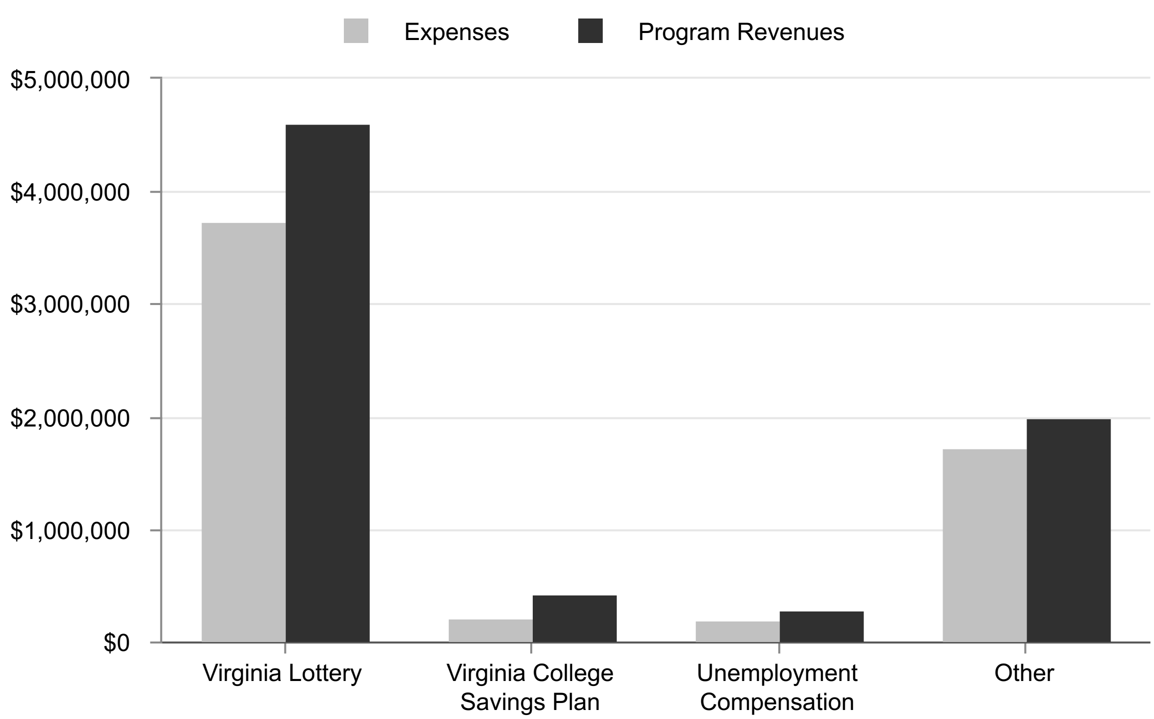
- Lottery sales were $4.6 billion, an increase of $859.4 million over the prior year. Income before transfers was $882.6 million, an increase of $80.6 million (10.0 percent) from fiscal year 2022. Sales of scratch games decreased by $43.4 million (3.3 percent) and non-scratch game sales increased by $902.8 million (37.2 percent). Total expenses also increased by $783.0 million (26.5 percent), primarily attributable to the cost of prizes.

- Virginia College Savings Plan's net position increased by $201.3 million (13.8 percent) during the fiscal year as a result of total revenues exceeding incurred expenses. While Prepaid529 is closed to new participants, existing customers are still being serviced. Additionally, the Tuition Track Portfolio activity grew during fiscal year 2023 and is expected to continue growing in future years. However, the current year change was not significant to the total fund change. During the fiscal year, the majority of the net position increase is attributed to the long-term investment gains as compared to a significant decrease in the previous year.

- Unemployment Compensation Fund net position increased by $86.6 million during fiscal year 2023, as a result of operating revenues exceeding benefits paid.

  Over the one-year period from July 1, 2022, to June 30, 2023, the unemployment rate average was 2.9 percent. There were approximately 132,697 less initial unemployment claims filed than in the previous year but the average benefit duration increased from 7.1 weeks to 19.9 weeks. Additionally, there was an increase in the average weekly benefit amounts from approximately $326.2 to $341.4 in fiscal year 2023. These multiple influences led to an increase in the total benefit payments of $21.2 million over the prior year.

**Figure 15**
**Business-type Activities**
**Program Revenues and Expenses**
**Fiscal Year 2023**
**(Dollars in Thousands)**



**Fund Statements Financial Analysis**

As of the end of the fiscal year, the primary government's governmental funds reported combined ending fund balances of $22.2 billion. The fund balance includes nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending.

**General Fund Highlights**

At the end of the fiscal year, the General Fund reported a combined ending fund balance of $12.5 billion, an increase of $838.1 million in comparison with the prior year. Of this total fund balance, $163.0 million represents nonspendable fund balance, $2.8 billion represents restricted fund balance, $7.7 billion represents committed fund balance, and $1.8 billion represents assigned fund balance.

Fiscal year 2023 General Fund revenues were 2.7 percent, or $799.9 million, lower than fiscal year 2022 revenues. This revenue change was due primarily to an overall decrease in taxes collected of $1.9 billion, which was primarily attributable to the dramatic decrease of realizations of capital gains reported within individual and fiduciary income taxes. This was offset by an increase in interest, dividends, and rents of $1.0 billion which was due to overall market interest rates.

Fiscal year 2023 expenditures increased by 12.4 percent, or $3.1 billion, when compared to fiscal year 2022. While all expenditures categories increased during fiscal year 2023, the largest increases were primarily attributable to education and individual and family services expenditures of $1.3 billion and $1.1 billion, respectively. Net other financing sources and uses increased by $200.4 million, which is primarily due to higher transfers in from other funds and decreased transfers to other funds coupled with issuances of long-term subscription-based information technology arrangements (SBITAs) issued.

**Budget Highlights**

The General Fund began the year with an original revenue budget that was $2.1 billion, or 7.4 percent, lower than the final fiscal year 2022 revenue budget. Additionally, the final revenue budget was higher ($3.8 million) than the original budget. The change between the original and final budget was primarily attributable to increases in the final budget for sales of property and commodities ($4.0 million). Total actual General Fund revenues were higher than final budgeted revenues by $3.2 billion primarily due to individual and fiduciary income taxes ($2.3 billion), interest, dividends, and rents ($340.3 million), corporation income ($294.1 million) and sales and use taxes ($286.8 million) which were offset by decreases in deeds, contracts, wills, and suits ($171.6 million).

Total final budget expenditures were higher than original budget expenditures by $2.3 billion, or 7.8 percent. This change between the original and final budget was primarily attributable to increases of budgeted expenditures for education of $751.6 million, capital outlay of $725.9 million, individual and family services of $326.0 million and administration of justice of $226.6 million. This was offset by decreases for general government of $91.1 million.

The Commonwealth spent less than planned so actual expenditures were $3.6 billion, or 11.1 percent, lower than final budget expenditures. This was primarily attributable to education ($1.0 billion), capital outlay ($705.4 million), resources and economic development ($626.5 million), individual and family services ($386.7 million), and general government ($366.9 million).

**Budget Outlook**

For the second straight year, Virginia experienced economic growth in its recovery from the effects of the COVID-19 pandemic. The rise in interest rates aided in lowering inflation. Employment rates continued to rise, and real person income increased during the fiscal year. The state's unemployment rate showed a slight decline due to a surge of workers returning to the labor market. Some state economic activity measures, such as real taxable sales and residential building permits, declined, however. The climb in mortgage interest rates hampered Virginia home sales and building permit issuance, but resulted in continued home price appreciation, as homeowners showed reluctance to move into new homes with less affordable mortgages. During fiscal year 2023, the two General Fund revenue sources most closely tied to current economic activity - individual income taxes and retail sales taxes - experienced net decreases when compared to 2022. Individual income taxes decreased by $1.4 billion, which was offset by Retail sales taxes, increasing by $176.5 million. The individual income tax collections were more than the estimated revenue by $2.3 billion (13.5 percent), and the retail sales taxes were more than the estimated revenue by $236.7 million (5.3 percent).

The fiscal year 2023 revenue collections exceeded the fiscal year 2023 collections estimate and decreased from the fiscal year 2022 collections. Based on the most recent General Fund revenue estimate, the fiscal year 2024 revenue is projected to decrease by 5.5 percent when compared to the fiscal year 2023 revenue collections. This projected planned decrease is primarily a result of the economic uncertainty arising from the expected shallow recession. The Governor will release his amendments to the 2023-2024 biennial budget on December 20, 2023.

**Major Special Revenue Fund Highlights**

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of $5.3 billion. Approximately $5.7 billion is contractually committed for various highways, public transportation, and rail preservation projects; $951.6 million for individual contracts awarded with a contract value of $1.0 million or more for operational and tolling services, facilities, and other non-highway construction-type contracts (see Note 22). Additionally, revenues increased $267.4 million, or 3.2 percent, and expenditures increased $89.9 million, or 1.2 percent. The revenue increase was primarily due to increases in federal income of $218.7 million, or 18.3 percent, interest income of $114.7 million, or 575.2 percent, and tax collections of $82.1 million, or 1.5 percent, offset by a decrease in receipts from localities of $200.8 million, or 29.7 percent. Expenditures increased mainly for highway maintenance, acquisition, and construction for $35.9 million and general government for $21.2 million.

The Federal Trust Fund balance decreased by $146.3 million, or 41.2 percent during the current year. The change is primarily due to a decrease in non-reimbursement based grants relating to low-income home energy assistance, child care and development as well as emergency rental assistance. This is offset by an increase in the temporary assistance for needy families grant. The remaining difference is distributed over many other federal grant programs. In addition, the Federal Grants and Contracts revenue decreased by $1.7 billion, or 6.9 percent due to non-reimbursement based grants as discussed previously and Medicaid funding. Expenditures decreased by $1.5 billion, or 5.9 percent primarily due to Unemployment spending, which was offset by increased Medicaid spending. Net other financing sources and uses experienced an increase of $17.6 million, or 233.1 percent, primarily attributable to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which was offset by higher transfers out to other funds.

The Literary Fund ending balance increased by $187.5 million, or 131.1 percent. The change is primarily due to transfers from unclaimed property and lottery for $251.0 million, which were offset by transfers out to the general fund of $50.0 million for the construction, expansion or renovation of public school buildings in the local school divisions. Expenditures exceeded net receipts by only $13.5 million in fiscal year 2023, which is $31.1 million less than fiscal year 2022. Additionally, loans of $191.8 million owed to the Virginia Public School Authority (major component unit) increased by $3.3 million, or 1.8 percent.

**Capital Asset and Long-term Debt**

**Capital Assets.** The primary government's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to $40.1 billion (net of accumulated depreciation and amortization totaling $19.6 billion). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, construction-in-progress, and intangible assets including water rights, easements, and software, as well as intangible right-to-use assets. Infrastructure assets are items that are normally immovable such as roads, bridges, drainage systems, and other similar assets. The increase in the primary government's net investment in capital assets was primarily attributable to the addition of infrastructure of $3.2 billion. The primary government reports equipment with a value of $50,000 or greater and an expected useful life of two or more years. The primary government capitalizes all land, buildings, infrastructure, and non right-to-use intangible assets that have a cost or value greater than $100,000, and an expected useful life of two or more years. In addition, the primary government reports right-to-use intangible assets of equipment, land, and buildings with a present value of $50,000 or greater, subscription-based information technology arrangements with a present value of $5,000 or greater and an expected useful life of greater than one year. Additional information on the primary government's capital assets can be found in Note 14, Capital Assets.

**Figure 16**
**Capital Assets as of June 30, 2023**
**(Net of Depreciation and Amortization)**
*(Dollars in Thousands)*

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| Land | $ 3,984,551 | $ 11,033 | $ 3,995,584 |
| Buildings | 2,657,090 | 57,888 | 2,714,978 |
| Equipment | 545,979 | 40,460 | 586,439 |
| Water Rights/Easements | 122,458 | — | 122,458 |
| Infrastructure | 26,824,246 | — | 26,824,246 |
| Intangible Assets | 511,464 | 22,124 | 533,588 |
| Right-to-Use Intangible Assets | 591,184 | 407,286 | 998,470 |
| Construction-in-Progress | 4,320,679 | 18,175 | 4,338,854 |
| Total | $ 39,557,651 | $ 556,966 | $ 40,114,617 |

**Long-term Debt.** The Commonwealth is prohibited from issuing general obligation bonds for operating purposes. At the end of the current fiscal year, the Commonwealth had total debt outstanding of $55.4 billion, including total tax-supported debt of $22.6 billion and total debt not supported by taxes of $32.8 billion. Bonds backed by the full faith and credit of the government and tax-supported total $1.1 billion. Debt is considered tax-supported if Commonwealth tax revenues are used or pledged for debt service payments. An additional $906.8 million is considered moral obligation debt which is not tax-supported. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies in debt service reserves that may occur. The remainder of the Commonwealth's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During fiscal year 2023, the Commonwealth issued $4.7 billion of new debt for various projects. Of this new debt, $1.6 billion was for the primary government and $3.1 billion for the component units. In addition, long-term liability balances for primary government and component units increased due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Additional information on the Commonwealth's outstanding debt can be found in Note 28, Long-Term Liabilities, as well as in the Debt Schedules beginning on page 316. The Commonwealth maintains a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service, S & P Global Ratings, and Fitch Ratings.

State statutes limit the amount of general obligation debt the Commonwealth may issue for each specific type of debt. The 9(a) bonds, which may be issued to fund the defense of the Commonwealth, to meet casual deficits in revenue or in anticipation of the collection of revenues, or to redeem previous debt obligations, are limited to 30.0 percent of 1.15 times the annual tax revenues for fiscal year 2023. The 9(b) bonds, which have been authorized by the citizens of Virginia through bond referenda to finance capital projects, are limited to 1.15 times the average of selected tax revenues for fiscal years 2021, 2022, and 2023. The 9(c) bonds, which have been issued to finance capital projects that will generate revenue upon their completion, are limited to 1.15 times the average of selected tax revenues for fiscal years 2021, 2022, and 2023. The current debt limitation for the Commonwealth is shown below for the 9(a), 9(b), and 9(c) general obligation bond issues. These limits significantly exceed the Commonwealth's outstanding general obligation debt.

**Figure 17**
**Debt Issuance Margin and Outstanding Debt as of June 30, 2023**
**General Obligation Bonds**
*(Dollars in Thousands)*

| | | Outstanding Debt | | | |
|---|---|---|---|---|---|
| | | Primary Government | | | |
| | Debt Issuance Margin | Governmental Activities | Business-type Activities | Total | Component Units |
| General obligation bonds | | | | | |
| 9(a) | $ 9,437,421 | $ — | $ — | $ — | $ — |
| 9(b) | 29,428,041 | 173,122 | — | 173,122 | — |
| 9(c) | 28,655,668 | 4,646 | — | 4,646 | 940,849 |
| Total | | $ 177,768 | $ — | $ 177,768 | $ 940,849 |

**Economic Factors and Review**

Virginia's economy continued its path of employment growth in fiscal year 2023, although the rate of increase at 2.7 percent represented a slowing from the 3.3 percent the year before. Real personal incomes increased by 0.8 percent, due in large part to the role of the increase in real wages and salaries. Other economic metrics were not as favorable. Real taxable sales decreased by 0.5 percent, likely a result of spending adjustments made by consumers to make up for the results of the pandemic. Virginia housing market activity reflected the effects of rising mortgage interest rates. Existing home sales plunged, and residential building permit issuance decreased. Although housing price appreciation slowed, prices were still higher because of limited housing inventories caused by many homeowners' reluctance to put their homes up for sale when prospects for finding affordable homes elsewhere were bleak. By the end of fiscal year 2023, the nation's economy had largely met or exceeded pre-pandemic levels on many economic indicators. Economic activity is expected to slow further or even decrease in the next fiscal year as the Federal Reserve possibly raises rates further and/or extends the duration of higher rates to bring inflation under control.

**Requests for Information**

This financial report is designed to provide a general overview of the Commonwealth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State Comptroller's Office, Commonwealth of Virginia, P. O. Box 1971, Richmond, Virginia 23218. This report is also available for download at www.doa.virginia.gov.

The Commonwealth's component units issue their own separate financial statements. Contact information regarding each component unit is provided in Note 1.B.

# Government-wide Financial Statements

## Statement of Net Position

June 30, 2023
(Dollars in Thousands)

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **Assets and Deferred Outflows of Resources** | | | | |
| Cash and Cash Equivalents (Notes 1 and 8) | $ 14,187,909 | $ 2,319,955 | $ 16,507,864 | $ 4,842,531 |
| Investments (Notes 1 and 8) | 15,407,050 | 2,843,363 | 18,250,413 | 17,545,792 |
| Assets Held Pending Distribution (Note 1) | 4,461 | 198,129 | 202,590 | — |
| Receivables, Net (Notes 1 and 9) | 9,489,599 | 330,937 | 9,820,536 | 2,558,227 |
| Contributions Receivable, Net (Notes 1 and 10) | — | — | — | 532,559 |
| Internal Balances (Note 1) | 157,239 | (157,239) | — | — |
| Due from Primary Government (Note 11) | — | — | — | 678,086 |
| Due from Component Units (Note 11) | 30,824 | — | 30,824 | 144,539 |
| Due from External Parties (Fiduciary Funds) (Note 11) | 567 | — | 567 | — |
| Inventory (Note 1) | 291,014 | 112,236 | 403,250 | 212,050 |
| Prepaid Items (Note 1) | 138,073 | 5,481 | 143,554 | 205,644 |
| Other Assets (Notes 1 and 12) | 5,133 | 458 | 5,591 | 242,597 |
| Loans Receivable from Primary Government (Notes 1 and 11) | — | — | — | 191,765 |
| Restricted Cash and Cash Equivalents (Notes 8 and 13) | 1,896,230 | — | 1,896,230 | 4,455,193 |
| Restricted Investments (Notes 8 and 13) | 652,554 | — | 652,554 | 9,072,948 |
| Restricted Receivables, Net (Note 13) | — | — | — | 15,130,166 |
| Other Restricted Assets (Note 13) | 175,535 | 8,162 | 183,697 | 519,206 |
| Nondepreciable Capital Assets (Notes 1 and 14) | 9,735,908 | 29,208 | 9,765,116 | 4,895,968 |
| Other Capital Assets, Net (Notes 1 and 14) | 29,821,743 | 527,758 | 30,349,501 | 25,122,294 |
| Total Assets | 81,993,839 | 6,218,448 | 88,212,287 | 86,349,565 |
| **Deferred Outflows of Resources (Notes 1, 15, 16, 17, and 19)** | 1,807,397 | 55,910 | 1,863,307 | 916,875 |
| Total Assets and Deferred Outflows of Resources | $ 83,801,236 | $ 6,274,358 | $ 90,075,594 | $ 87,266,440 |
| **Liabilities and Deferred Inflows of Resources** | | | | |
| Accounts Payable (Notes 1 and 26) | 1,974,119 | 148,828 | 2,122,947 | 1,903,065 |
| Amounts Due to Other Governments | 2,414,394 | 76,800 | 2,491,194 | 141,717 |
| Due to Primary Government (Note 11) | — | — | — | 30,824 |
| Due to Component Units (Note 11) | 678,086 | — | 678,086 | 144,539 |
| Due to External Parties (Fiduciary Funds) (Note 11) | 40,040 | 1,562 | 41,602 | 41,017 |
| Unearned Revenue (Note 1) | 2,761,977 | 9,420 | 2,771,397 | 674,853 |
| Obligations Under Securities Lending (Notes 1 and 8) | 2,704,583 | 90,372 | 2,794,955 | 124,349 |
| Due to Claimants, Participants, Escrows and Providers (Note 1) | 384,099 | 121,557 | 505,656 | — |
| Other Liabilities (Notes 1, 16, and 27) | 4,878,415 | 146,288 | 5,024,703 | 1,887,106 |
| Loans Payable to Component Units (Notes 1 and 11) | 191,765 | — | 191,765 | — |
| Claims Payable (Notes 1 and 25): | | | | |
| Due Within One Year | 162,887 | 61,820 | 224,707 | 17,836 |
| Due in More Than One Year | 326,282 | 31,049 | 357,331 | 35,375 |
| Long-term Liabilities (Notes 1, 23, 24, and 28): | | | | |
| Due Within One Year | 846,474 | 246,811 | 1,093,285 | 2,265,565 |
| Due in More Than One Year | 14,622,925 | 1,925,809 | 16,548,734 | 35,524,125 |
| Total Liabilities | 31,986,046 | 2,860,316 | 34,846,362 | 42,790,371 |
| **Deferred Inflows of Resources (Notes 1, 15, 16, 17, 19, and 39)** | 9,697,517 | 43,561 | 9,741,078 | 1,383,033 |
| Total Liabilities and Deferred Inflows of Resources | $ 41,683,563 | $ 2,903,877 | $ 44,587,440 | $ 44,173,404 |

The accompanying notes are an integral part of this financial statement.

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 27,140,283 | 147,064 | 27,287,347 | 15,990,595 |
| Restricted For: | | | | |
| Nonexpendable: | | | | |
| Higher Education | — | — | — | 5,941,771 |
| Permanent Funds | 46,462 | — | 46,462 | — |
| Other | — | — | — | 183,970 |
| Expendable: | | | | |
| Agriculture and Forestry | 11,379 | — | 11,379 | — |
| Bond Indenture | — | — | — | 3,326,942 |
| Capital Projects/Construction/Capital Acquisition | 13,213 | — | 13,213 | 2,477,336 |
| Contract and Debt Administration | 8,271 | — | 8,271 | — |
| COVID-19 | 15,294 | — | 15,294 | — |
| Debt Service | 91,444 | — | 91,444 | 220,507 |
| Economic and Technological Development | 127 | — | 127 | — |
| Educational and Training Programs | 5,144 | — | 5,144 | — |
| Employee Benefit Administration | 12,176 | — | 12,176 | — |
| Environmental Quality and Natural Resource Preservation | 15,729 | — | 15,729 | — |
| Gifts and Grants | 151,483 | — | 151,483 | 220,283 |
| Health and Public Safety | 91,821 | — | 91,821 | — |
| Higher Education | — | — | — | 10,202,255 |
| Literary Fund | 356,001 | — | 356,001 | — |
| Lottery Proceeds Fund | 104,102 | — | 104,102 | — |
| Net Other Postemployment Benefit - Virginia Sickness and Disability Program | 173,713 | 7,071 | 180,784 | 110,733 |
| Permanent Funds | 2,163 | — | 2,163 | — |
| Revenue Stabilization Fund | 2,686,657 | — | 2,686,657 | — |
| Transportation Activities | 1,472,544 | — | 1,472,544 | — |
| Unclaimed and Escheats | 48,821 | — | 48,821 | — |
| Unemployment Compensation Trust Fund | — | 1,496,729 | 1,496,729 | — |
| Virginia Pooled Investment Program | — | — | — | 7,888 |
| Virginia Water Supply Assistance Grant Fund | 5,702 | — | 5,702 | — |
| Other | 2,373 | — | 2,373 | 66,806 |
| Unrestricted | 9,662,771 | 1,719,617 | 11,382,388 | 4,343,950 |
| Total Net Position | $ 42,117,673 | $ 3,370,481 | $ 45,488,154 | $ 43,093,036 |

## Statement of Activities

For the Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

| | | Program Revenues | | |
|---|---|---|---|---|
| | Expenses | Charges for Services (Note 1) | Operating Grants and Contributions | Capital Grants and Contributions |
| **Functions/Programs** | | | | |
| **Primary Government** | | | | |
| Governmental Activities | | | | |
| General Government | $ 3,674,160 | $ 321,518 | $ 361,179 | $ 22,522 |
| Education | 16,864,567 | 719,014 | 2,600,038 | 2,759 |
| Transportation | 6,915,970 | 891,871 | 96,176 | 1,939,096 |
| Resources and Economic Development | 1,748,899 | 764,609 | 293,980 | 8,140 |
| Individual and Family Services | 30,182,322 | 342,525 | 20,569,549 | 4,305 |
| Administration of Justice | 3,711,500 | 263,584 | 150,468 | — |
| Interest and Charges on Long-term Debt | 309,967 | — | — | — |
| Total Governmental Activities | 63,407,385 | 3,303,121 | 24,071,390 | 1,976,822 |
| | | | | |
| Business-type Activities | | | | |
| Virginia Lottery | 3,736,692 | 4,612,793 | 1,097 | — |
| Virginia College Savings Plan | 220,775 | 421,721 | 544 | — |
| Unemployment Compensation | 191,441 | 277,951 | — | — |
| Alcoholic Beverage Control | 1,021,781 | 1,232,096 | 3,866 | — |
| Risk Management | 5,869 | 15,741 | 31 | — |
| Local Choice Health Care | 524,575 | 526,817 | 50 | — |
| Line of Duty | 23,482 | 21,730 | — | — |
| Advantage Vanpool Self Insurance Fund | 183 | 526 | — | — |
| Virginia Industries for the Blind | 44,676 | 42,080 | 117 | — |
| Consolidated Laboratory | 13,791 | 15,891 | 141 | — |
| eVA Procurement System | 19,430 | 31,104 | 86 | — |
| Department of Environmental Quality Title V | 11,809 | 11,874 | 275 | — |
| Wireless E-911 | 51,132 | 75,799 | 42 | — |
| Museum and Library Gift Shops | 8,125 | 8,132 | 80 | — |
| Behavioral Health Canteen and Work Activity | 272 | 315 | — | — |
| Total Business-type Activities | 5,874,033 | 7,294,570 | 6,329 | — |
| | | | | |
| Total Primary Government | $ 69,281,418 | $ 10,597,691 | $ 24,077,719 | $ 1,976,822 |
| | | | | |
| **Component Units** | | | | |
| Virginia Housing Development Authority | $ 590,456 | $ 370,601 | $ 239,265 | $ — |
| Virginia Public School Authority | 137,212 | 132,289 | 7,180 | — |
| Virginia Resources Authority | 117,882 | 102,526 | 26,090 | 201,527 |
| Virginia College Building Authority | 849,482 | 47,017 | 38,124 | 8,044 |
| Nonmajor | 19,952,579 | 12,892,972 | 3,564,069 | 1,766,564 |
| Total Component Units | $ 21,647,611 | $ 13,545,405 | $ 3,874,728 | $ 1,976,135 |

The accompanying notes are an integral part of this financial statement.

| Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| $ (2,968,941) | $ — | $ (2,968,941) | $ — |
| (13,542,756) | — | (13,542,756) | — |
| (3,988,827) | — | (3,988,827) | — |
| (682,170) | — | (682,170) | — |
| (9,265,943) | — | (9,265,943) | — |
| (3,297,448) | — | (3,297,448) | — |
| (309,967) | — | (309,967) | — |
| (34,056,052) | — | (34,056,052) | — |
| | | | |
| — | 877,198 | 877,198 | — |
| — | 201,490 | 201,490 | — |
| — | 86,510 | 86,510 | — |
| — | 214,181 | 214,181 | — |
| — | 9,903 | 9,903 | — |
| — | 2,292 | 2,292 | — |
| — | (1,752) | (1,752) | — |
| — | 343 | 343 | — |
| — | (2,479) | (2,479) | — |
| — | 2,241 | 2,241 | — |
| — | 11,760 | 11,760 | — |
| — | 340 | 340 | — |
| — | 24,709 | 24,709 | — |
| — | 87 | 87 | — |
| — | 43 | 43 | — |
| — | 1,426,866 | 1,426,866 | — |
| | | | |
| (34,056,052) | 1,426,866 | (32,629,186) | — |
| | | | |
| $ — | $ — | $ — | $ 19,410 |
| — | — | — | 2,257 |
| — | — | — | 212,261 |
| — | — | — | (756,297) |
| — | — | — | (1,728,974) |
| — | — | — | (2,251,343) |

*Continued on next page*

**Statement of Activities** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | Net (Expense) Revenue and Changes in Net Position | | | |
|---|---|---|---|---|
| | Primary Government | | | |
| | Governmental Activities | Business-type Activities | Total | Component Units |
| General Revenues | | | | |
| Taxes | | | | |
| Individual and Fiduciary Income | $ 17,846,206 | $ — | $ 17,846,206 | $ — |
| Sales and Use | 7,416,977 | — | 7,416,977 | — |
| Corporation Income | 2,071,744 | — | 2,071,744 | — |
| Motor Fuel | 1,883,633 | — | 1,883,633 | — |
| Motor Vehicle Sales and Use | 1,217,555 | — | 1,217,555 | — |
| Communications Sales and Use | 290,356 | — | 290,356 | — |
| Deeds, Contracts, Wills, and Suits | 526,020 | — | 526,020 | — |
| Premiums of Insurance Companies | 664,322 | — | 664,322 | — |
| Alcoholic Beverage Sales | 238,693 | — | 238,693 | — |
| Tobacco Products | 247,239 | — | 247,239 | — |
| Public Service Corporations | 121,361 | — | 121,361 | — |
| Beer and Beverage Excise | 38,645 | — | 38,645 | — |
| Wine and Spirits/ABC Liter | 32,070 | — | 32,070 | — |
| Bank Stock | 31,010 | — | 31,010 | — |
| Other Taxes | 1,731,292 | 9,142 | 1,740,434 | — |
| Operating Appropriations from Primary Government | — | — | — | 3,697,078 |
| Unrestricted Grants and Contributions | 60,461 | — | 60,461 | 327,889 |
| Investment Earnings (Note 1) | 735,374 | 4,020 | 739,394 | 581,156 |
| Miscellaneous | 555,583 | 606 | 556,189 | 298,332 |
| Transfers | 1,122,156 | (1,122,156) | — | — |
| Contributions to Permanent and Term Endowments | — | — | — | 334,399 |
| Total General Revenues, Transfers, and Contributions | 36,830,697 | (1,108,388) | 35,722,309 | 5,238,854 |
| Change in Net Position | 2,774,645 | 318,478 | 3,093,123 | 2,987,511 |
| Net Position, July 1, as restated (Note 2) | 39,343,028 | 3,052,003 | 42,395,031 | 40,105,525 |
| Net Position, June 30 | $ 42,117,673 | $ 3,370,481 | $ 45,488,154 | $ 43,093,036 |

The accompanying notes are an integral part of this financial statement.

# Governmental Funds

**General Fund**

The General Fund accounts for transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

**Special Revenue Funds**

*Special Revenue Funds account for specific revenue sources that are restricted or committed to finance particular functions and activities of the Commonwealth.*

**The Commonwealth Transportation Fund** accounts for the revenues and expenditures associated with highway operations, maintenance, construction, and other transportation related activities. Funding for these programs is provided from highway user taxes, fees, and funds received from the federal government.

**The Federal Trust Fund** accounts for all federal dollars, including the COVID-19 funding, received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, certain Medicaid reimbursements recorded in the General Fund, the Grant Anticipation Revenue Notes and Build America Bond Subsidies reported in the Debt Service Fund, and institutions of higher education. The entire fund is restricted pursuant to federal regulations.

**The Literary Fund** accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings. The entire fund is constitutionally restricted for public schools.

**Nonmajor Governmental Funds** include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 249 in the Combining and Individual Fund Statements and Schedules section of this report.

## Balance Sheet - Governmental Funds

June 30, 2023

(Dollars in Thousands)

| | | Special Revenue | | |
|---|---|---|---|---|
| | General | Commonwealth Transportation | Federal Trust | Literary |
| **Assets and Deferred Outflows of Resources** | | | | |
| Cash and Cash Equivalents (Notes 1 and 8) | $ 1,986,383 | $ 6,108,502 | $ 2,512,159 | $ 524,181 |
| Investments (Notes 1 and 8) | 15,101,018 | — | 26,206 | — |
| Assets Held Pending Distribution (Note 1) | — | 229 | — | — |
| Receivables, Net (Notes 1 and 9) | 3,371,865 | 2,590,933 | 2,797,389 | 79,256 |
| Due from Other Funds (Note 11) | 103,179 | 112,480 | 220 | 1,000 |
| Due from External Parties (Fiduciary Funds) (Note 11) | 112 | — | — | — |
| Interfund Receivable (Note 11) | — | — | — | — |
| Inventory (Note 1) | 49,985 | 114,707 | 96,552 | — |
| Prepaid Items (Note 1) | 113,058 | 1,081 | 4,158 | — |
| Other Assets (Notes 1 and 12) | 1,819 | 281 | 2,362 | — |
| Restricted Cash and Cash Equivalents (Notes 8 and 13) | — | 387,011 | — | — |
| Total Assets | 20,727,419 | 9,315,224 | 5,439,046 | 604,437 |
| **Deferred Outflows of Resources (Notes 1 and 15)** | 203 | — | — | — |
| Total Assets and Deferred Outflows of Resources | $ 20,727,622 | $ 9,315,224 | $ 5,439,046 | $ 604,437 |
| **Liabilities, Deferred Inflows of Resources, and Fund Balances** | | | | |
| Accounts Payable (Notes 1 and 26) | $ 961,513 | $ 469,047 | $ 169,295 | $ — |
| Amounts Due to Other Governments | 518,643 | 225,216 | 1,124,465 | — |
| Due to Other Funds (Note 11) | 48,271 | 76,148 | 18,925 | — |
| Due to Component Units (Note 11) | 29,361 | 28,454 | 924 | — |
| Due to External Parties (Fiduciary Funds) (Note 11) | 26,016 | 6,743 | 3,571 | — |
| Interfund Payable (Note 11) | 6,000 | 4,700 | 68,556 | — |
| Unearned Revenue (Note 1) | — | 196,283 | 2,222,754 | — |
| Unearned Taxes (Note 1) | 238,888 | — | — | — |
| Obligations Under Securities Lending Program (Notes 1 and 8) | 1,981,898 | 461,410 | 6,398 | 56,671 |
| Due to Claimants, Participants, Escrows and Providers (Note 1) | — | — | 5,802 | — |
| Other Liabilities (Notes 1 and 27) | 2,939,985 | 33,061 | 1,266,493 | — |
| Loans Payable to Component Units (Notes 1 and 11) | — | — | — | 191,765 |
| Long-term Liabilities Due Within One Year (Notes 1, 23, and 28) | 985 | 449 | 197 | — |
| Total Liabilities | 6,751,560 | 1,501,511 | 4,887,380 | 248,436 |
| **Deferred Inflows of Resources (Notes 1, 15, and 39)** | 1,458,347 | 2,488,954 | 343,132 | 25,443 |
| Total Liabilities and Deferred Inflows of Resources | 8,209,907 | 3,990,465 | 5,230,512 | 273,879 |
| Fund Balances (Notes 1 and 3): | | | | |
| Nonspendable | 163,043 | 115,788 | 100,710 | — |
| Restricted | 2,797,696 | 523,166 | 107,824 | 330,558 |
| Committed | 7,740,235 | 4,684,857 | — | — |
| Assigned | 1,816,741 | 948 | — | — |
| Total Fund Balances | 12,517,715 | 5,324,759 | 208,534 | 330,558 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 20,727,622 | $ 9,315,224 | $ 5,439,046 | $ 604,437 |

The accompanying notes are an integral part of this financial statement.

| Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|
| $ 3,531,442 | $ 14,662,667 |
| 932,380 | 16,059,604 |
| 4,232 | 4,461 |
| 598,496 | 9,437,939 |
| 64,490 | 281,369 |
| 193 | 305 |
| 319,441 | 319,441 |
| 6,984 | 268,228 |
| 5,667 | 123,964 |
| 671 | 5,133 |
| — | 387,011 |
| 5,463,996 | 41,550,122 |
| | |
| — | 203 |
| $ 5,463,996 | $ 41,550,325 |
| | |
| $ 100,262 | $ 1,700,117 |
| 50,929 | 1,919,253 |
| 115,493 | 258,837 |
| 11,687 | 70,426 |
| 3,114 | 39,444 |
| 6,000 | 85,256 |
| 241,273 | 2,660,310 |
| — | 238,888 |
| 120,547 | 2,626,924 |
| 376,960 | 382,762 |
| 317,043 | 4,556,582 |
| — | 191,765 |
| 124 | 1,755 |
| 1,343,432 | 14,732,319 |
| 313,814 | 4,629,690 |
| 1,657,246 | 19,362,009 |
| | |
| 59,117 | 438,658 |
| 2,247,129 | 6,006,373 |
| 1,454,669 | 13,879,761 |
| 45,835 | 1,863,524 |
| 3,806,750 | 22,188,316 |
| $ 5,463,996 | $ 41,550,325 |

## Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Position

June 30, 2023

(Dollars in Thousands)

| | | |
|---|---|---|
| **Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)** | $ | 22,188,316 |
| When the amount employers have paid into an other post-employment benefit (OPEB) plan combined with the plan's assets exceeds the amount that is required to pay the actuarially determined future benefits, the cost of employer contributions are reported as expenditures in the governmental funds. However, the Statement of Net Position includes the Net OPEB asset among the assets of the primary government as a whole. | | 172,408 |
| When capital assets (land, buildings, equipment, construction-in-progress, intangible assets, right-to-use intangible assets, and/or infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the primary government as a whole. | | |
| Nondepreciable Capital Assets | | 9,734,248 |
| Other Capital Assets | | 29,280,055 |
| Assets to be received for Long-term Debt Service requirements are not reported in the fund statements. | | 36,891 |
| Deferred outflows associated with pension and other postemployment benefit related costs are long-term in nature and, therefore, not reported in the funds. | | 1,763,608 |
| Deferred outflows associated with loss on debt refundings are long-term in nature and, therefore, not reported in the funds. | | 29,104 |
| Long-term liabilities applicable to the primary government's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position. | | |
| Net Pension Liability | | (3,381,628) |
| Net OPEB Liability | | (736,807) |
| Total OPEB Liability | | (195,786) |
| Long-term Leases | | (65,326) |
| Long-term SBITAs | | (105,034) |
| Installment Purchases | | (61,882) |
| Compensated Absences | | (362,015) |
| Uninsured Employer's Fund | | (22,997) |
| Bonds | | (10,037,275) |
| Accrued Interest Payable | | (82,058) |
| Other Obligations | | (99) |
| Pollution Remediation Liability | | (8,171) |
| Internal service funds are used by the primary government to charge costs to individual funds. The assets and deferred outflows, and liabilities and deferred inflows of internal service funds are included in governmental activities in the Statement of Net Position. | | 317,398 |
| Other long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | (1,296,335) |
| Deferred inflows are not available to pay for current period expenditures and, therefore, are not reported in the funds. | | 2,245,784 |
| Deferred inflows associated with Service Concession Arrangements capital assets are long-term in nature and, therefore, not reported in the funds. | | (5,386,723) |
| Deferred inflows associated with pension and other postemployment benefit related costs are long-term in nature and, therefore, not reported in the funds. | | (1,829,831) |
| Deferred inflows associated with gain on debt refundings are long-term in nature and, therefore, not reported in the funds. | | (78,172) |
| **Net position of governmental activities (see Government-wide Statement of Net Position)** | $ | 42,117,673 |

The accompanying notes are an integral part of this financial statement.

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | General | Special Revenue: Commonwealth Transportation | Special Revenue: Federal Trust | Special Revenue: Literary |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 27,055,653 | $ 5,686,103 | $ — | $ — |
| Rights and Privileges | 125,679 | 784,879 | 29 | 730 |
| Institutional Revenue | 32,315 | — | 73 | — |
| Interest, Dividends, Rents, and Other Investment Income (Note 1) | 550,482 | 134,620 | 2,856 | 19,959 |
| Federal Grants and Contracts | 11,259 | 1,411,255 | 22,958,315 | — |
| Other (Note 29) | 633,410 | 598,878 | 656,003 | 35,882 |
| Total Revenues | 28,408,798 | 8,615,735 | 23,617,276 | 56,571 |
| **Expenditures** | | | | |
| Current: | | | | |
| General Government | 2,806,514 | 89,271 | 288,645 | 2,524 |
| Education | 12,700,072 | 1,630 | 2,672,681 | 67,563 |
| Transportation | 12,430 | 7,321,431 | 25,300 | — |
| Resources and Economic Development | 775,576 | 22,386 | 438,770 | — |
| Individual and Family Services | 8,300,820 | — | 20,195,859 | — |
| Administration of Justice | 3,547,119 | 10,705 | 118,753 | — |
| Capital Outlay | 164,837 | 37,952 | 29,927 | — |
| Debt Service: | | | | |
| Principal Retirement | 35,256 | 20,646 | 17,942 | — |
| Interest and Charges | 2,835 | 1,088 | 811 | — |
| Total Expenditures | 28,345,459 | 7,505,109 | 23,788,688 | 70,087 |
| Revenues Over (Under) Expenditures | 63,339 | 1,110,626 | (171,412) | (13,516) |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In (Note 35) | 1,238,262 | 46,315 | 10,180 | 251,032 |
| Transfers Out (Note 35) | (493,910) | (571,391) | (18,238) | (50,000) |
| Notes Issued | 1,191 | — | — | — |
| Insurance Recoveries | 7 | 105 | 503 | — |
| Long-term Leases Issued | 6,838 | 1,705 | 744 | — |
| Long-term SBITAs Issued | 17,268 | 19,226 | 31,902 | — |
| Bonds Issued | — | 217,510 | — | — |
| Premium on Debt Issuance | — | 19,885 | — | — |
| Refunding Bonds Issued | — | — | — | — |
| Sale of Capital Assets | 5,086 | 560 | — | — |
| Payment to Refunded Bond Escrow Agents | — | — | — | — |
| Total Other Financing Sources (Uses) | 774,742 | (266,085) | 25,091 | 201,032 |
| Net Change in Fund Balances | 838,081 | 844,541 | (146,321) | 187,516 |
| Fund Balance, July 1, as restated (Note 2) | 11,679,634 | 4,480,218 | 354,855 | 143,042 |
| Fund Balance, June 30 | $ 12,517,715 | $ 5,324,759 | $ 208,534 | $ 330,558 |

The accompanying notes are an integral part of this financial statement.

| Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|
| | |
| $ 1,529,720 | $ 34,271,476 |
| 368,072 | 1,279,389 |
| 114,650 | 147,038 |
| 147,016 | 854,933 |
| 135,694 | 24,516,523 |
| 1,102,858 | 3,027,031 |
| 3,398,010 | 64,096,390 |
| | |
| | |
| 228,782 | 3,415,736 |
| 43,678 | 15,485,624 |
| 34,633 | 7,393,794 |
| 528,144 | 1,764,876 |
| 1,821,668 | 30,318,347 |
| 103,360 | 3,779,937 |
| 811,137 | 1,043,853 |
| | |
| 879,666 | 953,510 |
| 390,094 | 394,828 |
| 4,841,162 | 64,550,505 |
| (1,443,152) | (454,115) |
| | |
| 1,571,878 | 3,117,667 |
| (838,626) | (1,972,165) |
| 3,001 | 4,192 |
| 996 | 1,611 |
| 3,470 | 12,757 |
| 9,035 | 77,431 |
| 339,897 | 557,407 |
| — | 19,885 |
| 817,990 | 817,990 |
| 3 | 5,649 |
| (875,903) | (875,903) |
| 1,031,741 | 1,766,521 |
| | |
| (411,411) | 1,312,406 |
| 4,218,161 | 20,875,910 |
| $ 3,806,750 | $ 22,188,316 |

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | | |
|---|---|---|
| **Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)** | $ | 1,312,406 |
| When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation and amortization expense charged for the year. | | |
| Nondepreciable Capital Assets Constructed/Acquired | | 1,993,260 |
| Nondepreciable Capital Assets Disposed | | (78,971) |
| Other Capital Assets Acquired | | 2,891,833 |
| Other Capital Assets Disposed | | (2,828) |
| Depreciation and Amortization Expense | | (1,638,113) |
| Debt proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term debt in the Statement of Net Position. | | |
| Debt Issuance | | (557,407) |
| Long-term Lease Proceeds | | (12,757) |
| Long-term SBITA Proceeds | | (77,429) |
| Bond Premiums | | (19,885) |
| Refunding Bonds Issued | | (817,990) |
| Installment Purchase Proceeds | | (4,192) |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position. | | 953,510 |
| In-substance debt defeasance | | 25,360 |
| Payment to Refunded Bond Escrow Agent is an expenditure in the governmental funds, but the refunding reduces long-term debt in the Statement of Net Position. | | 875,903 |
| Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are deferred inflows of resources in the funds. Also, revenues related to prior periods that became available during the current period are reported in the funds but are eliminated in the Statement of Activities. This amount is the net adjustment. | | (2,203,298) |
| Increases/decreases of expenses reported in the Statement of Activities that do not require the use of, or provide, current financial resources and, therefore, are not reported in the governmental funds. | | |
| Increase (Decrease) in Net OPEB Asset | | 16,418 |
| (Increase) Decrease in Net Pension Liability | | 384,182 |
| (Increase) Decrease in Net OPEB Liability | | 13,524 |
| (Increase) Decrease in Total OPEB Liability | | 140,087 |
| (Increase) Decrease in Other Long-term Liabilities | | 3,739 |
| (Increase) Decrease in Compensated Absences | | (37,303) |
| (Increase) Decrease in Interest Expense, Amortization of Long-term Debt premium and discounts, and Accrued Interest Liability | | 117,637 |
| (Increase) Decrease in Other Liabilities | | (12,856) |
| Net (increase) decrease in Due to Component Units for capital and other projects resulting from appropriation reductions or amounts which are not reported as expenditures in the fund statements. | | (498,325) |
| Net revenue (expenses) of certain activities of internal service funds is reported within governmental activities. | | 24,560 |
| Deferred inflows and outflows associated with pension and OPEB costs are not included in the funds. | | (103,392) |
| Amortization of deferred inflows and/or outflows associated with Service Concession Arrangements capital assets are not included in the funds. | | 86,972 |
| **Change in net position of governmental activities (See Government-wide Statement of Activities)** | $ | 2,774,645 |

The accompanying notes are an integral part of this financial statement.

# Proprietary Funds

*The Proprietary Funds account for operations that are financed and operated in a manner similar to private business enterprises. It is the intent that the cost of providing such goods or services will be recovered through user charges.*

**Major Enterprise Funds**

**The Virginia Lottery** accounts for receipts and expenses from the operations of the Virginia Lottery, excluding activity related to the regulation and compliance monitoring of casinos and sports betting.

**The Virginia College Savings Plan** administers the Defined Benefit 529 Program, which consists of two savings options: Prepaid529 and Tuition Track Portfolio. Prepaid529 services contracts that provide for full future tuition and mandatory fee payments at Virginia's higher education institutions and differing payouts at private or out-of-state institutions using actuarially determined amounts. Prepaid529 is closed to new contracts. The Tuition Track Portfolio allows for the purchase of units to be redeemed for future tuition costs. The value of a unit is tied to the average tuition inflation rate of Virginia four year institutions.

**The Unemployment Compensation Fund** administers the temporary partial income replacement payments to unemployed covered workers.

**Nonmajor Enterprise Funds** include those operations of state agencies which are listed on page 261 in the Combining and Individual Fund Statements and Schedules section of this report.

**Internal Service Funds** include those operations of state agencies which are listed on page 277 in the Combining and Individual Fund Statements and Schedules section of this report.

## Statement of Fund Net Position - Proprietary Funds

June 30, 2023

(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Virginia Lottery | Virginia College Savings Plan | Unemployment Compensation | Nonmajor |
| **Assets and Deferred Outflows of Resources** | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents (Notes 1 and 8) | $ 215,771 | $ 129,863 | $ 1,618,921 | $ 355,400 |
| Assets Held Pending Distribution (Note 1) | 13,563 | — | — | — |
| Receivables, Net (Notes 1 and 9) | 75,964 | 65,405 | 62,609 | 75,289 |
| Due from Other Funds (Note 11) | 324 | — | 3,897 | 1,047 |
| Due from External Parties (Fiduciary Funds) (Note 11) | — | — | — | — |
| Due from Component Units (Note 11) | — | — | — | — |
| Inventory (Note 1) | 201 | — | — | 112,035 |
| Prepaid Items (Note 1) | 589 | 3,497 | — | 1,395 |
| Other Assets (Notes 1 and 12) | 1 | — | — | 457 |
| Total Current Assets | 306,413 | 198,765 | 1,685,427 | 545,623 |
| Noncurrent Assets: | | | | |
| Investments (Notes 1 and 8) | — | 2,843,363 | — | — |
| Assets Held Pending Distribution (Note 1) | 184,566 | — | — | — |
| Receivables, Net (Notes 1 and 9) | — | 51,670 | — | — |
| Other Assets (Notes 1 and 12) | 1,378 | 706 | — | 6,078 |
| Nondepreciable Capital Assets (Notes 1 and 14) | 79 | — | — | 29,129 |
| Other Capital Assets, Net (Notes 1 and 14) | 22,868 | 2,554 | — | 502,336 |
| Total Noncurrent Assets | 208,891 | 2,898,293 | — | 537,543 |
| Total Assets | 515,304 | 3,097,058 | 1,685,427 | 1,083,166 |
| **Deferred Outflows of Resources (Notes 1, 15, 16, 17, and 19)** | 8,877 | 4,125 | — | 42,908 |
| Total Assets and Deferred Outflows of Resources | 524,181 | 3,101,183 | 1,685,427 | 1,126,074 |
| | | | | |
| **Liabilities and Deferred Inflows of Resources** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable (Notes 1 and 26) | 38,819 | 1,440 | 19 | 108,550 |
| Amounts Due to Other Governments | — | — | 66,984 | 9,816 |
| Due to Other Funds (Note 11) | 87,414 | 117 | 231 | 12,770 |
| Due to External Parties (Fiduciary Funds) (Note 11) | 255 | 131 | — | 1,176 |
| Interfund Payable (Note 11) | — | 4,000 | — | 58,007 |
| Unearned Revenue (Note 1) | 2,427 | — | — | 6,993 |
| Due to Claimants, Participants, Escrows and Providers (Note 1) | — | 93 | 121,464 | — |
| Obligations Under Securities Lending Program (Notes 1 and 8) | 59,405 | 1,478 | — | 29,489 |
| Other Liabilities (Notes 1 and 27) | 113,604 | 32,562 | — | 122 |
| Claims Payable Due Within One Year (Notes 1 and 25) | — | — | — | 61,820 |
| Long-term Liabilities Due Within One Year (Notes 1, 23, and 28) | 21,559 | 185,862 | — | 39,390 |
| Total Current Liabilities | 323,483 | 225,683 | 188,698 | 328,133 |
| Noncurrent Liabilities: | | | | |
| Interfund Payable (Note 11) | — | — | — | — |
| Claims Payable Due in More Than One Year (Notes 1 and 25) | — | — | — | 31,049 |
| Long-term Liabilities Due in More Than One Year (Notes 1, 23, and 28) | 216,965 | 1,214,469 | — | 494,375 |
| Total Noncurrent Liabilities | 216,965 | 1,214,469 | — | 525,424 |
| Total Liabilities | 540,448 | 1,440,152 | 188,698 | 853,557 |
| **Deferred Inflows of Resources (Notes 1, 15, 16, 17, and 19)** | 7,154 | 3,504 | — | 32,903 |
| Total Liabilities and Deferred Inflows of Resources | 547,602 | 1,443,656 | 188,698 | 886,460 |
| | | | | |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 12,155 | 1,047 | — | 133,862 |
| Restricted for Net Other Postemployment Benefit - Virginia Sickness and Disability Program | 1,221 | 642 | — | 5,208 |
| Restricted for Unemployment Compensation | — | — | 1,496,729 | — |
| Unrestricted | (36,797) | 1,655,838 | — | 100,544 |
| Total Net Position (Deficit) (Note 4) | $ (23,421) | $ 1,657,527 | $ 1,496,729 | $ 239,614 |

Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal service fund assets and liabilities are included in business-type activities.

Net position of business-type activities

The accompanying notes are an integral part of this financial statement.

| | Governmental Activities |
|---|---|
| Total | Internal Service Funds |
| | |
| $ 2,319,955 | $ 1,034,461 |
| 13,563 | — |
| 279,267 | 14,769 |
| 5,268 | 78,208 |
| — | 262 |
| — | 28,892 |
| 112,236 | 22,786 |
| 5,481 | 14,109 |
| 458 | 37,307 |
| 2,736,228 | 1,230,794 |
| | |
| 2,843,363 | — |
| 184,566 | — |
| 51,670 | — |
| 8,162 | 3,127 |
| 29,208 | 1,660 |
| 527,758 | 541,688 |
| 3,644,727 | 546,475 |
| 6,380,955 | 1,777,269 |
| 55,910 | 14,482 |
| 6,436,865 | 1,791,751 |
| | |
| | |
| 148,828 | 107,412 |
| 76,800 | 9 |
| 100,532 | 5,476 |
| 1,562 | 596 |
| 62,007 | 24,964 |
| 9,420 | 111,955 |
| 121,557 | — |
| 90,372 | 77,659 |
| 146,288 | 662 |
| 61,820 | 162,887 |
| 246,811 | 72,158 |
| 1,065,997 | 563,778 |
| | |
| — | 147,214 |
| 31,049 | 326,282 |
| 1,925,809 | 418,162 |
| 1,956,858 | 891,658 |
| 3,022,855 | 1,455,436 |
| 43,561 | 18,885 |
| 3,066,416 | 1,474,321 |
| | |
| 147,064 | 126,408 |
| 7,071 | 3,078 |
| 1,496,729 | — |
| 1,719,585 | 187,944 |
| $ 3,370,449 | $ 317,430 |
| | |
| 32 | |
| $ 3,370,481 | |

**Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds**

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Virginia Lottery | Virginia College Savings Plan | Unemployment Compensation | Nonmajor |
| **Operating Revenues** | | | | |
| Charges for Sales and Services | $ 4,611,856 | $ 100,202 | $ 250,501 | $ 1,941,413 |
| Interest, Dividends, Rents, and Other Investment Income (Note 1) | — | 112,883 | 27,450 | — |
| Other (Note 29) | — | 208,602 | — | 33,663 |
| Total Operating Revenues | 4,611,856 | 421,687 | 277,951 | 1,975,076 |
| **Operating Expenses** | | | | |
| Cost of Sales and Services | 233,032 | — | — | 726,361 |
| Prizes and Claims (Note 31) | 3,405,341 | — | 191,441 | 522,665 |
| Educational Benefits Expense | — | 181,208 | — | — |
| Personal Services | 36,086 | 18,974 | — | 210,537 |
| Contractual Services | 47,487 | 16,601 | — | 102,247 |
| Supplies and Materials | 519 | 64 | — | 12,771 |
| Depreciation and Amortization (Note 32) | 10,071 | 1,062 | — | 48,603 |
| Rent, Insurance, and Other Related Charges | 1,849 | — | — | 27,108 |
| Interest Expense | — | — | — | 218 |
| Non-recurring Cost Estimate Payments to Providers | — | — | — | 40,653 |
| Other (Note 33) | — | 2,698 | — | 10,832 |
| Total Operating Expenses | 3,734,385 | 220,607 | 191,441 | 1,701,995 |
| Operating Income (Loss) | 877,471 | 201,080 | 86,510 | 273,081 |
| **Nonoperating Revenues (Expenses)** | | | | |
| Interest, Dividends, Rents, and Other Investment Income | 4,957 | 34 | — | 7,029 |
| Other (Note 34) | 132 | 437 | — | 1,414 |
| Total Nonoperating Revenues (Expenses) | 5,089 | 471 | — | 8,443 |
| Income (Loss) Before Transfers | 882,560 | 201,551 | 86,510 | 281,524 |
| Transfers In (Note 35) | — | — | 3,845 | 1,865 |
| Transfers Out (Note 35) | (878,384) | (292) | (3,776) | (245,414) |
| Change in Net Position | 4,176 | 201,259 | 86,579 | 37,975 |
| Total Net Position (Deficit), July 1, as restated (Note 2) | (27,597) | 1,456,268 | 1,410,150 | 201,639 |
| Total Net Position (Deficit), June 30 (Note 4) | $ (23,421) | $ 1,657,527 | $ 1,496,729 | $ 239,614 |

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Change in Net Position of business-type activities

The accompanying notes are an integral part of this financial statement.

| | Governmental Activities |
|---|---|
| Total | Internal Service Funds |
| $ 6,903,972 | $ 2,493,314 |
| 140,333 | — |
| 242,265 | 77,784 |
| 7,286,570 | 2,571,098 |
| | |
| 959,393 | 82,319 |
| 4,119,447 | 1,696,762 |
| 181,208 | — |
| 265,597 | 67,667 |
| 166,335 | 439,354 |
| 13,354 | 9,647 |
| 59,736 | 97,209 |
| 28,957 | 105,091 |
| 218 | 1 |
| 40,653 | — |
| 13,530 | 27,227 |
| 5,848,428 | 2,525,277 |
| 1,438,142 | 45,821 |
| | |
| 12,020 | 19,675 |
| 1,983 | (29,101) |
| 14,003 | (9,426) |
| | |
| 1,452,145 | 36,395 |
| 5,710 | 388 |
| (1,127,866) | (23,734) |
| 329,989 | 13,049 |
| 3,040,460 | 304,381 |
| $ 3,370,449 | $ 317,430 |
| | |
| (11,511) | |
| $ 318,478 | |

## Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Virginia Lottery | Virginia College Savings Plan | Unemployment Compensation | Nonmajor |
| **Cash Flows from Operating Activities** | | | | |
| Receipts for Sales and Services | $ 4,592,108 | $ 97,145 | $ 297,742 | $ 1,942,562 |
| Receipts from Investments | — | — | 27,423 | — |
| Internal Activity-Receipts from Other Funds | — | — | 1,344 | 9,323 |
| Internal Activity-Payments to Other Funds | — | (285) | — | (4,063) |
| Payments to Suppliers for Goods and Services | (232,472) | (1,622) | — | (736,079) |
| Payments for Contractual Services | (24,919) | (15,227) | — | (102,118) |
| Payments for Prizes, Claims, and Loss Control (Note 37) | (3,320,290) | — | (205,893) | (525,585) |
| Payments for Educational Benefits | — | (181,208) | — | — |
| Payments to Employees | (38,616) | (19,833) | — | (179,939) |
| Payments to Providers for Non-recurring Cost Estimates | — | — | — | (41,823) |
| Payments for Interest | — | — | — | — |
| Other Operating Revenue (Note 37) | — | 1 | — | 10,575 |
| Other Operating Expense (Note 37) | — | (2,282) | — | (68,913) |
| Net Cash Provided by (Used for) Operating Activities | 975,811 | (123,311) | 120,616 | 303,940 |
| **Cash Flows from Noncapital Financing Activities** | | | | |
| Transfers In from Other Funds | — | — | 2,245 | 1,865 |
| Transfers Out to Other Funds | (795,989) | (292) | (3,843) | (595,863) |
| Other Noncapital Financing Receipt Activities (Note 37) | 515 | 2,000 | — | 401,389 |
| Other Noncapital Financing Disbursement Activities (Note 37) | — | — | — | (45,389) |
| Net Cash Provided by (Used for) Noncapital Financing Activities | (795,474) | 1,708 | (1,598) | (237,998) |
| **Cash Flows from Capital and Related Financing Activities** | | | | |
| Acquisition of Capital Assets | (1,803) | (137) | — | (15,664) |
| Payment of Principal and Interest on Bonds and Notes | (6,022) | (1,030) | — | (42,942) |
| Proceeds from Sale of Capital Assets | 10 | — | — | 25 |
| Other Capital and Related Financing Receipt Activities (Note 37) | — | — | — | 1,258 |
| Other Capital and Related Financing Disbursement Activities (Note 37) | — | — | — | (5,222) |
| Net Cash Used for Capital and Related Financing Activities | (7,815) | (1,167) | — | (62,545) |
| **Cash Flows from Investing Activities** | | | | |
| Purchase of Investments | (91,445) | (3,528,838) | — | — |
| Proceeds from Sales or Maturities of Investments | 10,962 | 3,515,755 | — | — |
| Investment Income on Cash, Cash Equivalents, and Investments | 3,986 | 121,112 | — | 4,354 |
| Net Cash Provided by Investing Activities | (76,497) | 108,029 | — | 4,354 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 96,025 | (14,741) | 119,018 | 7,751 |
| **Cash and Cash Equivalents, July 1** | 60,342 | 143,126 | 1,499,903 | 318,588 |
| **Cash and Cash Equivalents, June 30** | $ 156,367 | $ 128,385 | $ 1,618,921 | $ 326,339 |
| **Reconciliation of Cash and Cash Equivalents** | | | | |
| Per the Statement of Net Position: | | | | |
| Cash and Cash Equivalents | $ 215,771 | $ 129,863 | $ 1,618,921 | $ 355,400 |
| Cash and Travel Advances | 1 | — | — | 429 |
| Less: | | | | |
| Securities Lending Cash Equivalents | (59,405) | (1,478) | — | (29,490) |
| Cash and Cash Equivalents per the Statement of Cash Flows | $ 156,367 | $ 128,385 | $ 1,618,921 | $ 326,339 |

The accompanying notes are an integral part of this financial statement.

| | Total | Governmental Activities Internal Service Funds |
|---|---|---|
| | $ 6,929,557 | $ 959,794 |
| | 27,423 | — |
| | 10,667 | 1,492,581 |
| | (4,348) | (7,045) |
| | (970,173) | (126,177) |
| | (142,264) | (488,542) |
| | (4,051,768) | (1,687,695) |
| | (181,208) | — |
| | (238,388) | (73,909) |
| | (41,823) | — |
| | — | (1) |
| | 10,576 | 24 |
| | (71,195) | (24,407) |
| | 1,277,056 | 44,623 |
| | | |
| | 4,110 | 388 |
| | (1,395,987) | (23,734) |
| | 403,904 | 13,464 |
| | (45,389) | (21,543) |
| | | |
| | (1,033,362) | (31,425) |
| | | |
| | (17,604) | (11,510) |
| | (49,994) | (111,007) |
| | 35 | 5,388 |
| | 1,258 | — |
| | (5,222) | — |
| | | |
| | (71,527) | (117,129) |
| | | |
| | (3,620,283) | — |
| | 3,526,717 | — |
| | 129,452 | 16,069 |
| | 35,886 | 16,069 |
| | 208,053 | (87,862) |
| | 2,021,959 | 1,044,664 |
| | $ 2,230,012 | $ 956,802 |
| | | |
| | | |
| | $ 2,319,955 | $ 1,034,461 |
| | 430 | — |
| | | |
| | (90,373) | (77,659) |
| | $ 2,230,012 | $ 956,802 |

*Continued on next page*

**Statement of Cash Flows - Proprietary Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Virginia Lottery | Virginia College Savings Plan | Unemployment Compensation | Nonmajor |
| **Reconciliation of Operating Income** | | | | |
| **To Net Cash Provided by (Used for)** | | | | |
| **Operating Activities:** | | | | |
| Operating Income (Loss) | $ 877,471 | $ 201,080 | $ 86,510 | $ 273,081 |
| **Adjustments to Reconcile Operating** | | | | |
| **Income to Net Cash Provided by (Used for) Operating Activities:** | | | | |
| Depreciation and Amortization | 10,071 | 1,062 | — | 48,603 |
| Interest, Dividends, Rents, and Other Investment Income | (4,816) | (112,883) | — | — |
| Miscellaneous Nonoperating Income | 1,097 | (55) | — | 1,021 |
| Other | — | — | — | 4,298 |
| Change in Assets, Deferred Outflows of Resources, Liabilities, and | | | | |
| Deferred Inflows of Resources | | | | |
| (Increase) Decrease in Accounts Receivable | (19,871) | 17,390 | 39,284 | (12,321) |
| (Increase) Decrease in Due from Other Funds | — | — | (360) | (124) |
| (Increase) Decrease in Due from External Parties (Fiduciary Funds) | — | — | — | — |
| (Increase) Decrease in Due from Component Units | — | — | — | — |
| (Increase) Decrease in Other Assets: Due Within One Year | — | — | — | 12 |
| (Increase) Decrease in Other Assets: Due in More Than One Year | 236 | 108 | — | (6) |
| (Increase) Decrease in Inventory | 560 | — | — | (3,933) |
| (Increase) Decrease in Prepaid Items | 20 | (1,141) | — | 1,369 |
| (Increase) Decrease in Deferred Outflows of Resources | 454 | 909 | — | (8,528) |
| Increase (Decrease) in Accounts Payable | 13,801 | (67) | (20) | 2,728 |
| Increase (Decrease) in Amounts Due to Other Governments | — | — | (1,934) | (1,026) |
| Increase (Decrease) in Due to Other Funds | (1,619) | 6 | (5,480) | (703) |
| Increase (Decrease) in Due to External Parties (Fiduciary Funds) | 21 | 24 | — | 143 |
| Increase (Decrease) in Unearned Revenue | 123 | — | — | 3,050 |
| Increase (Decrease) in Due to Claimants, Participants, Escrows and Providers | — | (204) | 2,616 | — |
| Increase (Decrease) in Other Liabilities | 17,211 | — | — | (11) |
| Increase (Decrease) in Claims Payable: Due Within One Year | — | — | — | (284) |
| Increase (Decrease) in Claims Payable: Due in More Than One Year | — | — | — | (3,736) |
| Increase (Decrease) in Long-term Liabilities: Due Within One Year | 2,948 | (84,291) | — | (414) |
| Increase (Decrease) in Long-term Liabilities: Due in More Than One Year | 87,153 | (140,846) | — | 32,863 |
| Increase (Decrease) in Deferred Inflows of Resources | (9,049) | (4,403) | — | (32,142) |
| Net Cash Provided by (Used for) Operating Activities | $ 975,811 | $ (123,311) | $ 120,616 | $ 303,940 |
| **Noncash Investing, Capital, and Financing Activities:** | | | | |
| The following transactions occurred prior to the Statement of Net Position date: | | | | |
| Long-term Subscription-Based Technology Arrangements Used to Finance Capital Assets | $ 2,653 | $ (999) | $ — | $ 203,975 |
| Long-term Leases Used to Finance Capital Assets | 7,817 | (31) | — | 26,478 |
| Installment Purchases Used to Finance Capital Assets | — | — | — | — |
| Change in Fair Value of Investments | — | 109,568 | — | — |
| Accounts Payable Increase (Decrease) related to Capital Assets | — | — | — | 288 |
| Total Noncash, Investing, Capital, and Financing Activities | $ 10,470 | $ 108,538 | $ — | $ 230,741 |

The accompanying notes are an integral part of this financial statement.

| | Total | Governmental Activities Internal Service Funds |
|---|---|---|
| | $ 1,438,142 | $ 45,821 |
| | | |
| | 59,736 | 97,209 |
| | (117,699) | — |
| | 2,063 | 3,528 |
| | 4,298 | (10,270) |
| | | |
| | 24,482 | 14,027 |
| | (484) | (14,790) |
| | — | (12) |
| | — | (949) |
| | 12 | 6,047 |
| | 338 | 538 |
| | (3,373) | 855 |
| | 248 | 561 |
| | (7,165) | 1,918 |
| | 16,442 | 16,992 |
| | (2,960) | 10 |
| | (7,796) | (459) |
| | 188 | 103 |
| | 3,173 | (41,392) |
| | 2,412 | — |
| | 17,200 | 312 |
| | (284) | (15,048) |
| | (3,736) | (64,995) |
| | (81,757) | 1,841 |
| | (20,830) | 24,842 |
| | (45,594) | (22,066) |
| | $ 1,277,056 | $ 44,623 |
| | | |
| | $ 205,629 | $ 4,271 |
| | 34,264 | 62,142 |
| | — | 3,258 |
| | 109,568 | — |
| | 288 | (261) |
| | $ 349,749 | $ 69,410 |

# Fiduciary Funds

**Private Purpose Trust Funds**

*Private Purpose Trust Funds reflect funds that benefit individuals, organizations, and other governments; have a trust that meets GASB Statement No. 84, Fiduciary Activities, criteria; and are not required to be reported in another fiduciary fund type.*

**Pension and Other Employee Benefit Trust Funds**

*Pension and Other Employee Benefit Trust Funds reflect activities of the pension, other postemployment, and employee benefit plans with trusts that meet GASB Statement No. 84 criteria, and are administered by the Virginia Retirement System.*

**Custodial Funds - External Investment Pool**

*Custodial Funds - External Investment Pool reflects the external portion of the Local Government Investment Pool sponsored by the Commonwealth. This fund does not have a trust that meets GASB Statement No. 84 criteria.*

**Custodial Funds - Other**

*Custodial Funds - Other reflect funds that are similar to Private Purpose Trust Funds, except they do not have a trust that meets GASB Statement No. 84 criteria.*

A listing of all Fiduciary Funds is located on pages 286-287 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 288.

## Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2023

(Dollars in Thousands)

| | Private Purpose Trust Funds | Pension and Other Employee Benefit Trust Funds | Custodial Funds: External Investment Pool | Custodial Funds: Other |
|---|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | | |
| Cash and Cash Equivalents (Notes 1 and 8) | $ 343,285 | $ 202,994 | $ 3,220,059 | $ 212,821 |
| Investments (Notes 1 and 8): | | | | |
| Bonds and Mortgage Securities | 466,691 | 19,073,979 | 423,624 | 13,384 |
| Stocks | 1,142 | 24,871,638 | — | 17,453 |
| Fixed Income Commingled Funds | 956,619 | 822,721 | — | 578 |
| Index and Pooled Funds | 3,853,391 | 13,224,423 | — | 9,280 |
| Real Estate | 83,434 | 13,980,136 | — | 9,810 |
| Private Equity | — | 35,562,154 | — | 24,953 |
| Mutual and Money Market Funds | 595,456 | — | — | — |
| Short-term Investments | — | 3,796,136 | 6,302,913 | 2,716 |
| Other | 1,690,737 | — | — | — |
| Total Investments | 7,647,470 | 111,331,187 | 6,726,537 | 78,174 |
| Assets Held Pending Distribution (Note 1) | 5,090 | — | — | 490,090 |
| Receivables, Net (Notes 1 and 9): | | | | |
| Accounts | 44 | — | — | 82 |
| Contributions | — | 297,734 | — | — |
| Interest and Dividends | 14,442 | 309,293 | 44,374 | 217 |
| Security Transactions | — | 4,470,953 | — | 3,137 |
| Taxes | — | — | — | 193,227 |
| Other Receivables | 475 | 320,216 | — | 307 |
| Total Receivables | 14,961 | 5,398,196 | 44,374 | 196,970 |
| Due from Internal Parties (Governmental Funds and Business-type Activities) (Note 11) | — | 41,336 | — | 266 |
| Due from Component Units (Note 11) | — | 41,017 | — | — |
| Other Assets (Notes 1 and 12) | — | — | — | 1 |
| Property, Plant, Furniture, Equipment, and Intangibles | — | 25,394 | — | — |
| Total Assets | 8,010,806 | 117,040,124 | 9,990,970 | 978,322 |
| **Deferred Outflows of Resources (Note 1)** | — | — | — | — |
| Total Assets and Deferred Outflows of Resources | 8,010,806 | 117,040,124 | 9,990,970 | 978,322 |
| **Liabilities and Deferred Inflows of Resources** | | | | |
| Accounts Payable (Notes 1 and 26) | 868 | 39,538 | 66,518 | 3,153 |
| Amounts Due to Other Governments | — | — | — | 354,617 |
| Due to Internal Parties (Governmental Funds and Business-type Activities) (Note 11) | — | 262 | 9 | 296 |
| Obligations Under Securities Lending (Notes 1 and 8) | 203 | 3,721,887 | — | 3,783 |
| Due to Claimants, Participants, Escrows and Providers (Note 1) | 1,267 | — | — | 175 |
| Other Liabilities (Notes 1 and 27) | — | 66,548 | — | 2,122 |
| Retirement Benefits Payable | — | 20,758 | — | — |
| Refunds Payable | — | 5,213 | — | — |
| Compensated Absences Payable (Notes 1 and 23) | — | 3,812 | — | 2 |
| Insurance Premiums and Claims Payable | — | 118,861 | — | 116 |
| Payable for Security Transactions | 8,240 | 7,275,378 | — | 5,105 |
| Lease Liabilities | — | 2,314 | — | — |
| Subscription-based Information Technology Arrangement Liabilities | — | 960 | — | — |
| Total Liabilities | 10,578 | 11,255,531 | 66,527 | 369,369 |
| **Deferred Inflows of Resources (Note 1)** | — | — | — | — |
| Total Liabilities and Deferred Inflows of Resources | 10,578 | 11,255,531 | 66,527 | 369,369 |
| Net Position Restricted for: | | | | |
| Pensions | — | 101,816,044 | — | — |
| Other Employment Benefits | — | 3,968,549 | — | — |
| Pool Participants, Individuals, Organizations, and Other Governments | 8,000,228 | — | 9,924,443 | 608,953 |
| Total Net Position | $ 8,000,228 | $ 105,784,593 | $ 9,924,443 | $ 608,953 |

The accompanying notes are an integral part of this financial statement.

## Statement of Changes in Fiduciary Net Position - Fiduciary Funds

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | Private Purpose Trust Funds | Pension and Other Employee Benefit Trust Funds | Custodial Funds: External Investment Pool | Custodial Funds: Other |
|---|---|---|---|---|
| **Additions:** | | | | |
| Investment Income: | | | | |
| Interest, Dividends, and Other Investment Income (Note 1) | $ 699,505 | $ 7,304,317 | $ 316,417 | $ 4,483 |
| Total Investment Income | 699,505 | 7,304,317 | 316,417 | 4,483 |
| Less Investment Expenses | 7,076 | 801,436 | 1,045 | 645 |
| Net Investment Income | 692,429 | 6,502,881 | 315,372 | 3,838 |
| Contributions: | | | | |
| Participants | 943,393 | — | — | — |
| Member | — | 1,220,122 | — | 62 |
| Employer | — | 3,682,549 | — | 907 |
| Non-employer | — | 158,554 | — | — |
| Total Contributions | 943,393 | 5,061,225 | — | 969 |
| Shares Sold | — | — | 11,706,505 | — |
| Reinvested Distributions | — | — | 315,066 | — |
| Other Revenue (Note 29) | 10 | 4,232 | — | 14,903 |
| Sales Tax Collections for Other Governments | — | — | — | 1,804,781 |
| Child Support Collections | — | — | — | 585,684 |
| Legal Settlement Collections | 1,948 | — | — | — |
| Collections for Inmates and Wards | — | — | — | 4,593 |
| Collections for Behavioral Health Patients | — | — | — | 3,276 |
| Collateral Received and Related Additions | — | — | — | 309,771 |
| Fee Collections for Other Governments | — | — | — | 11,124 |
| Collections for Veterans' Care Center Residents | — | — | — | 1,134 |
| Other Additions | — | — | — | 6,081 |
| Total Additions | 1,637,780 | 11,568,338 | 12,336,943 | 2,746,154 |
| **Deductions:** | | | | |
| Educational Expense Benefits | 579,853 | — | — | — |
| Retirement Benefits | — | 6,043,315 | — | — |
| Refunds to Former Members | — | 125,016 | — | 2,067 |
| Retiree Health Insurance Credits | — | 181,401 | — | — |
| Insurance Premiums and Claims | — | 272,264 | — | 72 |
| Beneficiary Payments | 225 | — | — | — |
| Administrative Expenses | 3 | 65,696 | — | 614 |
| Other Expenses (Note 33) | — | 4,259 | — | 112 |
| Shares Redeemed | 25,320 | — | 10,615,477 | — |
| Long-term Disability Benefits | — | 43,019 | — | — |
| Sales Tax Payments to Other Governments | — | — | — | 1,804,720 |
| Child Support Payments to Individuals | — | — | — | 589,818 |
| Legal Settlement Payments to Injured Parties | 571 | — | — | — |
| Payments for Inmates and Wards | — | — | — | 8,773 |
| Payments for Behavioral Health Patients | — | — | — | 3,213 |
| Collateral Disbursed and Related Deductions | — | — | — | 305,888 |
| Distributions to Shareholders from Net Investment Income | — | — | 315,372 | — |
| Fee Payments to Other Governments | — | — | — | 10,443 |
| Payments for Veterans' Care Center Residents | — | — | — | 1,057 |
| Other Deductions | 33 | — | — | 6,113 |
| Total Deductions | 606,005 | 6,734,970 | 10,930,849 | 2,732,890 |
| Net Increase (Decrease) in Fiduciary Net Position | 1,031,775 | 4,833,368 | 1,406,094 | 13,264 |
| Net Position, July 1 | 6,968,453 | 100,951,225 | 8,518,349 | 595,689 |
| Net Position, June 30 | $ 8,000,228 | $ 105,784,593 | $ 9,924,443 | $ 608,953 |

The accompanying notes are an integral part of this financial statement.

# Component Units

*Component Units are organizations that are legally separate from the primary government. Each discrete component unit serves or benefits those outside of the primary government.*

**The Virginia Housing Development Authority** provides financing for the acquisition, construction and rehabilitation of affordable housing for home ownership or occupancy by low or moderate income Virginians.

**The Virginia Public School Authority** provides financing to cities and counties for capital construction of primary and secondary schools.

**The Virginia Resources Authority** provides financing for the construction of local water supply and wastewater treatment facilities and other local infrastructure projects.

**The Virginia College Building Authority** provides financing of capital projects and equipment purchases by state-supported colleges and universities.

**Nonmajor Component Units** include those listed on pages 302-303 in the Combining and Individual Fund Statements and Schedules section of this report.

## Statement of Net Position - Component Units

June 30, 2023

(Dollars in Thousands)

| | Virginia Housing Development Authority | Virginia Public School Authority | Virginia Resources Authority |
|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | |
| Cash and Cash Equivalents (Notes 1 and 8) | $ 130,729 | $ 34,826 | $ 6,653 |
| Investments (Notes 1 and 8) | 30,810 | — | 30,351 |
| Receivables, Net (Notes 1 and 9) | 354,004 | 60,552 | 34,911 |
| Contributions Receivable, Net (Notes 1 and 10) | — | — | — |
| Due from Primary Government (Note 11) | — | — | — |
| Due from Component Units (Note 11) | — | — | — |
| Inventory (Note 1) | — | — | — |
| Prepaid Items (Note 1) | 84 | — | 74 |
| Other Assets (Notes 1 and 12) | 45,386 | — | 477 |
| Loans Receivable from Primary Government (Notes 1 and 11) | — | 191,765 | — |
| Restricted Cash and Cash Equivalents (Notes 8 and 13) | 1,292,265 | 312,112 | 475,552 |
| Restricted Investments (Notes 8 and 13) | 788,533 | 79,960 | 574,188 |
| Restricted Receivables, Net (Note 13) | 6,671,770 | 3,746,179 | 4,409,954 |
| Other Restricted Assets (Note 13) | 5,752 | — | — |
| Nondepreciable Capital Assets (Notes 1 and 14) | 2,946 | — | — |
| Other Capital Assets, Net (Notes 1 and 14) | 32,455 | — | 1,186 |
| Total Assets | 9,354,734 | 4,425,394 | 5,533,346 |
| **Deferred Outflows of Resources (Notes 1, 15, 16, 17, and 19)** | 11,258 | 59,188 | 33,874 |
| Total Assets and Deferred Outflows of Resources | 9,365,992 | 4,484,582 | 5,567,220 |
| | | | |
| **Liabilities and Deferred Inflows of Resources** | | | |
| Accounts Payable (Notes 1 and 26) | 110,910 | 130 | 94 |
| Amounts Due to Other Governments | — | 140,216 | — |
| Due to Primary Government (Note 11) | — | — | — |
| Due to Component Units (Note 11) | — | — | — |
| Due to External Parties (Fiduciary Funds) (Note 11) | — | — | — |
| Unearned Revenue (Note 1) | — | — | — |
| Obligations Under Securities Lending Program (Notes 1 and 8) | — | — | — |
| Other Liabilities (Notes 1, 16, and 27) | 465,964 | 56,613 | 29,062 |
| Claims Payable (Notes 1 and 25): | | | |
| Due Within One Year | — | — | — |
| Due in More Than One Year | — | — | — |
| Long-term Liabilities (Notes 1, 23, and 28): | | | |
| Due Within One Year | 135,026 | 335,570 | 200,369 |
| Due in More Than One Year | 4,802,517 | 3,904,789 | 3,093,643 |
| Total Liabilities | 5,514,417 | 4,437,318 | 3,323,168 |
| **Deferred Inflows of Resources (Notes 1, 15, 16, 17, 19, and 39)** | 66,428 | — | 28,444 |
| Total Liabilities and Deferred Inflows of Resources | 5,580,845 | 4,437,318 | 3,351,612 |
| | | | |
| **Net Position** | | | |
| Net Investment in Capital Assets | 8,777 | — | 1 |
| Restricted For: | | | |
| Nonexpendable: | | | |
| Higher Education | — | — | — |
| Other | — | — | — |
| Expendable: | | | |
| Bond Indenture | 3,326,942 | — | — |
| Capital Projects/Construction/Capital Acquisition | — | — | 2,177,774 |
| Debt Service | — | 12,424 | — |
| Gifts and Grants | — | — | — |
| Higher Education | — | — | — |
| Net Other Postemployment Benefit - Virginia Sickness and Disability Program | — | — | — |
| Virginia Pooled Investment Program | — | — | 7,888 |
| Other | — | — | 477 |
| Unrestricted | 449,428 | 34,840 | 29,468 |
| Total Net Position (Deficit) (Note 4) | $ 3,785,147 | $ 47,264 | $ 2,215,608 |

The accompanying notes are an integral part of this financial statement.

| Virginia College Building Authority | Nonmajor Component Units | Total |
|---|---|---|
| | | |
| $ 429 | $ 4,669,894 | $ 4,842,531 |
| — | 17,484,631 | 17,545,792 |
| 19,147 | 2,089,613 | 2,558,227 |
| — | 532,559 | 532,559 |
| 924 | 677,162 | 678,086 |
| — | 144,539 | 144,539 |
| — | 212,050 | 212,050 |
| — | 205,486 | 205,644 |
| — | 196,734 | 242,597 |
| — | — | 191,765 |
| 573,406 | 1,801,858 | 4,455,193 |
| — | 7,630,267 | 9,072,948 |
| — | 302,263 | 15,130,166 |
| — | 513,454 | 519,206 |
| — | 4,893,022 | 4,895,968 |
| — | 25,088,653 | 25,122,294 |
| 593,906 | 66,442,185 | 86,349,565 |
| 17,283 | 795,272 | 916,875 |
| 611,189 | 67,237,457 | 87,266,440 |
| | | |
| | | |
| 16 | 1,791,915 | 1,903,065 |
| — | 1,501 | 141,717 |
| — | 30,824 | 30,824 |
| 144,539 | — | 144,539 |
| — | 41,017 | 41,017 |
| — | 674,853 | 674,853 |
| — | 124,349 | 124,349 |
| 92,473 | 1,242,994 | 1,887,106 |
| | | |
| — | 17,836 | 17,836 |
| — | 35,375 | 35,375 |
| | | |
| 394,940 | 1,199,660 | 2,265,565 |
| 5,241,832 | 18,481,344 | 35,524,125 |
| 5,873,800 | 23,641,668 | 42,790,371 |
| 27,479 | 1,260,682 | 1,383,033 |
| 5,901,279 | 24,902,350 | 44,173,404 |
| | | |
| | | |
| — | 15,981,817 | 15,990,595 |
| | | |
| | | |
| — | 5,941,771 | 5,941,771 |
| — | 183,970 | 183,970 |
| | | |
| — | — | 3,326,942 |
| — | 299,562 | 2,477,336 |
| — | 208,083 | 220,507 |
| — | 220,283 | 220,283 |
| 430,088 | 9,772,167 | 10,202,255 |
| — | 110,733 | 110,733 |
| — | — | 7,888 |
| — | 66,329 | 66,806 |
| (5,720,178) | 9,550,392 | 4,343,950 |
| $ (5,290,090) | $ 42,335,107 | $ 43,093,036 |

## Statement of Activities - Component Units

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | | Program Revenues | | | |
|---|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions (Note 1) | Capital Grants and Contributions | Net (Expenses) Revenue |
| Virginia Housing Development Authority | $ 590,456 | $ 370,601 | $ 239,265 | $ — | $ 19,410 |
| Virginia Public School Authority | 137,212 | 132,289 | 7,180 | — | 2,257 |
| Virginia Resources Authority | 117,882 | 102,526 | 26,090 | 201,527 | 212,261 |
| Virginia College Building Authority | 849,482 | 47,017 | 38,124 | 8,044 | (756,297) |
| Total Major Component Units | 1,695,032 | 652,433 | 310,659 | 209,571 | (522,369) |
| Nonmajor Component Units: | | | | | |
| Higher Education | 18,244,691 | 11,565,974 | 3,360,827 | 1,358,320 | (1,959,570) |
| Other | 1,707,888 | 1,326,998 | 203,242 | 408,244 | 230,596 |
| Total Nonmajor Component Units | 19,952,579 | 12,892,972 | 3,564,069 | 1,766,564 | (1,728,974) |
| Total Component Units | $ 21,647,611 | $ 13,545,405 | $ 3,874,728 | $ 1,976,135 | $ (2,251,343) |

The accompanying notes are an integral part of this financial statement.

| General Revenues | | | | | | | |
|---|---|---|---|---|---|---|---|
| Operating Appropriations from Primary Government | Unrestricted Grants and Contributions | Investment Earnings (Note 1) | Miscellaneous | Contributions to Permanent and Term Endowments | Change in Net Position | Net Position (Deficit) July 1 (as restated) (Note 2) | Net Position (Deficit) June 30 (Note 4) |
| $ — | $ — | $ 18,252 | $ — | $ — | $ 37,662 | $ 3,747,485 | $ 3,785,147 |
| — | — | 9,819 | 182 | — | 12,258 | 35,006 | 47,264 |
| — | — | — | — | — | 212,261 | 2,003,347 | 2,215,608 |
| 530,566 | — | — | 281 | — | (225,450) | (5,064,640) | (5,290,090) |
| 530,566 | — | 28,071 | 463 | — | 36,731 | 721,198 | 757,929 |
| | | | | | | | |
| 2,895,886 | 108,673 | 488,096 | 292,687 | 321,692 | 2,147,464 | 35,123,113 | 37,270,577 |
| 270,626 | 219,216 | 64,989 | 5,182 | 12,707 | 803,316 | 4,261,214 | 5,064,530 |
| 3,166,512 | 327,889 | 553,085 | 297,869 | 334,399 | 2,950,780 | 39,384,327 | 42,335,107 |
| $ 3,697,078 | $ 327,889 | $ 581,156 | $ 298,332 | $ 334,399 | $ 2,987,511 | $ 40,105,525 | $ 43,093,036 |

# Proprietary Funds

*The Proprietary Funds account for operations that are financed and operated in a manner similar to private business enterprises. It is the intent that the cost of providing such goods or services will be recovered through user charges.*

**Major Enterprise Funds**

**The Virginia Lottery** accounts for receipts and expenses from the operations of the Virginia Lottery, excluding activity related to the regulation and compliance monitoring of casinos and sports betting.

**The Virginia College Savings Plan** administers the Defined Benefit 529 Program, which consists of two savings options: Prepaid529 and Tuition Track Portfolio. Prepaid529 services contracts that provide for full future tuition and mandatory fee payments at Virginia's higher education institutions and differing payouts at private or out-of-state institutions using actuarially determined amounts. Prepaid529 is closed to new contracts. The Tuition Track Portfolio allows for the purchase of units to be redeemed for future tuition costs. The value of a unit is tied to the average tuition inflation rate of Virginia four year institutions.

**The Unemployment Compensation Fund** administers the temporary partial income replacement payments to unemployed covered workers.

**Nonmajor Enterprise Funds** include those operations of state agencies which are listed on page 261 in the Combining and Individual Fund Statements and Schedules section of this report.

**Internal Service Funds** include those operations of state agencies which are listed on page 277 in the Combining and Individual Fund Statements and Schedules section of this report.

## Statement of Fund Net Position - Proprietary Funds

June 30, 2023

(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Virginia Lottery | Virginia College Savings Plan | Unemployment Compensation | Nonmajor |
| **Assets and Deferred Outflows of Resources** | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents (Notes 1 and 8) | $ 215,771 | $ 129,863 | $ 1,618,921 | $ 355,400 |
| Assets Held Pending Distribution (Note 1) | 13,563 | — | — | — |
| Receivables, Net (Notes 1 and 9) | 75,964 | 65,405 | 62,609 | 75,289 |
| Due from Other Funds (Note 11) | 324 | — | 3,897 | 1,047 |
| Due from External Parties (Fiduciary Funds) (Note 11) | — | — | — | — |
| Due from Component Units (Note 11) | — | — | — | — |
| Inventory (Note 1) | 201 | — | — | 112,035 |
| Prepaid Items (Note 1) | 589 | 3,497 | — | 1,395 |
| Other Assets (Notes 1 and 12) | 1 | — | — | 457 |
| Total Current Assets | 306,413 | 198,765 | 1,685,427 | 545,623 |
| Noncurrent Assets: | | | | |
| Investments (Notes 1 and 8) | — | 2,843,363 | — | — |
| Assets Held Pending Distribution (Note 1) | 184,566 | — | — | — |
| Receivables, Net (Notes 1 and 9) | — | 51,670 | — | — |
| Other Assets (Notes 1 and 12) | 1,378 | 706 | — | 6,078 |
| Nondepreciable Capital Assets (Notes 1 and 14) | 79 | — | — | 29,129 |
| Other Capital Assets, Net (Notes 1 and 14) | 22,868 | 2,554 | — | 502,336 |
| Total Noncurrent Assets | 208,891 | 2,898,293 | — | 537,543 |
| Total Assets | 515,304 | 3,097,058 | 1,685,427 | 1,083,166 |
| **Deferred Outflows of Resources (Notes 1, 15, 16, 17, and 19)** | 8,877 | 4,125 | — | 42,908 |
| Total Assets and Deferred Outflows of Resources | 524,181 | 3,101,183 | 1,685,427 | 1,126,074 |
| | | | | |
| **Liabilities and Deferred Inflows of Resources** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable (Notes 1 and 26) | 38,819 | 1,440 | 19 | 108,550 |
| Amounts Due to Other Governments | — | — | 66,984 | 9,816 |
| Due to Other Funds (Note 11) | 87,414 | 117 | 231 | 12,770 |
| Due to External Parties (Fiduciary Funds) (Note 11) | 255 | 131 | — | 1,176 |
| Interfund Payable (Note 11) | — | 4,000 | — | 58,007 |
| Unearned Revenue (Note 1) | 2,427 | — | — | 6,993 |
| Due to Claimants, Participants, Escrows and Providers (Note 1) | — | 93 | 121,464 | — |
| Obligations Under Securities Lending Program (Notes 1 and 8) | 59,405 | 1,478 | — | 29,489 |
| Other Liabilities (Notes 1 and 27) | 113,604 | 32,562 | — | 122 |
| Claims Payable Due Within One Year (Notes 1 and 25) | — | — | — | 61,820 |
| Long-term Liabilities Due Within One Year (Notes 1, 23, and 28) | 21,559 | 185,862 | — | 39,390 |
| Total Current Liabilities | 323,483 | 225,683 | 188,698 | 328,133 |
| Noncurrent Liabilities: | | | | |
| Interfund Payable (Note 11) | — | — | — | — |
| Claims Payable Due in More Than One Year (Notes 1 and 25) | — | — | — | 31,049 |
| Long-term Liabilities Due in More Than One Year (Notes 1, 23, and 28) | 216,965 | 1,214,469 | — | 494,375 |
| Total Noncurrent Liabilities | 216,965 | 1,214,469 | — | 525,424 |
| Total Liabilities | 540,448 | 1,440,152 | 188,698 | 853,557 |
| **Deferred Inflows of Resources (Notes 1, 15, 16, 17, and 19)** | 7,154 | 3,504 | — | 32,903 |
| Total Liabilities and Deferred Inflows of Resources | 547,602 | 1,443,656 | 188,698 | 886,460 |
| | | | | |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 12,155 | 1,047 | — | 133,862 |
| Restricted for Net Other Postemployment Benefit - Virginia Sickness and Disability Program | 1,221 | 642 | — | 5,208 |
| Restricted for Unemployment Compensation | — | — | 1,496,729 | — |
| Unrestricted | (36,797) | 1,655,838 | — | 100,544 |
| Total Net Position (Deficit) (Note 4) | $ (23,421) | $ 1,657,527 | $ 1,496,729 | $ 239,614 |

Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal service fund assets and liabilities are included in business-type activities.

Net position of business-type activities

The accompanying notes are an integral part of this financial statement.

| | Governmental Activities |
|---|---|
| Total | Internal Service Funds |
| | |
| $ 2,319,955 | $ 1,034,461 |
| 13,563 | — |
| 279,267 | 14,769 |
| 5,268 | 78,208 |
| — | 262 |
| — | 28,892 |
| 112,236 | 22,786 |
| 5,481 | 14,109 |
| 458 | 37,307 |
| 2,736,228 | 1,230,794 |
| | |
| 2,843,363 | — |
| 184,566 | — |
| 51,670 | — |
| 8,162 | 3,127 |
| 29,208 | 1,660 |
| 527,758 | 541,688 |
| 3,644,727 | 546,475 |
| 6,380,955 | 1,777,269 |
| 55,910 | 14,482 |
| 6,436,865 | 1,791,751 |
| | |
| | |
| 148,828 | 107,412 |
| 76,800 | 9 |
| 100,532 | 5,476 |
| 1,562 | 596 |
| 62,007 | 24,964 |
| 9,420 | 111,955 |
| 121,557 | — |
| 90,372 | 77,659 |
| 146,288 | 662 |
| 61,820 | 162,887 |
| 246,811 | 72,158 |
| 1,065,997 | 563,778 |
| | |
| — | 147,214 |
| 31,049 | 326,282 |
| 1,925,809 | 418,162 |
| 1,956,858 | 891,658 |
| 3,022,855 | 1,455,436 |
| 43,561 | 18,885 |
| 3,066,416 | 1,474,321 |
| | |
| 147,064 | 126,408 |
| 7,071 | 3,078 |
| 1,496,729 | — |
| 1,719,585 | 187,944 |
| $ 3,370,449 | $ 317,430 |
| | |
| 32 | |
| $ 3,370,481 | |

**Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds**

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Virginia Lottery | Virginia College Savings Plan | Unemployment Compensation | Nonmajor |
| **Operating Revenues** | | | | |
| Charges for Sales and Services | $ 4,611,856 | $ 100,202 | $ 250,501 | $ 1,941,413 |
| Interest, Dividends, Rents, and Other Investment Income (Note 1) | — | 112,883 | 27,450 | — |
| Other (Note 29) | — | 208,602 | — | 33,663 |
| Total Operating Revenues | 4,611,856 | 421,687 | 277,951 | 1,975,076 |
| **Operating Expenses** | | | | |
| Cost of Sales and Services | 233,032 | — | — | 726,361 |
| Prizes and Claims (Note 31) | 3,405,341 | — | 191,441 | 522,665 |
| Educational Benefits Expense | — | 181,208 | — | — |
| Personal Services | 36,086 | 18,974 | — | 210,537 |
| Contractual Services | 47,487 | 16,601 | — | 102,247 |
| Supplies and Materials | 519 | 64 | — | 12,771 |
| Depreciation and Amortization (Note 32) | 10,071 | 1,062 | — | 48,603 |
| Rent, Insurance, and Other Related Charges | 1,849 | — | — | 27,108 |
| Interest Expense | — | — | — | 218 |
| Non-recurring Cost Estimate Payments to Providers | — | — | — | 40,653 |
| Other (Note 33) | — | 2,698 | — | 10,832 |
| Total Operating Expenses | 3,734,385 | 220,607 | 191,441 | 1,701,995 |
| Operating Income (Loss) | 877,471 | 201,080 | 86,510 | 273,081 |
| **Nonoperating Revenues (Expenses)** | | | | |
| Interest, Dividends, Rents, and Other Investment Income | 4,957 | 34 | — | 7,029 |
| Other (Note 34) | 132 | 437 | — | 1,414 |
| Total Nonoperating Revenues (Expenses) | 5,089 | 471 | — | 8,443 |
| Income (Loss) Before Transfers | 882,560 | 201,551 | 86,510 | 281,524 |
| Transfers In (Note 35) | — | — | 3,845 | 1,865 |
| Transfers Out (Note 35) | (878,384) | (292) | (3,776) | (245,414) |
| Change in Net Position | 4,176 | 201,259 | 86,579 | 37,975 |
| Total Net Position (Deficit), July 1, as restated (Note 2) | (27,597) | 1,456,268 | 1,410,150 | 201,639 |
| Total Net Position (Deficit), June 30 (Note 4) | $ (23,421) | $ 1,657,527 | $ 1,496,729 | $ 239,614 |

Some amounts reported for business-type activities in the Statement of Activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Change in Net Position of business-type activities

The accompanying notes are an integral part of this financial statement.

| | Governmental Activities |
|---|---|
| Total | Internal Service Funds |
| $ 6,903,972 | $ 2,493,314 |
| 140,333 | — |
| 242,265 | 77,784 |
| 7,286,570 | 2,571,098 |
| | |
| 959,393 | 82,319 |
| 4,119,447 | 1,696,762 |
| 181,208 | — |
| 265,597 | 67,667 |
| 166,335 | 439,354 |
| 13,354 | 9,647 |
| 59,736 | 97,209 |
| 28,957 | 105,091 |
| 218 | 1 |
| 40,653 | — |
| 13,530 | 27,227 |
| 5,848,428 | 2,525,277 |
| 1,438,142 | 45,821 |
| | |
| 12,020 | 19,675 |
| 1,983 | (29,101) |
| 14,003 | (9,426) |
| | |
| 1,452,145 | 36,395 |
| 5,710 | 388 |
| (1,127,866) | (23,734) |
| 329,989 | 13,049 |
| 3,040,460 | 304,381 |
| $ 3,370,449 | $ 317,430 |
| | |
| (11,511) | |
| $ 318,478 | |

## Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Virginia Lottery | Virginia College Savings Plan | Unemployment Compensation | Nonmajor |
| **Cash Flows from Operating Activities** | | | | |
| Receipts for Sales and Services | $ 4,592,108 | $ 97,145 | $ 297,742 | $ 1,942,562 |
| Receipts from Investments | — | — | 27,423 | — |
| Internal Activity-Receipts from Other Funds | — | — | 1,344 | 9,323 |
| Internal Activity-Payments to Other Funds | — | (285) | — | (4,063) |
| Payments to Suppliers for Goods and Services | (232,472) | (1,622) | — | (736,079) |
| Payments for Contractual Services | (24,919) | (15,227) | — | (102,118) |
| Payments for Prizes, Claims, and Loss Control (Note 37) | (3,320,290) | — | (205,893) | (525,585) |
| Payments for Educational Benefits | — | (181,208) | — | — |
| Payments to Employees | (38,616) | (19,833) | — | (179,939) |
| Payments to Providers for Non-recurring Cost Estimates | — | — | — | (41,823) |
| Payments for Interest | — | — | — | — |
| Other Operating Revenue (Note 37) | — | 1 | — | 10,575 |
| Other Operating Expense (Note 37) | — | (2,282) | — | (68,913) |
| Net Cash Provided by (Used for) Operating Activities | 975,811 | (123,311) | 120,616 | 303,940 |
| **Cash Flows from Noncapital Financing Activities** | | | | |
| Transfers In from Other Funds | — | — | 2,245 | 1,865 |
| Transfers Out to Other Funds | (795,989) | (292) | (3,843) | (595,863) |
| Other Noncapital Financing Receipt Activities (Note 37) | 515 | 2,000 | — | 401,389 |
| Other Noncapital Financing Disbursement Activities (Note 37) | — | — | — | (45,389) |
| Net Cash Provided by (Used for) Noncapital Financing Activities | (795,474) | 1,708 | (1,598) | (237,998) |
| **Cash Flows from Capital and Related Financing Activities** | | | | |
| Acquisition of Capital Assets | (1,803) | (137) | — | (15,664) |
| Payment of Principal and Interest on Bonds and Notes | (6,022) | (1,030) | — | (42,942) |
| Proceeds from Sale of Capital Assets | 10 | — | — | 25 |
| Other Capital and Related Financing Receipt Activities (Note 37) | — | — | — | 1,258 |
| Other Capital and Related Financing Disbursement Activities (Note 37) | — | — | — | (5,222) |
| Net Cash Used for Capital and Related Financing Activities | (7,815) | (1,167) | — | (62,545) |
| **Cash Flows from Investing Activities** | | | | |
| Purchase of Investments | (91,445) | (3,528,838) | — | — |
| Proceeds from Sales or Maturities of Investments | 10,962 | 3,515,755 | — | — |
| Investment Income on Cash, Cash Equivalents, and Investments | 3,986 | 121,112 | — | 4,354 |
| Net Cash Provided by Investing Activities | (76,497) | 108,029 | — | 4,354 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 96,025 | (14,741) | 119,018 | 7,751 |
| **Cash and Cash Equivalents, July 1** | 60,342 | 143,126 | 1,499,903 | 318,588 |
| **Cash and Cash Equivalents, June 30** | $ 156,367 | $ 128,385 | $ 1,618,921 | $ 326,339 |
| **Reconciliation of Cash and Cash Equivalents** | | | | |
| Per the Statement of Net Position: | | | | |
| Cash and Cash Equivalents | $ 215,771 | $ 129,863 | $ 1,618,921 | $ 355,400 |
| Cash and Travel Advances | 1 | — | — | 429 |
| Less: | | | | |
| Securities Lending Cash Equivalents | (59,405) | (1,478) | — | (29,490) |
| Cash and Cash Equivalents per the Statement of Cash Flows | $ 156,367 | $ 128,385 | $ 1,618,921 | $ 326,339 |

The accompanying notes are an integral part of this financial statement.

| | Governmental Activities |
|---|---|
| Total | Internal Service Funds |
| $ 6,929,557 | $ 959,794 |
| 27,423 | — |
| 10,667 | 1,492,581 |
| (4,348) | (7,045) |
| (970,173) | (126,177) |
| (142,264) | (488,542) |
| (4,051,768) | (1,687,695) |
| (181,208) | — |
| (238,388) | (73,909) |
| (41,823) | — |
| — | (1) |
| 10,576 | 24 |
| (71,195) | (24,407) |
| 1,277,056 | 44,623 |
| | |
| 4,110 | 388 |
| (1,395,987) | (23,734) |
| 403,904 | 13,464 |
| (45,389) | (21,543) |
| | |
| (1,033,362) | (31,425) |
| | |
| (17,604) | (11,510) |
| (49,994) | (111,007) |
| 35 | 5,388 |
| 1,258 | — |
| (5,222) | — |
| | |
| (71,527) | (117,129) |
| | |
| (3,620,283) | — |
| 3,526,717 | — |
| 129,452 | 16,069 |
| 35,886 | 16,069 |
| 208,053 | (87,862) |
| 2,021,959 | 1,044,664 |
| $ 2,230,012 | $ 956,802 |
| | |
| | |
| $ 2,319,955 | $ 1,034,461 |
| 430 | — |
| | |
| (90,373) | (77,659) |
| $ 2,230,012 | $ 956,802 |

*Continued on next page*

**Statement of Cash Flows - Proprietary Funds** *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | Business-type Activities Enterprise Funds | | | |
|---|---|---|---|---|
| | Virginia Lottery | Virginia College Savings Plan | Unemployment Compensation | Nonmajor |
| **Reconciliation of Operating Income To Net Cash Provided by (Used for) Operating Activities:** | | | | |
| Operating Income (Loss) | $ 877,471 | $ 201,080 | $ 86,510 | $ 273,081 |
| **Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:** | | | | |
| Depreciation and Amortization | 10,071 | 1,062 | — | 48,603 |
| Interest, Dividends, Rents, and Other Investment Income | (4,816) | (112,883) | — | — |
| Miscellaneous Nonoperating Income | 1,097 | (55) | — | 1,021 |
| Other | — | — | — | 4,298 |
| Change in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources | | | | |
| (Increase) Decrease in Accounts Receivable | (19,871) | 17,390 | 39,284 | (12,321) |
| (Increase) Decrease in Due from Other Funds | — | — | (360) | (124) |
| (Increase) Decrease in Due from External Parties (Fiduciary Funds) | — | — | — | — |
| (Increase) Decrease in Due from Component Units | — | — | — | — |
| (Increase) Decrease in Other Assets: Due Within One Year | — | — | — | 12 |
| (Increase) Decrease in Other Assets: Due in More Than One Year | 236 | 108 | — | (6) |
| (Increase) Decrease in Inventory | 560 | — | — | (3,933) |
| (Increase) Decrease in Prepaid Items | 20 | (1,141) | — | 1,369 |
| (Increase) Decrease in Deferred Outflows of Resources | 454 | 909 | — | (8,528) |
| Increase (Decrease) in Accounts Payable | 13,801 | (67) | (20) | 2,728 |
| Increase (Decrease) in Amounts Due to Other Governments | — | — | (1,934) | (1,026) |
| Increase (Decrease) in Due to Other Funds | (1,619) | 6 | (5,480) | (703) |
| Increase (Decrease) in Due to External Parties (Fiduciary Funds) | 21 | 24 | — | 143 |
| Increase (Decrease) in Unearned Revenue | 123 | — | — | 3,050 |
| Increase (Decrease) in Due to Claimants, Participants, Escrows and Providers | — | (204) | 2,616 | — |
| Increase (Decrease) in Other Liabilities | 17,211 | — | — | (11) |
| Increase (Decrease) in Claims Payable: Due Within One Year | — | — | — | (284) |
| Increase (Decrease) in Claims Payable: Due in More Than One Year | — | — | — | (3,736) |
| Increase (Decrease) in Long-term Liabilities: Due Within One Year | 2,948 | (84,291) | — | (414) |
| Increase (Decrease) in Long-term Liabilities: Due in More Than One Year | 87,153 | (140,846) | — | 32,863 |
| Increase (Decrease) in Deferred Inflows of Resources | (9,049) | (4,403) | — | (32,142) |
| Net Cash Provided by (Used for) Operating Activities | $ 975,811 | $ (123,311) | $ 120,616 | $ 303,940 |
| **Noncash Investing, Capital, and Financing Activities:** | | | | |
| The following transactions occurred prior to the Statement of Net Position date: | | | | |
| Long-term Subscription-Based Technology Arrangements Used to Finance Capital Assets | $ 2,653 | $ (999) | $ — | $ 203,975 |
| Long-term Leases Used to Finance Capital Assets | 7,817 | (31) | — | 26,478 |
| Installment Purchases Used to Finance Capital Assets | — | — | — | — |
| Change in Fair Value of Investments | — | 109,568 | — | — |
| Accounts Payable Increase (Decrease) related to Capital Assets | — | — | — | 288 |
| Total Noncash, Investing, Capital, and Financing Activities | $ 10,470 | $ 108,538 | $ — | $ 230,741 |

The accompanying notes are an integral part of this financial statement.

| | Governmental Activities |
|---|---|
| Total | Internal Service Funds |
| $ 1,438,142 | $ 45,821 |
| | |
| 59,736 | 97,209 |
| (117,699) | — |
| 2,063 | 3,528 |
| 4,298 | (10,270) |
| | |
| 24,482 | 14,027 |
| (484) | (14,790) |
| — | (12) |
| — | (949) |
| 12 | 6,047 |
| 338 | 538 |
| (3,373) | 855 |
| 248 | 561 |
| (7,165) | 1,918 |
| 16,442 | 16,992 |
| (2,960) | 10 |
| (7,796) | (459) |
| 188 | 103 |
| 3,173 | (41,392) |
| 2,412 | — |
| 17,200 | 312 |
| (284) | (15,048) |
| (3,736) | (64,995) |
| (81,757) | 1,841 |
| (20,830) | 24,842 |
| (45,594) | (22,066) |
| $ 1,277,056 | $ 44,623 |
| | |
| $ 205,629 | $ 4,271 |
| 34,264 | 62,142 |
| — | 3,258 |
| 109,568 | — |
| 288 | (261) |
| $ 349,749 | $ 69,410 |

# Fiduciary Funds

**Private Purpose Trust Funds**

*Private Purpose Trust Funds reflect funds that benefit individuals, organizations, and other governments; have a trust that meets GASB Statement No. 84, Fiduciary Activities, criteria; and are not required to be reported in another fiduciary fund type.*

**Pension and Other Employee Benefit Trust Funds**

*Pension and Other Employee Benefit Trust Funds reflect activities of the pension, other postemployment, and employee benefit plans with trusts that meet GASB Statement No. 84 criteria, and are administered by the Virginia Retirement System.*

**Custodial Funds - External Investment Pool**

*Custodial Funds - External Investment Pool reflects the external portion of the Local Government Investment Pool sponsored by the Commonwealth. This fund does not have a trust that meets GASB Statement No. 84 criteria.*

**Custodial Funds - Other**

*Custodial Funds - Other reflect funds that are similar to Private Purpose Trust Funds, except they do not have a trust that meets GASB Statement No. 84 criteria.*

A listing of all Fiduciary Funds is located on pages 286-287 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 288.

## Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2023

(Dollars in Thousands)

| | Private Purpose Trust Funds | Pension and Other Employee Benefit Trust Funds | Custodial Funds: External Investment Pool | Custodial Funds: Other |
|---|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | | |
| Cash and Cash Equivalents (Notes 1 and 8) | $ 343,285 | $ 202,994 | $ 3,220,059 | $ 212,821 |
| Investments (Notes 1 and 8): | | | | |
| Bonds and Mortgage Securities | 466,691 | 19,073,979 | 423,624 | 13,384 |
| Stocks | 1,142 | 24,871,638 | — | 17,453 |
| Fixed Income Commingled Funds | 956,619 | 822,721 | — | 578 |
| Index and Pooled Funds | 3,853,391 | 13,224,423 | — | 9,280 |
| Real Estate | 83,434 | 13,980,136 | — | 9,810 |
| Private Equity | — | 35,562,154 | — | 24,953 |
| Mutual and Money Market Funds | 595,456 | — | — | — |
| Short-term Investments | — | 3,796,136 | 6,302,913 | 2,716 |
| Other | 1,690,737 | — | — | — |
| Total Investments | 7,647,470 | 111,331,187 | 6,726,537 | 78,174 |
| Assets Held Pending Distribution (Note 1) | 5,090 | — | — | 490,090 |
| Receivables, Net (Notes 1 and 9): | | | | |
| Accounts | 44 | — | — | 82 |
| Contributions | — | 297,734 | — | — |
| Interest and Dividends | 14,442 | 309,293 | 44,374 | 217 |
| Security Transactions | — | 4,470,953 | — | 3,137 |
| Taxes | — | — | — | 193,227 |
| Other Receivables | 475 | 320,216 | — | 307 |
| Total Receivables | 14,961 | 5,398,196 | 44,374 | 196,970 |
| Due from Internal Parties (Governmental Funds and Business-type Activities) (Note 11) | — | 41,336 | — | 266 |
| Due from Component Units (Note 11) | — | 41,017 | — | — |
| Other Assets (Notes 1 and 12) | — | — | — | 1 |
| Property, Plant, Furniture, Equipment, and Intangibles | — | 25,394 | — | — |
| Total Assets | 8,010,806 | 117,040,124 | 9,990,970 | 978,322 |
| **Deferred Outflows of Resources (Note 1)** | — | — | — | — |
| Total Assets and Deferred Outflows of Resources | 8,010,806 | 117,040,124 | 9,990,970 | 978,322 |
| **Liabilities and Deferred Inflows of Resources** | | | | |
| Accounts Payable (Notes 1 and 26) | 868 | 39,538 | 66,518 | 3,153 |
| Amounts Due to Other Governments | — | — | — | 354,617 |
| Due to Internal Parties (Governmental Funds and Business-type Activities) (Note 11) | — | 262 | 9 | 296 |
| Obligations Under Securities Lending (Notes 1 and 8) | 203 | 3,721,887 | — | 3,783 |
| Due to Claimants, Participants, Escrows and Providers (Note 1) | 1,267 | — | — | 175 |
| Other Liabilities (Notes 1 and 27) | — | 66,548 | — | 2,122 |
| Retirement Benefits Payable | — | 20,758 | — | — |
| Refunds Payable | — | 5,213 | — | — |
| Compensated Absences Payable (Notes 1 and 23) | — | 3,812 | — | 2 |
| Insurance Premiums and Claims Payable | — | 118,861 | — | 116 |
| Payable for Security Transactions | 8,240 | 7,275,378 | — | 5,105 |
| Lease Liabilities | — | 2,314 | — | — |
| Subscription-based Information Technology Arrangement Liabilities | — | 960 | — | — |
| Total Liabilities | 10,578 | 11,255,531 | 66,527 | 369,369 |
| **Deferred Inflows of Resources (Note 1)** | — | — | — | — |
| Total Liabilities and Deferred Inflows of Resources | 10,578 | 11,255,531 | 66,527 | 369,369 |
| Net Position Restricted for: | | | | |
| Pensions | — | 101,816,044 | — | — |
| Other Employment Benefits | — | 3,968,549 | — | — |
| Pool Participants, Individuals, Organizations, and Other Governments | 8,000,228 | — | 9,924,443 | 608,953 |
| Total Net Position | $ 8,000,228 | $ 105,784,593 | $ 9,924,443 | $ 608,953 |

The accompanying notes are an integral part of this financial statement.

## Statement of Changes in Fiduciary Net Position - Fiduciary Funds

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | Private Purpose Trust Funds | Pension and Other Employee Benefit Trust Funds | Custodial Funds: External Investment Pool | Custodial Funds: Other |
|---|---|---|---|---|
| **Additions:** | | | | |
| Investment Income: | | | | |
| Interest, Dividends, and Other Investment Income (Note 1) | $ 699,505 | $ 7,304,317 | $ 316,417 | $ 4,483 |
| Total Investment Income | 699,505 | 7,304,317 | 316,417 | 4,483 |
| Less Investment Expenses | 7,076 | 801,436 | 1,045 | 645 |
| Net Investment Income | 692,429 | 6,502,881 | 315,372 | 3,838 |
| Contributions: | | | | |
| Participants | 943,393 | — | — | — |
| Member | — | 1,220,122 | — | 62 |
| Employer | — | 3,682,549 | — | 907 |
| Non-employer | — | 158,554 | — | — |
| Total Contributions | 943,393 | 5,061,225 | — | 969 |
| Shares Sold | — | — | 11,706,505 | — |
| Reinvested Distributions | — | — | 315,066 | — |
| Other Revenue (Note 29) | 10 | 4,232 | — | 14,903 |
| Sales Tax Collections for Other Governments | — | — | — | 1,804,781 |
| Child Support Collections | — | — | — | 585,684 |
| Legal Settlement Collections | 1,948 | — | — | — |
| Collections for Inmates and Wards | — | — | — | 4,593 |
| Collections for Behavioral Health Patients | — | — | — | 3,276 |
| Collateral Received and Related Additions | — | — | — | 309,771 |
| Fee Collections for Other Governments | — | — | — | 11,124 |
| Collections for Veterans' Care Center Residents | — | — | — | 1,134 |
| Other Additions | — | — | — | 6,081 |
| Total Additions | 1,637,780 | 11,568,338 | 12,336,943 | 2,746,154 |
| **Deductions:** | | | | |
| Educational Expense Benefits | 579,853 | — | — | — |
| Retirement Benefits | — | 6,043,315 | — | — |
| Refunds to Former Members | — | 125,016 | — | 2,067 |
| Retiree Health Insurance Credits | — | 181,401 | — | — |
| Insurance Premiums and Claims | — | 272,264 | — | 72 |
| Beneficiary Payments | 225 | — | — | — |
| Administrative Expenses | 3 | 65,696 | — | 614 |
| Other Expenses (Note 33) | — | 4,259 | — | 112 |
| Shares Redeemed | 25,320 | — | 10,615,477 | — |
| Long-term Disability Benefits | — | 43,019 | — | — |
| Sales Tax Payments to Other Governments | — | — | — | 1,804,720 |
| Child Support Payments to Individuals | — | — | — | 589,818 |
| Legal Settlement Payments to Injured Parties | 571 | — | — | — |
| Payments for Inmates and Wards | — | — | — | 8,773 |
| Payments for Behavioral Health Patients | — | — | — | 3,213 |
| Collateral Disbursed and Related Deductions | — | — | — | 305,888 |
| Distributions to Shareholders from Net Investment Income | — | — | 315,372 | — |
| Fee Payments to Other Governments | — | — | — | 10,443 |
| Payments for Veterans' Care Center Residents | — | — | — | 1,057 |
| Other Deductions | 33 | — | — | 6,113 |
| Total Deductions | 606,005 | 6,734,970 | 10,930,849 | 2,732,890 |
| Net Increase (Decrease) in Fiduciary Net Position | 1,031,775 | 4,833,368 | 1,406,094 | 13,264 |
| Net Position, July 1 | 6,968,453 | 100,951,225 | 8,518,349 | 595,689 |
| Net Position, June 30 | $ 8,000,228 | $ 105,784,593 | $ 9,924,443 | $ 608,953 |

The accompanying notes are an integral part of this financial statement.

# Component Units

*Component Units are organizations that are legally separate from the primary government. Each discrete component unit serves or benefits those outside of the primary government.*

**The Virginia Housing Development Authority** provides financing for the acquisition, construction and rehabilitation of affordable housing for home ownership or occupancy by low or moderate income Virginians.

**The Virginia Public School Authority** provides financing to cities and counties for capital construction of primary and secondary schools.

**The Virginia Resources Authority** provides financing for the construction of local water supply and wastewater treatment facilities and other local infrastructure projects.

**The Virginia College Building Authority** provides financing of capital projects and equipment purchases by state-supported colleges and universities.

**Nonmajor Component Units** include those listed on pages 302-303 in the Combining and Individual Fund Statements and Schedules section of this report.

## Statement of Net Position - Component Units

June 30, 2023

(Dollars in Thousands)

| | Virginia Housing Development Authority | Virginia Public School Authority | Virginia Resources Authority |
|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | |
| Cash and Cash Equivalents (Notes 1 and 8) | $ 130,729 | $ 34,826 | $ 6,653 |
| Investments (Notes 1 and 8) | 30,810 | — | 30,351 |
| Receivables, Net (Notes 1 and 9) | 354,004 | 60,552 | 34,911 |
| Contributions Receivable, Net (Notes 1 and 10) | — | — | — |
| Due from Primary Government (Note 11) | — | — | — |
| Due from Component Units (Note 11) | — | — | — |
| Inventory (Note 1) | — | — | — |
| Prepaid Items (Note 1) | 84 | — | 74 |
| Other Assets (Notes 1 and 12) | 45,386 | — | 477 |
| Loans Receivable from Primary Government (Notes 1 and 11) | — | 191,765 | — |
| Restricted Cash and Cash Equivalents (Notes 8 and 13) | 1,292,265 | 312,112 | 475,552 |
| Restricted Investments (Notes 8 and 13) | 788,533 | 79,960 | 574,188 |
| Restricted Receivables, Net (Note 13) | 6,671,770 | 3,746,179 | 4,409,954 |
| Other Restricted Assets (Note 13) | 5,752 | — | — |
| Nondepreciable Capital Assets (Notes 1 and 14) | 2,946 | — | — |
| Other Capital Assets, Net (Notes 1 and 14) | 32,455 | — | 1,186 |
| Total Assets | 9,354,734 | 4,425,394 | 5,533,346 |
| **Deferred Outflows of Resources (Notes 1, 15, 16, 17, and 19)** | 11,258 | 59,188 | 33,874 |
| Total Assets and Deferred Outflows of Resources | 9,365,992 | 4,484,582 | 5,567,220 |
| | | | |
| **Liabilities and Deferred Inflows of Resources** | | | |
| Accounts Payable (Notes 1 and 26) | 110,910 | 130 | 94 |
| Amounts Due to Other Governments | — | 140,216 | — |
| Due to Primary Government (Note 11) | — | — | — |
| Due to Component Units (Note 11) | — | — | — |
| Due to External Parties (Fiduciary Funds) (Note 11) | — | — | — |
| Unearned Revenue (Note 1) | — | — | — |
| Obligations Under Securities Lending Program (Notes 1 and 8) | — | — | — |
| Other Liabilities (Notes 1, 16, and 27) | 465,964 | 56,613 | 29,062 |
| Claims Payable (Notes 1 and 25): | | | |
| Due Within One Year | — | — | — |
| Due in More Than One Year | — | — | — |
| Long-term Liabilities (Notes 1, 23, and 28): | | | |
| Due Within One Year | 135,026 | 335,570 | 200,369 |
| Due in More Than One Year | 4,802,517 | 3,904,789 | 3,093,643 |
| Total Liabilities | 5,514,417 | 4,437,318 | 3,323,168 |
| **Deferred Inflows of Resources (Notes 1, 15, 16, 17, 19, and 39)** | 66,428 | — | 28,444 |
| Total Liabilities and Deferred Inflows of Resources | 5,580,845 | 4,437,318 | 3,351,612 |
| | | | |
| **Net Position** | | | |
| Net Investment in Capital Assets | 8,777 | — | 1 |
| Restricted For: | | | |
| Nonexpendable: | | | |
| Higher Education | — | — | — |
| Other | — | — | — |
| Expendable: | | | |
| Bond Indenture | 3,326,942 | — | — |
| Capital Projects/Construction/Capital Acquisition | — | — | 2,177,774 |
| Debt Service | — | 12,424 | — |
| Gifts and Grants | — | — | — |
| Higher Education | — | — | — |
| Net Other Postemployment Benefit - Virginia Sickness and Disability Program | — | — | — |
| Virginia Pooled Investment Program | — | — | 7,888 |
| Other | — | — | 477 |
| Unrestricted | 449,428 | 34,840 | 29,468 |
| Total Net Position (Deficit) (Note 4) | $ 3,785,147 | $ 47,264 | $ 2,215,608 |

The accompanying notes are an integral part of this financial statement.

| Virginia College Building Authority | Nonmajor Component Units | Total |
|---|---|---|
| $ 429 | $ 4,669,894 | $ 4,842,531 |
| — | 17,484,631 | 17,545,792 |
| 19,147 | 2,089,613 | 2,558,227 |
| — | 532,559 | 532,559 |
| 924 | 677,162 | 678,086 |
| — | 144,539 | 144,539 |
| — | 212,050 | 212,050 |
| — | 205,486 | 205,644 |
| — | 196,734 | 242,597 |
| — | — | 191,765 |
| 573,406 | 1,801,858 | 4,455,193 |
| — | 7,630,267 | 9,072,948 |
| — | 302,263 | 15,130,166 |
| — | 513,454 | 519,206 |
| — | 4,893,022 | 4,895,968 |
| — | 25,088,653 | 25,122,294 |
| 593,906 | 66,442,185 | 86,349,565 |
| 17,283 | 795,272 | 916,875 |
| 611,189 | 67,237,457 | 87,266,440 |
| | | |
| | | |
| 16 | 1,791,915 | 1,903,065 |
| — | 1,501 | 141,717 |
| — | 30,824 | 30,824 |
| 144,539 | — | 144,539 |
| — | 41,017 | 41,017 |
| — | 674,853 | 674,853 |
| — | 124,349 | 124,349 |
| 92,473 | 1,242,994 | 1,887,106 |
| | | |
| — | 17,836 | 17,836 |
| — | 35,375 | 35,375 |
| | | |
| 394,940 | 1,199,660 | 2,265,565 |
| 5,241,832 | 18,481,344 | 35,524,125 |
| 5,873,800 | 23,641,668 | 42,790,371 |
| 27,479 | 1,260,682 | 1,383,033 |
| 5,901,279 | 24,902,350 | 44,173,404 |
| | | |
| | | |
| — | 15,981,817 | 15,990,595 |
| | | |
| | | |
| — | 5,941,771 | 5,941,771 |
| — | 183,970 | 183,970 |
| | | |
| — | — | 3,326,942 |
| — | 299,562 | 2,477,336 |
| — | 208,083 | 220,507 |
| — | 220,283 | 220,283 |
| 430,088 | 9,772,167 | 10,202,255 |
| — | 110,733 | 110,733 |
| — | — | 7,888 |
| — | 66,329 | 66,806 |
| (5,720,178) | 9,550,392 | 4,343,950 |
| $ (5,290,090) | $ 42,335,107 | $ 43,093,036 |

## Statement of Activities - Component Units

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions (Note 1) | Program Revenues: Capital Grants and Contributions | Net (Expenses) Revenue |
|---|---|---|---|---|---|
| Virginia Housing Development Authority | $ 590,456 | $ 370,601 | $ 239,265 | $ — | $ 19,410 |
| Virginia Public School Authority | 137,212 | 132,289 | 7,180 | — | 2,257 |
| Virginia Resources Authority | 117,882 | 102,526 | 26,090 | 201,527 | 212,261 |
| Virginia College Building Authority | 849,482 | 47,017 | 38,124 | 8,044 | (756,297) |
| Total Major Component Units | 1,695,032 | 652,433 | 310,659 | 209,571 | (522,369) |
| Nonmajor Component Units: | | | | | |
| Higher Education | 18,244,691 | 11,565,974 | 3,360,827 | 1,358,320 | (1,959,570) |
| Other | 1,707,888 | 1,326,998 | 203,242 | 408,244 | 230,596 |
| Total Nonmajor Component Units | 19,952,579 | 12,892,972 | 3,564,069 | 1,766,564 | (1,728,974) |
| Total Component Units | $ 21,647,611 | $ 13,545,405 | $ 3,874,728 | $ 1,976,135 | $ (2,251,343) |

The accompanying notes are an integral part of this financial statement.

| General Revenues | | | | | | | |
|---|---|---|---|---|---|---|---|
| Operating Appropriations from Primary Government | Unrestricted Grants and Contributions | Investment Earnings (Note 1) | Miscellaneous | Contributions to Permanent and Term Endowments | Change in Net Position | Net Position (Deficit) July 1 (as restated) (Note 2) | Net Position (Deficit) June 30 (Note 4) |
| $ — | $ — | $ 18,252 | $ — | $ — | $ 37,662 | $ 3,747,485 | $ 3,785,147 |
| — | — | 9,819 | 182 | — | 12,258 | 35,006 | 47,264 |
| — | — | — | — | — | 212,261 | 2,003,347 | 2,215,608 |
| 530,566 | — | — | 281 | — | (225,450) | (5,064,640) | (5,290,090) |
| 530,566 | — | 28,071 | 463 | — | 36,731 | 721,198 | 757,929 |
| | | | | | | | |
| 2,895,886 | 108,673 | 488,096 | 292,687 | 321,692 | 2,147,464 | 35,123,113 | 37,270,577 |
| 270,626 | 219,216 | 64,989 | 5,182 | 12,707 | 803,316 | 4,261,214 | 5,064,530 |
| 3,166,512 | 327,889 | 553,085 | 297,869 | 334,399 | 2,950,780 | 39,384,327 | 42,335,107 |
| $ 3,697,078 | $ 327,889 | $ 581,156 | $ 298,332 | $ 334,399 | $ 2,987,511 | $ 40,105,525 | $ 43,093,036 |

# Index to the Notes to the Financial Statements

# Notes to the Financial Statements

June 30, 2023

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The accompanying financial statements have been prepared in conformance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

**B. Reporting Entity**

For financial reporting purposes, the Commonwealth of Virginia's (the Commonwealth's) reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable or for which the resources of the component unit primarily benefit the primary government (blended component units), and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading, and they are financially accountable to the primary government (discrete component units). The funds of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. GASB standards require the inclusion of numerous organizations that raise and hold funds for the direct benefit of the primary government.

Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) describes the criteria for determining which organizations, functions, and activities should be considered part of the Commonwealth for financial reporting purposes. The basic criteria include appointing a voting majority of an organization's governing body, and the Commonwealth's ability to impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commonwealth. Additionally, in instances where the voting majority is not appointed, the above benefit/burden criteria apply. If the organization's assets are also held for, or can be accessed by, the Commonwealth, the organization is considered part of the reporting entity.

**(1) Primary Government** – A primary government consists of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, and departments are, for financial reporting purposes, part of the primary government.

**(2) Blended Component Units** – Though legally separate entities, these component units are, in substance, part of the primary government's operations. The blended component units serve or benefit the primary government almost exclusively. Financial information from these units is combined with that of the primary government. The Commonwealth's blended component units are:

**Virginia Public Building Authority** (nonmajor governmental fund) – The Authority was created as a body politic and corporate and is fiscally independent. A government instrumentality, the Authority finances the acquisition and construction of buildings for the use of the Commonwealth and other approved purposes. The Governor appoints the 7-member board, and the primary government is able to impose its will on the Authority. The Auditor of Public Accounts (APA) audits the Authority, and a separate report is issued from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218-1879.

**Hampton Roads Transportation Accountability Commission** (nonmajor governmental fund) – The Commission is a political subdivision of the Commonwealth of Virginia, created by the Hampton Roads Transportation Accountability Commission Act. The Commission has a 23-member board comprised primarily of representatives from participating localities in Planning District 23. Its primary function is determining how the Hampton Roads Transportation Fund regional sales and use tax and fuel tax monies will be invested in new construction projects to provide the greatest impact on reducing congestion for the greatest number of citizens residing within Planning District 23. Based on the projects that the Commission is presently funding, the majority of capital assets constructed by the Commission are reported as Commonwealth assets by the Virginia Department of Transportation (VDOT) (part of primary government). Accordingly, while the Commonwealth is not obligated to pay the Commission's debt, it would be misleading to exclude the Commission from the Commonwealth's financial statements. The administrative offices of the Commission are located at 723 Woodlake Drive, Chesapeake, Virginia 23320. The Commission is audited by PBMares, LLP.

**Virginia Alcoholic Beverage Control Authority** (nonmajor enterprise fund) – The Authority was created as an independent political subdivision of the Commonwealth, exclusive of the legislative, executive, or judicial branches of state government. A government instrumentality, the Authority controls the possession, sale, transportation, distribution, and delivery of alcoholic beverages in the Commonwealth. The Governor appoints the 5-member board, and while an independent entity, the Authority works in concert with all branches of the government. Additionally, all net profits of the Authority are transferred to the General Fund of the Commonwealth after required disbursements are made in accordance with the Appropriations Act. The administrative offices of the Authority are located at 7450 Freight Way, Mechanicsville, Virginia 23116. The Auditor of Public Accounts (APA) audits the Authority, and a separate report is issued.

**(3) Discrete Component Units** – Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading. These discrete component units serve or benefit those outside of the primary government.

GASB statements generally require any organization that raises and holds economic resources for the direct benefit of the reporting entity to be reported as a component unit, even if the reporting entity is not financially accountable for the organization. The entities are included in the Commonwealth's reporting entity as nonprofit charitable organizations and exist solely to support the Commonwealth's higher education institutions and certain state agencies. The higher education institution nonprofit organizations are included in the applicable higher education institution's column in the accompanying financial statements. In all instances where separate disclosure of these nonprofit organizations is required in the accompanying footnotes, the entities' totals are aggregated and disclosed as "foundations".

The criteria for reporting certain component units as major component units focuses on the nature and significance of the component unit's relationship to the primary government versus other component units.

Discretely presented component units are:

**Virginia Housing Development Authority** (major) – The Authority was created as a political subdivision and instrumentality of the Commonwealth and is granted both politic and corporate powers by the *Code of Virginia*. The Governor appoints a majority of the Authority's board members and the remaining board members are ex-officio. The Commonwealth may make grants to the Authority including, but not limited to, reserve funds, which is a potential financial benefit/burden to the primary government. The Commonwealth is not legally obligated by the debt of the Authority. The Authority was created in the public interest to provide the financing for the acquisition, construction, and rehabilitation of affordable housing for home ownership or occupancy by low or moderate income Virginians. The administrative offices of the Authority are located at 601 South Belvidere Street, Richmond, Virginia 23220. CliftonLarsonAllen, LLP audits the Authority, and a separate report is issued.

**Virginia Public School Authority** (major) – The Authority was created as a public body corporate, and an agency and instrumentality of the Commonwealth to finance capital projects of city and county school boards. The Governor appoints the board members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Authority. The Auditor of Public Accounts (APA) audits the Authority, and a separate report is issued from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218-1879.

**Virginia Resources Authority** (major) – The Authority was created as a public body corporate and a political subdivision of the Commonwealth to provide financing of infrastructure projects for water supply, wastewater, storm water, solid waste treatment, airports, public safety, brownfields remediation and redevelopment, and other infrastructure projects. The Governor appoints the 11-member board and the Executive Director of the Authority. The primary government is able to impose its will on the Authority, and there is a financial benefit/burden to the primary government. The Commonwealth does not guarantee any bonds issued by the Authority, however, the Authority has outstanding bonds that are backed by the moral obligation of the Commonwealth. The administrative offices of the Authority are located at 1111 East Main Street, Suite 1920, Richmond, Virginia 23219. CliftonLarsonAllen, LLP audits the Authority, and a separate report is issued.

The Authority issued bonds through the Virginia Green Communities Program (VGCP), which uses the Commonwealth's allocation of Qualified Energy Conservation Bonds to provide subsidized financing for energy efficiency, renewable energy, alternative fueling, and other qualified conservation purposes. The Authority is a conduit issuer for public borrowers with a third-party funding source providing financing for eligible projects. The terms of the VGCP bonds stipulate that the Authority does not guarantee repayment of principal and interest to the bondholders. In accordance with GASB 91, conduit debt liabilities and the associated loan assets are not recorded on the Statement of Net Position.

**Virginia College Building Authority** (major) – The Authority was created as a public body corporate, a political subdivision, and an agency and instrumentality of the Commonwealth. The Governor appoints a majority of the board and members serve at his pleasure. Therefore, the primary government is able to impose its will on the Authority. The Authority finances certain capital projects and equipment purchases of state-supported colleges and universities. The Auditor of Public Accounts (APA) audits the Authority, and a separate report is issued from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218-1879.

Only the activity of the Authority that relates to the financing of capital projects and equipment purchases by state-supported colleges and universities is included in the accompanying financial statements. The state-supported colleges and universities reported revenue from the Authority of $568.7 million as Program Revenue Capital Grants and Contributions for the 21st Century Program and $80.5 million as Program Revenue Operating Grants and Contributions for equipment. The Authority reported Operating Appropriations from Primary Government of approximately $530.6 million. In addition, the Authority reported approximately $31.5 million in payments from the state-supported colleges and universities for 21st Century and Equipment Program debt service costs and approximately $3.2 million in interest on Build America Bonds.

The Authority assists private institutions of higher education in the financing and refinancing of a broad range of facilities. The Authority is authorized to issue obligations and lend the proceeds to private institutions; however, such financings or refinancings are not obligations of the primary government nor the Authority, but are payable solely from the revenues pledged by the respective private institution. This indebtedness, totaling $566.5 million, is not included in the accompanying financial statements.

**Higher Education Institutions** (nonmajor) – The Commonwealth's higher education institutions are granted broad corporate powers by state statutes. The Governor appoints the members of each institution's board of trustees. In addition to the annual appropriations to support the institutions' operations, the Commonwealth provides funding for, and construction of, major academic plant facilities for the institutions. Institutions reported Operating Appropriations from Primary Government of approximately $2.9 billion and Program Revenue Capital Grants and Contributions of approximately $576.5 million. Therefore, there is a financial benefit/burden to the primary government. The higher education institutions are: the University of Virginia, including the University of Virginia Medical Center and the University of Virginia's College at Wise; Virginia Polytechnic Institute and State University; Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority; the College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science; Virginia Military Institute; Virginia State University; Norfolk State University; University of Mary Washington; James Madison University; Radford University; Old Dominion University; George Mason University; Virginia Community College System; Christopher Newport University; and Longwood University. The Southwest Virginia Higher Education Center, Roanoke Higher Education Authority, Institute for Advanced Learning and Research, Southern Virginia Higher Education Center, and New College Institute are also included as higher education institutions. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. As previously noted, certain foundations are considered component units of the higher education institutions, and are included in the accompanying financial statements as well as the higher education institutions' separately issued financial statements. The Auditor of Public Accounts (APA) does not audit the Roanoke Higher Education Authority, the Institute for Advanced Learning and Research, and the component units of the higher education institutions, including foundations, but relies on the reports issued by other auditors to render her opinion.

The APA audits the colleges and universities, and individual reports are issued under separate cover. Complete financial statements for each institution may be obtained from their respective administrative offices. The addresses for these institutions may be obtained from the Department of Accounts, 101 North 14th Street, Richmond, Virginia 23219-3638.

**Virginia Innovation Partnership Authority** (nonmajor) - The Authority provides a collaborative, consistent, and consolidated approach that assists the Commonwealth in identifying its entrepreneurial strengths, including the identification of talents and resources that make Virginia a unique place to grow and attract technology-based business. The Governor and Joint Rules Committee appoint the 11-member board, and the primary government can impose its will on the Authority. The Authority's combined financial statements include the accounts of the Virginia Innovation Partnership Corporation (VIPC) after elimination of all significant intercompany balances and transactions. VIPC is a non-stock, not-for-profit corporation, which acts as the operating arm of the Authority. The address for the administrative offices of the Authority is 2214 Rock Hill Road, Suite 600, Herndon, Virginia 20170. The Auditor of Public

Accounts (APA) audits the Authority, and a separate report is issued.

**Virginia Economic Development Partnership** (nonmajor) – The Partnership was created as a body corporate and operates to encourage, stimulate, and support the development and expansion of both domestic and international commerce in the Commonwealth. The Governor and the General Assembly appoints the 17-member board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Cary Street, Suite 900, Richmond, Virginia 23219. The Auditor of Public Accounts (APA) audits the Partnership, and a separate report is issued.

**Virginia Outdoors Foundation** (nonmajor) – The Foundation was created as a body politic and is administratively assigned to the Department of Conservation and Recreation (part of primary government) and charged with promoting preservation through the acceptance of donated conservation easements and raising funds for the purchase of preservation land. The Governor appoints the 7-member board of trustees, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 39 Garrett Street, Suite 200, Warrenton, Virginia 20186. Hicok, Brown & Company CPAs audits the Foundation, and a separate report is issued.

**Virginia Port Authority** (nonmajor) – The Authority was established as a political subdivision of the Commonwealth of Virginia and operates to serve the citizens and promote, develop and increase commerce at the ports of Virginia and other port related industries in the Commonwealth. The Governor appoints a majority of the 13-member board, and the primary government is able to impose its will on the Authority. There is also a financial benefit/burden to the primary government. The administrative offices of the Authority are located at 600 World Trade Center, Norfolk, Virginia 23510. PBMares, LLP, audits the Authority, and a separate report is issued.

**Virginia Passenger Rail Authority** (nonmajor) - The Authority is responsible for promoting, sustaining, and expanding the availability of passenger and commuter rail service including the administration of the capital expansion, infrastructure, and land acquisitions related to the Commonwealth's Transforming Rail in Virginia initiative. The Governor appoints the majority of the board, and the primary government is able to impose its will on the Authority. The address for the administrative offices of the Authority is 919 East Main Street, Suite 2400 Richmond, Virginia 23219. Cherry Bekaert, LLP audits the Authority, and a separate report is issued.

**Virginia Tourism Authority** (nonmajor) – The Authority was created as a public body corporate and as a political subdivision of the Commonwealth. The Authority encourages, stimulates, and promotes tourism and film production industries of the Commonwealth. The Governor appoints all of the board members, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Cary Street, Suite 900, Richmond, Virginia 23219. The Auditor of Public Accounts (APA) audits the Authority.

**Virginia Foundation for Healthy Youth** (nonmajor) – The Foundation was created as a body corporate and as a political subdivision of the Commonwealth. The Foundation was established to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund and to distribute monies in this fund for such efforts as restricting the use of tobacco products by minors and the enforcement of laws restricting the distribution of tobacco products to minors. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 701 East Franklin Street, Suite 500, Richmond, Virginia 23219. The Auditor of Public Accounts (APA) audits the Foundation.

**Tobacco Region Revitalization Commission** (nonmajor) – The Commission was created as a body corporate and as a political subdivision of the Commonwealth. The Commission was established to determine the appropriate recipients of the monies in the Tobacco Indemnification and Community Revitalization Fund. This fund provides monies to revitalize tobacco dependent communities. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 701 East Franklin Street, Suite 501, Richmond, Virginia 23219. The Auditor of Public Accounts (APA) audits the Commission.

**Hampton Roads Sanitation District Commission** (nonmajor) – The Commission was established as a political subdivision of the Commonwealth and a government instrumentality. The Commission, which is the governing board of the district, was granted corporate powers by the *Code of Virginia*. The Governor appoints the Commission members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Commission. The Commonwealth is not obligated by the debt of the Commission. The Commission was established to benefit the inhabitants of the district and operates a wastewater treatment system for 20 localities in the Chesapeake Bay area. The address for the administrative offices of the Commission is 1434 Air Rail Avenue, Virginia Beach, Virginia 23455. Cherry Bekaert, LLP, audits the Commission, and a separate report is issued.

**Virginia Biotechnology Research Partnership Authority** (nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to assist in the development of a biotechnology research park. The Governor appoints the board members of the Authority, and there is a potential financial benefit/burden to the primary government. The administrative offices of the Authority are located at 800 East Leigh Street, Richmond, Virginia 23219. The Auditor of Public Accounts (APA) audits the Authority, and a separate report is issued.

The Authority issued Series 2002 revenue bonds for specific customers. The Series 2002 revenue bonds were for a facility built specifically for the United Network for Organ Sharing. This bond is secured by a letter of credit and is payable solely from the payments made by the borrower under the loan agreement. None of these bonds constitutes a debt or pledge of the Authority or the Commonwealth. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**Virginia Small Business Financing Authority** (nonmajor) – Section 2.2-2280 of the *Code of Virginia* established the Authority as a public body corporate and a political subdivision of the Commonwealth. The Governor appoints the 11-member board, and the primary government is able to impose its will on the Authority. The Authority was created to assist small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses. The Authority provides financial assistance to small businesses by providing loans, guarantees, insurance, and other assistance, thereby assisting small businesses in the Commonwealth with access to financing. The Authority provides direct loans to small businesses as defined by the *Code of Virginia* and to local governments for economic development purposes. The Authority also guarantees loans and provides credit support for loans made to small businesses by banks. The administrative offices of the Authority are located at 101 North 14th Street, 11th Floor, Richmond, Virginia 23218-0446. The Auditor of Public Accounts (APA) audits the Authority.

The Authority issues tax-exempt and taxable private activity bonds to provide financial assistance to private sector entities for the acquisition, construction, and expansion of capital projects deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the Authority nor the Commonwealth is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities on the accompanying financial statements.

**Virginia School for the Deaf and Blind Foundation** (nonmajor) – The Foundation operates as a nonprofit educational and fundraising organization solely in connection with, and exclusively for the benefit of, the Virginia School for the Deaf and Blind (part of primary government). The Foundation uses a December 31 calendar year-end. The administrative offices are located at Post Office Box 2069, Staunton, Virginia 24402. Didawick & Company, P.C. audits the Foundation and a separate report is issued.

**Science Museum of Virginia Foundation** (nonmajor) – The Foundation is a non-stock, nonprofit corporation established to implement and fund programs, projects, and operations that are authorized and approved by the trustees of the Science Museum of Virginia (part of primary government). There is a financial benefit/burden relationship to the primary government, and the economic resources of the Foundation are entirely for the direct benefit of the Commonwealth and its citizens. The administrative offices of the Foundation are located at 2500 West Broad Street, Richmond, Virginia, 23220. Keiter, CPAs, audits the Foundation, and a separate report is issued.

**Virginia Commercial Space Flight Authority** (nonmajor) – The Authority is a legally separate political subdivision of the Commonwealth created by the General Assembly to facilitate and coordinate scientific and technological research and development and to promote the industrial and economic development of the Commonwealth. The Governor appoints the 9-member board, and there is a potential financial benefit/burden to the primary government. The Commonwealth plans to transfer 1.0 percent of the Transportation Trust Fund revenue to the Authority annually. The administrative offices of the Authority are located at 101 W Main Street, Suite 602, Norfolk, VA 23510. Brown Edwards & Company, LLP, audits the Authority, and a separate report is issued.

**Danville Science Center, Inc.** (nonmajor) – The Center is a nonprofit corporation formed in 1994, for the purpose of implementing and funding those programs, projects and operations which are authorized and approved by the trustees of the Science Museum of Virginia (part of primary government). There is a financial benefit/burden to the primary government, and the economic resources of the Center are entirely for the direct benefit of the Commonwealth and its citizens. The administrative offices of the Center are located at 677 Craghead Street, Danville, Virginia 24541. Harris, Harvey, Neal & Company, LLP, audits the Organization, and a separate report is issued.

**Virginia Museum of Fine Arts Foundation** (nonmajor) – The Foundation operates as a nonprofit corporation under the laws of Virginia to fund exhibitions, programs, and capital asset expansion to ensure that the Virginia Museum of Fine Arts (part of primary government) has the space and resources for art to help improve the quality of life for many. There is a financial benefit/burden to the primary government, and the economic resources of the Foundation are entirely for the direct benefit of the Commonwealth and its citizens. The administrative offices of the Foundation are located at 200 N. Arthur Ashe Boulevard, Richmond, Virginia 23220. FORVIS audits the Foundation, and a separate report is issued.

**A. L. Philpott Manufacturing Extension Partnership** (nonmajor) – The Partnership (operating as GENEDGE Alliance) has the mission to foster economic growth by enhancing the competitiveness of Virginia's manufacturers. GENEDGE provides manufacturing firms with fee-based technology consulting services, access to business modernization resources, and support for interfirm collaboration. Further, GENEDGE provides direct assistance to increase sales, decrease costs, and improve quality, productivity, and competitiveness. GENEDGE has a 24-member board of trustees, of which 21 are currently serving. The board consists of the presidents of two public four-year institutions of higher education; three community college presidents; one president of a private four-year institution of higher education; the director of Virginia Innovation Partnership Corporation; two members of the Governor's cabinet; and 15 citizen members, representing manufacturing industries, appointed by the Governor. There is also a financial benefit/ burden to the primary government. The administrative office is located at 32 Bridge Street South, Suite 200B, Martinsville, Virginia 24112-6216. The Joachim Group CPAs & Consultants, LLC audits GENEDGE and a separate report is issued.

**Fort Monroe Authority** (nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to assist in implementing a reuse plan for Fort Monroe. The Governor appoints a majority of the 14-member board, and there is a potential financial benefit/burden to the primary government. The administrative offices of the Authority are located at 20 Ingalls Road, Fort Monroe, Virginia 23651. CliftonLarsonAllen LLP audits the Authority, and a separate report is issued.

**Assistive Technology Loan Fund Authority** (nonmajor) – The Authority was created as a political subdivision and public body corporate by the *Code of Virginia*. The Governor appoints the board of directors as directed by the *Code,* and the primary government is able to impose its will on the Authority. The Authority manages a fund to provide loans to Virginians with disabilities to acquire assistive technology, other equipment, or other authorized purposes designed to help these individuals become more independent. The administrative offices are located at 1602 Rolling Hills Drive, Suite 107, Richmond, Virginia 23229. The Auditor of Public Accounts (APA) audits the Authority.

**Virginia Land Conservation Foundation** (nonmajor) – The Foundation was created as a body politic and corporate to serve the Department of Conservation and Recreation (DCR) (part of primary government) by acquiring interests in preservation land and providing grants to other entities to acquire interests in preservation land. The Governor appoints the 19-member board, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 600 East Main Street, 24th Floor, Richmond, Virginia 23219. The Auditor of Public Accounts (APA) audits the Foundation as part of DCR.

**Library of Virginia Foundation** (nonmajor) – The Foundation was created as a private, nonprofit 501(c)(3) corporation supporting the Library of Virginia (part of primary government). The articles of incorporation stipulate that the Foundation shall at all times be operated solely in connection with, and exclusively for the benefit of, the Library of Virginia. The Foundation is governed by a separate board of directors, and promotes and supports the Library of Virginia in all activities. The administrative offices of the Foundation are located at 800 East Broad Street, Richmond, Virginia 23219. Frank Barcalow CPA, PLLC, audits the Foundation, and a separate report is issued.

**Virginia Health Workforce Development Authority** (nonmajor) – The Authority is a legally separate public body corporate and a political subdivision of the Commonwealth created by the General Assembly. The Authority facilitates the development of statewide health professions pathways. The Governor appoints a majority of the board members, and the primary government is able to impose its will on the Authority. The administrative offices of the Authority are located at 7818 E. Parham Road, Richmond, Virginia 23294. The Auditor of Public Accounts (APA) audits the Authority.

**(4) Related Organizations** – Organizations for which the primary government appoints a majority of the board, but is not financially accountable, are related organizations. Related organizations are:

**Tobacco Settlement Financing Corporation** – The Corporation was created by the Tobacco Settlement Financing Corporation Act, Chapters 482 and 488 of the Acts of the General Assembly during the 2002 General Assembly Session. The Corporation is a public body corporate entity and an independent instrumentality of the Commonwealth, managed by a 6-member board, including the State Treasurer. The Corporation purchased all of the future tobacco settlement revenue allocated to the Tobacco Region Revitalization Commission (nonmajor component unit). Neither the Commonwealth's nor the Virginia Foundation for Healthy Youth's (nonmajor component unit) tobacco revenue was securitized. The administrative offices of the Corporation are located at 101 North 14th Street, 3rd Floor, Post Office Box 1879, Richmond, Virginia 23218-1879. CliftonLarsonAllen, LLP, audits the Corporation, and a separate report is issued.

**Jamestown-Yorktown Educational Trust** – The Trust was created as a nonprofit corporation by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The Trust board consists of no more than six members selected by the Foundation's board of trustees. Several Commonwealth officials serve as ex-officio members of the Foundation's board, and the Governor appoints 12 members. The Trust operates the Jamestown Settlement and American Revolution Museum at Yorktown gift shops and café. The address for the administrative offices of the Trust is Post Office Box 3605, Williamsburg, Virginia 23187. Keiter, CPAs audits the Trust, and a separate report is issued.

**Virginia Birth-Related Neurological Injury Compensation Program** – The Program was created to provide a no-fault alternative for birth-related neurological injuries. The Governor appoints the 9-member board. The administrative offices of the Program are located at 7501 Boulders View Drive, Suite 210, Richmond, Virginia 23225. Yount, Hyde & Barbour, PC, audits the Program, and a separate report is issued.

**Chesapeake Bay Bridge and Tunnel Commission** – The Commission was created to establish policy and administer operations of the Chesapeake Bay Bridge Tunnel District. Any of the 11 members of the Commission appointed or reappointed on or after July 1, 1998, shall be appointed by the Governor, subject to confirmation by each house of the General Assembly. The administrative offices of the Commission are located at 32386 Lankford Highway, Cape Charles, Virginia 23310. Cherry Bekaert, LLP audits the Commission, and a separate report is issued.

### C. Government-wide and Fund Financial Statements

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all nonfiduciary activities of the primary government and component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Also, the primary government activity is reported separately from the legally separate component units for which the Commonwealth is financially accountable.

The Statement of Activities demonstrates the degree to which direct expenses of a specific function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. In addition, to the extent that indirect costs are allocated to the various functions, the program expenses will include both direct and indirect costs. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit, as well as investment income generated by operations. Program revenues also include grants, contributions, and investment income that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items properly excluded from program revenues are reported as general revenues.

Fund equity is restricted when constraints are placed on them that are imposed by external parties or constitutional provisions. When both restricted and unrestricted resources are available for use, the Commonwealth's policy is to use the restricted resources first. Some component units may follow a different policy. When committed, assigned, and unassigned resources are available for use, the Commonwealth's policy is to use the committed resources first, assigned resources next, and unassigned resources last.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and component units. However, fiduciary funds are not included in the government-wide statements. Major governmental funds, enterprise funds, and component units are reported in separate columns in the fund financial statements, with nonmajor funds being aggregated into a single column.

## D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

**Government-wide Financial Statements** – The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Governmental Fund Financial Statements** – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year (or one year for Medicaid). Significant revenues subject to accrual include federal grants and income and sales taxes. Income tax revenues for tax underpayments are only recognized to the extent of the primary government's estimated refunds for tax overpayments received. Revenues that the primary government earns by incurring obligations are recognized in the same period as when the obligations are recognized.

Expenditures generally are recorded when a liability is incurred, as under full accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when the payment is due.

The primary government reports the following major governmental funds:

**General Fund** – Accounts for the transactions related to resources received and used for those services traditionally provided by a state government, and which are not accounted for in any other fund. These services include general government, legislative and judicial activities, public safety, health and behavioral health programs, resources and economic development, licensing and regulation, and primary and secondary education.

**Commonwealth Transportation Special Revenue Fund** – Accounts for the revenues and expenditures associated with highway operations, maintenance, construction, and other transportation related activities. Funding for these programs is received from highway user taxes, fees, and funds received from the federal government.

**Federal Trust Special Revenue Fund** – Accounts for all federal dollars, including COVID-19 funding, received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, certain Medicaid reimbursements recorded in the General Fund, the Grant Anticipation Revenue Notes and Build America Bond Subsidies reported in the Debt Service Fund, and component units.

**Literary Fund Special Revenue Fund** – Accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings.

**Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements** – The financial statements of the proprietary funds, fiduciary funds, and component units are reported using the economic resources measurement focus and the full accrual basis of accounting. As with the government-wide statements, revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating.

Foundations' (component units) financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. The financial statements are prepared under FASB rather than GASB standards. In some instances, activities of the foundations (component units) are reported separately within the footnotes because of the different reporting standards. Also, some foundations (component units) have an August 31st, December 31st, or March 31st year-end rather than a fiscal year-end. Foundations (component units) with different year-ends are included in these financial statements for the year ending August 31, 2022, December 31, 2022, or March 31, 2023. Significant intrafund activity/balances between each higher education institution and their foundations have been eliminated.

The following amounts could not be eliminated due to the differing year-ends:

- University of Virginia (nonmajor component unit):
  - institution revenue of $12.3 million
  - foundation assets of $2.5 million
  - foundation liabilities of $1.7 million
  - foundation expenses of $24.0 million

- Old Dominion University (nonmajor component unit):
  - institution liabilities of $39.6 million
  - foundation assets of $33.4 million
- George Mason University (nonmajor component unit):
  - institution assets of $22.9 million
  - institution expenses of $18.0 million
  - foundation liabilities of $41.2 million
- Longwood University (nonmajor component unit):
  - foundation assets of $21.6 million
  - institution liabilities of $21.3 million

The primary government reports the following major enterprise funds:

**Virginia Lottery Fund** – Accounts for all receipts and expenses of the Virginia Lottery.

**Virginia College Savings Plan Fund** – Administers the Defined Benefit 529 Program.

**Unemployment Compensation Fund** – Accounts for receipts from employers and expenses incurred to provide benefits to eligible unemployed workers.

Additionally, the primary government reports the following fund types:

**Governmental Fund Types:**

**Special Revenue Funds** – Account for transactions related to resources received and used for restricted, committed, or specific purposes.

**Debt Service Funds** – Account for transactions related to resources retained and used for the payment of interest and principal on bonds. Additionally, this fund includes the activity of the Hampton Roads Transportation Accountability Commission (blended component unit).

**Capital Project Funds** – Account for transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds with the exception of certain Virginia Public Building Authority (blended component unit) disbursements. The primary resource for these funds is the proceeds of bond issues and energy performance contracts. Principal uses are for construction and improvement of state office buildings, correctional and behavioral health facilities, and parks. Additionally, this fund includes the activity of the Hampton Roads Transportation Accountability Commission (blended component unit) for construction projects related to new or existing highways, bridges or tunnels in the localities comprising Planning District 23.

**Permanent Funds** – Account for transactions of the Commonwealth Health Research Fund and the Behavioral Health Endowment Funds whose principal must remain intact and whose income is used to benefit the Commonwealth's citizens and behavioral health patients.

**Proprietary Fund Types:**

**Enterprise Funds** – Account for transactions related to resources received and used for financing self-supporting activities of the primary government that offer products and services on a user-charge basis to external users.

**Internal Service Funds** – Account for transactions related to the financing and sale of goods or services provided by the agencies of the primary government to other agencies and institutions of the Commonwealth. Activities include the provision of information technology, manufacturing activities, insurance programs, fleet services, facilities and property management, engineering and payroll services.

**Fiduciary Fund Types:**

**Private Purpose Trust Funds** – Account for transactions that benefit individuals, organizations, and other governments; have a trust that meets GASB Statement No. 84 criteria; and are not required to be reported in another fiduciary fund type. These trusts include those for the Commonwealth-sponsored educational savings plan and other purposes.

**Pension and Other Employee Benefit Trust Funds** – Account for transactions of the Virginia Retirement System administered pension plans, other postemployment and employee benefit plans with trusts that meet GASB Statement No. 84 criteria.

**Custodial Funds - External Investment Pool** – Accounts for the external portion of the Local Government Investment Pool (LGIP) that is sponsored by the Commonwealth and does not have a trust that meets GASB Statement No. 84 criteria.

**Custodial Funds - Other -** Accounts for transactions similar to Private Purpose Trust Funds except they do not have a trust that meets GASB Statement No. 84 criteria. These funds include collection of sales tax and fees imposed by and distributed to localities, deposits of insurance carriers, child support collections, and other miscellaneous accounts.

## E. Budgetary Process

Budgetary amounts shown in the Required Supplementary Information and Combining and Individual Fund Statements and Schedules sections represent the total of the original budgeted amounts and all supplemental appropriations. The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. Unexpended appropriations at the end of the fiscal year generally lapse. However, they may be reappropriated for expenditure in the following fiscal year. The Governor, as required by the *Code of Virginia*, submits a budget composed of all proposed expenditures for the Commonwealth, and of estimated revenues and borrowing for a biennium, to the General Assembly. Budgets are adopted for the General and Special Revenue Funds, except for the Literary (major special revenue) and Unclaimed Property (nonmajor special revenue) Funds. Formal budgetary integration is not employed for the Capital Projects (nonmajor governmental), Debt Service (nonmajor governmental), Permanent (nonmajor governmental), Literary (major special revenue) and Unclaimed Property (nonmajor special revenue) Funds because effective budgetary control is alternatively achieved through the General Fund and the remaining special revenue funds.

The budget is prepared on a biennial basis; however, the budgets of the General and Special Revenue Funds contain separate appropriations for each year within the biennial budget, as approved by the General Assembly and signed into law by the Governor. For management control purposes, the lowest level of budgetary control is the program level. The Governor may transfer an appropriation within a state agency or from one state agency to another, provided that total fund appropriations, as contained within the budget, are not exceeded without further General Assembly action. Additionally, the Governor may reduce appropriations up to 15.0 percent without further General Assembly action. Increases in General Fund appropriations must be approved by the General Assembly.

Appropriations for programs funded from Special Revenue Funds may allow expenditures in excess of the original appropriations to the extent that revenues of the funds exceed original budget estimates and such additional expenditures are approved by the Governor through supplemental appropriations.

## F. Cash, Cash Equivalents, Investments and Derivative Instruments

### Cash

In order to maximize the Commonwealth's earning potential, the majority of the primary government's cash balances are pooled together in the general account for investment purposes. The amounts required for operations are liquidated as needed. Since all amounts not required for operations are held in investment securities, it is possible that the cash balances could be negative due to timing differences in liquidating the investments.

As of June 30, 2023, the General Fund had a negative cash balance of $13.7 billion. In order to properly reflect the general account position, this negative cash balance has been eliminated in the accompanying statements and offset against the primary government's cash equivalents and investments (see Note 8).

### Cash Equivalents

Cash equivalents are investments with an original maturity of 90 days or less.

### Investments

Investments are principally comprised of monies held by component units, the Virginia Retirement System (the System), and monies held by the State Treasurer in both the general account and other fiduciary accounts. The System aggregates all funds that the Board of Trustees is responsible for investing and commingles these amounts for investing purposes. The System's pooled investments represent all cash and investment amounts reported in the Pension and Other Employee Benefit Trust Funds, the VRS Investment Portfolio and Volunteer Firefighters Rescue Squad Workers (custodial funds - other), the Commonwealth Health Research Board (permanent), and Federal Special Revenue (major).

The primary government’s policy for managing interest rate risk, with the exception of the Virginia College Savings Plan (Virginia529) and the System, uses the segmented time distribution method.

Virginia529, for its investment portfolio reported as Defined Benefit 529 Program (major enterprise fund) and Defined Contribution 529 Program (private purpose trust fund), and the System, for the System's pooled investments, manage the interest rate risk using the effective duration methodology. To be consistent with management practices for each portfolio, the Commonwealth has elected to disclose the interest rate risk exposures, using the segmented time distribution for the primary government (excluding Defined Benefit 529, Defined Contribution 529, and the System's pooled investments) and the effective duration method for Defined Benefit 529, Defined Contribution 529, and the System's pooled investments. The Commonwealth discloses the component unit's interest rate risk using the segmented time distribution method (see Note 8).

Governmental and proprietary funds, both primary government and component units, report investments in money market and in the Commonwealth sponsored investment pools at amortized cost which approximates fair value. All other investments, including investments in the Commonwealth sponsored Extended Maturity portfolio, are reported at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining fair value measurements using the level of fair value hierarchy and valuation techniques (see Note 8).

Investments administered by the System are reported at fair value, except for certain cash equivalents and other short-term, highly liquid investments are reported at amortized cost. The cost of investments sold is the average cost of the aggregate holding of the specific investment sold. For investments in limited partnerships, the System's share of the partnership's earnings or losses for the period are included in investment income.

**Derivative Instruments**

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes (see Note 16).

### G. Assets Held Pending Distribution

Assets held pending distribution include various assets that have been placed in safekeeping until final disposition has been determined.

### H. Receivables

Receivables in the governmental funds consist primarily of the accrual of taxes and amounts relating to the Opioid Settlement, as well as receivables of the primary government's Medicaid program and up-front amounts to be received for a Service Concession Arrangement. Additionally, receivables include amounts to be received for debt service payments related to certain bonds. Receivables in the proprietary funds consist primarily of educational contribution receivables and unemployment compensation. Receivables of fiduciary funds are primarily the accrual of security transactions in the Pension and Other Employee Benefit Trust Funds. Receivables of the component units consist primarily of mortgage receivables, loans receivable, patient receivables, student receivables, and lease receivables, for further details see the individually published financial statements. Receivables are recorded net of allowances for doubtful accounts (see Note 9). Restricted interest due within one year is included in receivables rather than Restricted Assets (Note 13) due to their liquidity.

### I. Contributions Receivable, Net

Contributions Receivable reported by the foundations (component units) represents pledges or unconditional promises to give that have been discounted (see Note 10).

### J. Internal Balances

Interfund receivables and payables have been eliminated from the Statement of Net Position, except for the residual amounts due between governmental and business-type activities (see Note 11).

### K. Inventory

Inventories consist of materials and supplies and are reported as expenditures when consumed. These assets are classified as nonspendable fund balance. Inventories exceeding $1.0 million of the General and the Special Revenue Funds are maintained at cost using the first-in, first-out (FIFO) methodology, except for the following:

- Department of Emergency Management (VDEM)
- Department of Health (VDH)
- Department of State Police (VSP)
- Virginia Department of Transportation (VDOT)

VDEM supply inventories are recorded in the Federal Trust Fund (major special revenue) using the average cost methodology and maintained at average cost. VDH supply inventories are recorded in the General (major), Federal Trust (major special revenue), and Health and Social Services (nonmajor special revenue) Funds using the FIFO methodology and are maintained at either cost or current market cost. VSP inventories are recorded in the General (major) and Other (nonmajor special revenue) Funds using the average cost methodology and are maintained at cost. VDOT inventories are recorded in the Commonwealth Transportation Fund (major special revenue) using the FIFO and average cost methodologies and are maintained at either cost or average cost.

In addition to inventories maintained as stated above, the following agencies reported donated inventory balances on hand as of June 30, 2023:

- Department of Behavioral Health and Developmental Services (DBHDS)
- Department of Health (VDH)
- Department of Juvenile Justice (DJJ)
- Virginia Department of Transportation (VDOT)

Inventories maintained by the Virginia Lottery (major enterprise fund) and the Virginia Industries for the Blind (nonmajor enterprise fund) are stated at cost using the average cost methodology.

Inventories maintained by the Virginia Museum of Fine Arts and the Consolidated Laboratory (nonmajor enterprise funds) are stated at cost using FIFO.

Inventories maintained by the Science Museum of Virginia (nonmajor enterprise fund) are stated at cost using LIFO.

Inventories maintained by the Alcoholic Beverage Control (nonmajor enterprise fund) are stated at average cost using the weighted average method.

Inventories maintained by Virginia Correctional Enterprises (internal service fund) are stated at the lower of cost or market using FIFO. Inventories maintained by the internal service funds except for Virginia Correctional Enterprises are stated at cost using FIFO.

Institutions of higher education (nonmajor component units) use several methods for inventory valuations, including cost using FIFO, the lower of cost or market using FIFO, or weighted average methods. Inventories maintained by the Virginia Port Authority and the Danville Science Center (nonmajor component units) are reported using the moving average unit cost methodology. Inventories at the gift shop run by the Library of Virginia Foundation and at the Hampton Roads Sanitation District Commission (nonmajor component units) are stated at lower of cost or market using the average cost methodology.

**L. Prepaid Items**

Prepaid assets for rent, insurance, and similar items are recognized when purchased and expensed when used.

**M. Loans Receivable/Payable**

Loans Receivable/Payable represents working capital advances between the primary government and component units (see Note 11).

**N. Other Assets**

Other Assets include those balances of a miscellaneous nature that are not specifically classified elsewhere. Additionally, it includes the Virginia Sickness and Disability Program Net Other Postemployment Benefit Plan Asset applicable to the proprietary funds (see Note 12).

**O. Capital Assets**

Capital assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the Government-wide Statement of Net Position. Capital assets of the other funds and component units are capitalized in the fund in which they are utilized. All other capital assets are depreciated/amortized on the straight-line basis over their useful lives (see Note 14).

Capital assets are stated at historical cost or, in some instances, estimated historical cost. Assets received pursuant to service concession arrangements and donated capital assets from entities external to the reporting entity are stated at acquisition value when they are placed in service or at the time of donation, respectively. Asset transfers or donations from within the reporting entity are recorded at the carrying value of the transferring entity as required by GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The primary government capitalizes all equipment that has a cost or value greater than $50,000 and expected useful life of greater than two years. The primary government capitalizes all land, water rights/ easements, buildings, infrastructure, and software that have a cost or value greater than $100,000 and an expected useful life of greater than two years. In addition, the primary government reports right-to-use intangible assets of equipment, land, and buildings with a present value of $50,000 or greater and subscription-based information technology arrangements with a present value of $5,000 or greater, all of which have an expected useful life of more than one year. Selected agencies, business-type entities, and component units utilize a capitalization limit lower or higher than the primary government's established thresholds for various reasons. Accordingly, reported capital assets may include some items that cost less than those thresholds. Infrastructure, including highways, bridges, and rights-of-way, is capitalized using the historical approach and includes any assets acquired prior to fiscal year 1980.

The amortization of long-term lease and SBITA contracts related to right-to-use intangible assets are reported separately from other capital assets as required by GASB Statement No. 87, *Leases* and GASB Statement No. 96*, Subscription-Based Information Technology Arrangements.*

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset. Land leases are amortized over the lease term. Leases with purchase options that are reasonably certain to be exercised are amortized over the useful life of the underlying asset, in circumstances where the underlying asset is nondepreciable, such as land, the lease asset should not be amortized.

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

The primary government's capitalization policy regarding works of art/historical treasures is that capitalization is encouraged, but not required, for works of art/historical treasures that meet the following conditions:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain;
- The collection is protected, kept unencumbered, cared for and preserved; and,
- The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection.

The primary government capitalizes construction-in-progress when project expenditures, including construction of intangible assets, exceed $100,000.

Expenditures are classified as construction-in-progress if:

(1) They extend the asset life, improve productivity, or improve the quality of service; and,

(2) They fall into the planning, acquisition, construction, improvement, renovation, repair, replacement, relocation, or demolition phase of the asset life.

The estimated lives of capital assets are as follows:

| | Years |
|---|---|
| Buildings | 10–75 |
| Equipment | 2–50 |
| Infrastructure | 5–50 |
| Software | 5–35 |
| Right-to-Use Lease Assets | See Above |
| Right to-Use Subscription Assets | See Above |

Selected agencies, business-type entities, and component units may utilize estimated lives and policies that differ from the above for various reasons.

**P. Deferred Outflows of Resources**

Deferred outflows of resources are a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows have a natural debit balance and, therefore increase net position similar to assets (see Notes 15, 17, and 19).

**Q. Accounts Payable**

Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, accounts payable also includes payments for nonexchange transactions that met eligibility requirements prior to fiscal year-end (see Note 26).

**R. Unearned Revenue**

Unearned revenue represents monies received or revenues accrued but not earned as of June 30, 2023.

In the special revenue funds, unearned revenue is composed primarily of prepaid toll revenue, contributions from localities and private sectors for highway construction projects, multi-year vehicle registrations recorded in the Commonwealth Transportation Fund (major); federal grants (including COVID-19 funding) in the Federal Trust Fund (major); and multi-year motor vehicle safety inspections, emission inspections, mining permits, and casino, hunting, fishing, and trapping licenses recorded in the Other and Health and Social Services Funds (nonmajor).

In the enterprise funds, a majority of unearned revenue represents online ticket monies received by the Virginia Lottery (major) for which corresponding drawings have not been held; test kits and certifications from Consolidated Labs (nonmajor) which are paid for prior to shipping and certification being performed; and online sales of product where customers prepay before picking up and gift cards in the Alcoholic Beverage Control (nonmajor).

Unearned revenue in the internal service funds primarily represents unearned premiums in the Risk Management Fund; advanced customer receipts in the Technology and Data Services Fund; and prepaid rent and work orders in the Property Management Fund.

Unearned revenue reported by higher education institutions (nonmajor component units) is primarily composed of revenue for student tuition accrued in advance of the semester and advance payments on grants and contracts. Unearned revenues in the other component units consist primarily of prepaid fees related to various future activities.

**S. Unearned Taxes**

Unearned taxes represent income taxes related to the period January through June 2023. This amount is the estimate to be refunded (overpayments by taxpayers) reduced by the estimate to be received (underpayments from taxpayers) that will be finalized when income tax returns are filed in subsequent years. Individual income tax estimated overpayments total $1.7 billion and estimated underpayments total $1.4 billion. This results in unearned taxes of $238.9 million.

Corporate income tax estimated overpayments total $63.6 million and estimated underpayments total $163.7 million. When underpayments exceed overpayments, revenue on the fund statements is only recognized to the extent of estimated overpayments. Since underpayments exceed overpayments for the corporate income taxes, the unearned tax amount is zero for the fiscal year.

**T. Obligations Under Securities Lending Program**

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, liabilities resulting from these transactions have been recorded as obligations under securities lending transactions.

**U. Due to Claimants, Participants, Escrows and Providers**

Due to claimants, participants, escrows and providers represent monies that the Commonwealth is holding on behalf of third parties as of June 30, 2023. In governmental funds, the majority of the amount represents unemployment benefit claims and estimated unclaimed and escheat property that the Commonwealth is holding until claimed by the rightful owner.

In the enterprise funds, the amounts represent payments due to benefit claimants and employers for tax overpayments in the Unemployment Compensation Fund (major) and to participants of the Defined Benefit 529 Program in the Virginia College Savings Plan (major).

In the private purpose trust funds, the amounts represent payments due to participants in the Defined Contribution 529 Program offered by the Virginia College Savings Plan.

In the Custodial Funds - Other, the amounts represent accounts of inmates, residents, and patients of the Commonwealth's correctional, and behavioral health facilities.

**V. Other Liabilities**

Other liabilities represent amounts owed for various governmental and proprietary activities. Some of these amounts will be paid shortly after fiscal year-end (see Note 27).

**W. Claims Payable**

Claims payable, reported in the proprietary funds of the primary government, represent both health and liability insurance claims payable as of June 30, 2023. This includes both actual claims submitted, as well as actuarially determined claims incurred but not reported. Claims relating to the primary government's liability insurance programs are reported in the Risk Management - internal service fund and the Risk Management - nonmajor enterprise fund. Also, health insurance claims are reported in the Health Care - internal service fund, the Local Choice Health Care - nonmajor enterprise fund and Line of Duty - internal service fund and nonmajor enterprise fund (see Notes 25.A. and 25.B.). Claims payable reported by the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) represents estimated malpractice, workers' compensation, and other insurance coverages claims payable amounts.

**X. Long-term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. The governmental fund statements reflect the portion of long-term liabilities that will be paid from expendable resources that represent payments to employees for separations that occurred prior to June 30, 2023. The proprietary fund statements and discrete component unit statements reflect total long-term liabilities and distinguish between those portions payable within one year and those payable in future years (see Note 28).

Bond premiums and discounts are amortized over the life of the bond. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, excluding prepaid insurance, are expensed.

Expenditures for principal and interest payments for governmental fund general obligation bonds and revenue bonds are recognized in the Debt Service Fund (nonmajor) when due. In the General Fund (major) and special revenue funds, expenditures for principal and interest payments are recognized for long-term leases, long-term SBITAs and installment purchases. In the fund statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures (see Note 28).

**Y. Deferred Inflows of Resources**

Deferred inflows of resources are an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows have a natural credit balance and, therefore decrease net position similar to liabilities (see Notes 15, 16, 17, 19 and 39).

**Z. Nonspendable Fund Balances**

Nonspendable fund balances indicate that portion of fund balance that cannot be spent because it is either not in spendable form or is legally or contractually required to be maintained intact.

**AA. Restricted Fund Balances**

Restricted fund balances are amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**BB. Committed Fund Balances**

Committed fund balance includes amounts that must be spent for specific purposes that have been legislatively mandated by the Governor and General Assembly. Further action by the Governor and the General Assembly would be required to modify these commitments.

**CC. Assigned Fund Balances**

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Assignments are identified by Commonwealth management pursuant to the delegation of authority granted by the General Assembly and Governor specified in the Appropriation Act.

**DD. Unassigned Fund Balances**

Unassigned fund balance is the amount of fund balance that has not been assigned to other funds and has not been restricted, committed or assigned to specific purposes within the General Fund (major). The General Fund is the only fund that could potentially report a positive unassigned fund balance amount. For fiscal year 2023, there are no unassigned balances in the governmental funds.

**EE. Cash Management Improvement Act**

Included in Amounts Due to Other Governments is the Commonwealth's Cash Management Improvement Act (CMIA) interest liability to the federal government, which is calculated in accordance with the interest calculation and exchange provisions of the Federal Cash Management Improvement Act of 1990. The Commonwealth's interest liability is subject to review and final confirmation by the Bureau of the Fiscal Service (BFS) of the U.S. Treasury. If required, the payment is to be made on March 31 of the following year. Payment will be made from a sum sufficient appropriation authorized for this purpose by the Appropriation Act. The CMIA interest rate of exchange is based by law on the average of the bond equivalent rates of 13-week Treasury Bills auctioned during the annual reporting period as calculated by BFS.

**FF. Investment Income**

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investment income reported in the accompanying financial statements include changes in the fair value of investments and the amount reported may be negative. Additionally, the Commonwealth's policy is to record all unrealized gains or losses for the State Treasurer's Portfolio in the General Fund.

**GG. Intrafund Eliminations**

Eliminations have been incorporated into the report to eliminate intrafund transactions within the related fund type. These eliminations prevent overstatement of financial activity.

**HH. Interfund Activity**

Generally, the effect of interfund activity has been eliminated from the government-wide statements, with the exception of interfund services provided and used between functions. Elimination of these activities would distort the direct costs and program revenues for the functions.

In the fund financial statements, transfers represent the movement of resources or the accrual to move resources between funds. For example, transfers are recorded when a fund receives revenue and subsequently disburses the resources to another fund for expenditure.

## 2. RESTATEMENT OF BEGINNING BALANCES

The beginning balance restatements resulted from the following:

**Government-wide Activities**

**Governmental Activities**

- The Commonwealth implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), for the fiscal year ended June 30, 2023. This implementation resulted in the restatement for SBITAs of $20.4 million for the Governmental Activities.
- Capital Asset balances were overstated by $32.8 million of errors predominantly by the Virginia Department of Military Affairs, Department of General Services, and the Science Museum of Virginia.
- The Commonwealth Transportation Fund (major special revenue) has been restated by $11.0 million resulting from an understatement of receivables associated with I-95 Express Lane Service concession arrangement in the prior year.
- Governmental Activities have been restated by $160.8 million for an understatement of deferred outflows of resources in the prior year related to pension and OPEB plans.

**Business-Type Activities**

- As a result of the implementation of GASB Statement No. 96 as discussed previously the Virginia College Savings Plan Fund (major) has a restated beginning balance by $289,786.

**Fund Statements**

- The Commonwealth Transportation Fund (major special revenue) has been restated by $11.0 million as previously discussed.
- The Virginia College Savings Plan Fund (major enterprise) has been restated due to GASB Statement No. 96, by $289,786, as previously discussed.
- The Property Management Fund (internal service) has been restated due to GASB Statement No. 96, by $38,340, as previously discussed.

**Component Units**

The government-wide and fund statements were restated for GASB Statement No. 96 as mentioned previously.

- Virginia Housing Development Authority (major) has been restated by $582,654.
- Various nonmajor component units have been restated by $6.7 million.

University of Virginia (nonmajor) has been restated by $65.8 million for correction of prior year errors that overstated net position primarily related to the Community Health acquisition. In addition, the following higher education institutions (nonmajor) have been restated for correction of prior year errors: University of Virginia by $14.5 million for foundation interest rate swaps and $33.7 million for UVA benefit plan fund reclassification; Virginia State University (nonmajor) by $7.1 million primarily related to capital assets and unearned revenue; Radford University (nonmajor) by $6.0 million primarily related to pension expense, capital assets, and eliminations between the University and a foundation; Old Dominion University (nonmajor) by $4.3 million primarily related to receivables, capital assets, payables, and investment in a foundation.

The Virginia Passenger Rail Authority has been restated by $46.6 million for a correction of the prior year error resulting from incorrect revenue classification.

**Beginning Net Position/Fund Balance Restatement**

*(Dollars in Thousands)*

| | Balance as of June 30, 2022 | GASBS No. 96, *SBITAs* | Correction of Prior Year Errors | Balance as of June 30, 2022, as restated |
|---|---|---|---|---|
| **Government-wide Activities:** | | | | |
| Primary Government: | | | | |
| Governmental Activities | $ 39,183,638 | $ 20,392 | $ 138,998 | $ 39,343,028 |
| Business-Type Activities | 3,051,713 | 290 | — | 3,052,003 |
| Total Primary Government | $ 42,235,351 | $ 20,682 | $ 138,998 | $ 42,395,031 |
| Component Units | $ 40,065,359 | $ (6,164) | $ 46,330 | $ 40,105,525 |
| **Fund Statements:** | | | | |
| **Governmental Funds** | | | | |
| Major Governmental Funds: | | | | |
| General | $ 11,679,634 | $ — | $ — | $ 11,679,634 |
| Special Revenue Funds: | | | | |
| Commonwealth Transportation | 4,469,259 | — | 10,959 | 4,480,218 |
| Federal Trust | 354,855 | — | — | 354,855 |
| Literary | 143,042 | — | — | 143,042 |
| Nonmajor Governmental Funds | 4,218,161 | — | — | 4,218,161 |
| Total Governmental Funds | $ 20,864,951 | $ — | $ 10,959 | $ 20,875,910 |
| **Proprietary Funds** | | | | |
| Major Enterprise Funds: | | | | |
| Virginia Lottery | $ (27,597) | $ — | $ — | $ (27,597) |
| Virginia College Savings Plan | 1,455,978 | 290 | — | 1,456,268 |
| Unemployment Compensation | 1,410,150 | — | — | 1,410,150 |
| Nonmajor Enterprise Funds | 201,639 | — | — | 201,639 |
| Total Enterprise Funds | $ 3,040,170 | $ 290 | $ — | $ 3,040,460 |
| Internal Service | $ 304,343 | $ 38 | $ — | $ 304,381 |
| **Component Units:** | | | | |
| Virginia Housing Development Authority | $ 3,746,902 | $ 583 | $ — | $ 3,747,485 |
| Virginia Public School Authority | 35,006 | — | — | 35,006 |
| Virginia Resources Authority | 2,003,347 | — | — | 2,003,347 |
| Virginia College Building Authority | (5,064,640) | — | — | (5,064,640) |
| Nonmajor Component Units | 39,344,744 | (6,747) | 46,330 | 39,384,327 |
| Total Component Units | $ 40,065,359 | $ (6,164) | $ 46,330 | $ 40,105,525 |

## 3. NET POSITION/FUND BALANCE CLASSIFICATIONS

### Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* improved the reporting of fund balance so that classifications are more easily understood and can be applied consistently between information reported in the government-wide financial statements and the governmental fund financial statements. The governmental fund balance classifications defined in GASB Statement No. 54 are: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balance includes inventories, prepaid items, and the principal of a permanent fund. These funds are not available for expenditure in the current or following period.

Restricted fund balance includes amounts that have constraints placed on the use of resources by the Constitution of Virginia or a party external to the Commonwealth.

Committed fund balance includes amounts that must be spent for specific purposes that have been legislatively mandated by the Governor and General Assembly.

Assigned fund balance represents amounts that the Commonwealth has identified for planned purposes but for which the intended use is not legislatively mandated. The assignments are identified by Commonwealth management pursuant to the delegation of authority granted by the General Assembly and Governor specified in the Appropriation Act. The following schedule includes committed and assigned amounts that share the same purpose and title. The distinction between these classifications results from whether there is a statutory restriction on certain amounts contained within the fund.

Unassigned fund balance for the General Fund represents the residual classification. As of June 30, no unassigned fund balance is reported for the General Fund (major). Additionally, a negative amount indicates that restricted and committed amounts exceed the available modified accrual basis fund balance. For fiscal year 2023, there are no unassigned balances in the governmental funds.

The governmental fund balance classifications and amounts as of June 30, 2023, are shown in the following table.

**Governmental Fund Balance Classifications**

*(Dollars in Thousands)*

| | General Fund | Commonwealth Transportation | Federal Trust | Literary | Nonmajor Governmental | Total |
|---|---|---|---|---|---|---|
| **Nonspendable** | | | | | | |
| Inventory | $ 49,985 | $ 114,707 | $ 96,552 | $ — | $ 6,988 | $ 268,232 |
| Prepaid Items | 113,058 | 1,081 | 4,158 | — | 5,667 | 123,964 |
| Permanent Funds | — | — | — | — | 46,462 | 46,462 |
| **Total Nonspendable** | 163,043 | 115,788 | 100,710 | — | 59,117 | 438,658 |
| **Restricted** | | | | | | |
| Agriculture and Forestry | — | — | — | — | 11,646 | 11,646 |
| Capital Projects/Construction/Capital Acquisition | — | — | — | — | 1,998,840 | 1,998,840 |
| Contract and Debt Administration | — | 8,271 | — | — | — | 8,271 |
| COVID-19 | — | 51 | 8,376 | — | — | 8,427 |
| Debt Service | — | — | — | — | 47,826 | 47,826 |
| Economic and Technological Development | — | — | — | — | 127 | 127 |
| Educational and Training Programs | — | — | — | — | 6,044 | 6,044 |
| Employee Benefit Administration | — | — | — | — | 12,176 | 12,176 |
| Environmental Quality and Natural Resource Preservation | — | — | — | — | 15,748 | 15,748 |
| Gifts and Grants | — | 84,033 | 99,448 | — | 2,234 | 185,715 |
| Government Operations: | | | | | | |
| Administrative Services | — | — | — | — | 2,373 | 2,373 |
| Health and Public Safety | — | — | — | — | 100,995 | 100,995 |
| Literary Fund | — | — | — | 330,558 | — | 330,558 |
| Lottery Proceeds Fund | 104,102 | — | — | — | — | 104,102 |
| Revenue Stabilization Fund | 2,686,657 | — | — | — | — | 2,686,657 |
| Transportation Activities | — | 430,811 | — | — | — | 430,811 |
| Unclaimed and Escheats | — | — | — | — | 49,120 | 49,120 |
| Virginia Water Supply Assistance Grant Fund | 6,937 | — | — | — | — | 6,937 |
| **Total Restricted** | 2,797,696 | 523,166 | 107,824 | 330,558 | 2,247,129 | 6,006,373 |
| **Committed** | | | | | | |
| Agriculture and Forestry | 2,086 | — | — | — | 51,368 | 53,454 |
| Amount Required for Mandatory Reappropriation | 695,305 | — | — | — | — | 695,305 |
| Amount Required for Reappropriation of 2023 Unexpended Balances for Capital Outlay and Restoration Projects | 2,460,339 | — | — | — | — | 2,460,339 |
| Capital Projects/Construction/Capital Acquisition | 4,442 | — | — | — | 678 | 5,120 |
| Central Capital Planning Fund | 13,528 | — | — | — | — | 13,528 |
| Commonwealth's Development Opportunity Fund | 102,302 | — | — | — | — | 102,302 |
| Contract and Debt Administration | 213 | 3,347 | — | — | 3,161 | 6,721 |
| COVID-19 | — | — | — | — | 4,366 | 4,366 |
| Economic and Technological Development | 471,030 | — | — | — | 395,521 | 866,551 |
| Educational and Training Programs | 558,541 | 4,240 | — | — | 17,267 | 580,048 |
| Environmental Quality and Natural Resource Preservation | 63,915 | — | — | — | 296,214 | 360,129 |
| Gifts and Grants | — | — | — | — | 4,417 | 4,417 |
| Government Operations: | | | | | | |
| Administrative Services | 289 | — | — | — | 87,339 | 87,628 |
| Legislative Services | — | — | — | — | 424 | 424 |
| Health and Public Safety | 61,759 | 1,928 | — | — | 368,704 | 432,391 |
| Interstate 64 | 150,000 | — | — | — | — | 150,000 |
| Local Government Fiscal Distress | 750 | — | — | — | — | 750 |
| Major Headquarters Workforce Grant | 35,500 | — | — | — | — | 35,500 |
| Natural Disaster Sum Sufficient | 20,165 | — | — | — | — | 20,165 |
| Regulatory Oversight | — | — | — | — | 223,523 | 223,523 |
| Revenue Reserve Fund | 1,835,357 | — | — | — | — | 1,835,357 |
| Taxpayer Relief Fund | 70 | — | — | — | — | 70 |
| Transportation Activities | — | 4,675,342 | — | — | 1,687 | 4,677,029 |
| Virginia Business Ready Sites | 50,000 | — | — | — | — | 50,000 |
| Virginia Communication Sales and Use Tax | 5,379 | — | — | — | — | 5,379 |
| Virginia Health Care Fund | 230,692 | — | — | — | — | 230,692 |
| Virginia Water Quality Improvement Fund | 334,085 | — | — | — | — | 334,085 |
| Virginia Water Quality Improvement Fund - Part A | 497,538 | — | — | — | — | 497,538 |
| Virginia Water Quality Improvement Fund - Part B | 146,950 | — | — | — | — | 146,950 |
| **Total Committed** | 7,740,235 | 4,684,857 | — | — | 1,454,669 | 13,879,761 |
| **Assigned** | | | | | | |
| Agriculture and Forestry | 3 | — | — | — | 694 | 697 |
| Amount Required by Chapter 769 | 1,449,577 | — | — | — | — | 1,449,577 |
| Amount Required for Discretionary Reappropriations | 277,274 | — | — | — | — | 277,274 |
| Economic and Technological Development | 8,572 | — | — | — | 3,027 | 11,599 |
| Educational and Training Programs | 6,784 | — | — | — | 10,895 | 17,679 |
| Employee Benefit Administration | 2,544 | — | — | — | — | 2,544 |
| Environmental Quality and Natural Resource Preservation | 16,193 | — | — | — | 14,533 | 30,726 |
| Capital Projects/Construction/Capital Acquisition | 1,076 | — | — | — | — | 1,076 |
| COVID-19 | 837 | — | — | — | — | 837 |
| Government Operations: | | | | | | |
| Administrative Services | 10,494 | — | — | — | — | 10,494 |
| Legislative Services | 5,262 | — | — | — | — | 5,262 |
| Health and Public Safety | 38,121 | — | — | — | 16,682 | 54,803 |
| Regulatory Oversight | — | — | — | — | 4 | 4 |
| Transportation Activities | 4 | 948 | — | — | — | 952 |
| **Total Assigned** | 1,816,741 | 948 | — | — | 45,835 | 1,863,524 |
| **Total Fund Balance** | $ 12,517,715 | $ 5,324,759 | $ 208,534 | $ 330,558 | $ 3,806,750 | $ 22,188,316 |

## 4. DEFICIT FUND BALANCES/NET POSITION

The Virginia Lottery (major enterprise fund), the Department of General Services' Consolidated Laboratory Services Fund, the Department of Environmental Quality's Title V Air Pollution Permit Fund, the Virginia Museum of Fine Arts Gift Shop (nonmajor enterprise funds), and the Payroll Service Bureau (internal service funds) ended the year with deficit net positions of $23.4 million, $2.7 million, $7.7 million, $1.7 million, and $2.1 million, respectively. This was solely attributable to the net pension liability resulting from GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and the other postemployment benefits (OPEB) obligation resulting from GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The Risk Management Fund (nonmajor enterprise fund) ended the year with a deficit net position balance of $2.0 million. The deficit was a result of previous increases in claims liability for constitutional officers' programs exceeding premiums collected.

The Enterprise Application Fund (internal service fund) ended the year with a deficit net position balance of $24.3 million. The deficit was a result of working capital advances for the Human Capital Management System and noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Property Management Fund (internal service fund) ended the year with a deficit net position balance of $36.6 million. The deficit was a result of long-term lease liabilities exceeded the amortized lease assets. Further, there are noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Risk Management Fund (internal service fund) ended the year with a deficit net position balance of $162.3 million. The deficit was the result of the Worker's Compensation Program having estimated claims payable exceeding the available equity in the fund. Claims are paid on a pay-as-you-go basis. To the extent that claims exceed current resources, they will ultimately become a liability of the fund from which the claim originated. Further, there are noncurrent liabilities related to net pension liabilities and other postemployment benefit obligations.

The Virginia College Building Authority (major component unit) ended the year with a deficit net position balance of $5.3 billion. This deficit occurs because the Authority issued bonds for the 21st Century College and Equipment programs subject to future appropriations from the General Fund of the Commonwealth without any other security. These future appropriations are not included as assets of the Authority. The General Assembly has never failed to appropriate funds to the Authority for payment of debt service on the Authority's bonds.

The Southern Virginia Higher Education Center (nonmajor component unit) ended the year with a deficit net position balance of $1.2 million. This deficit is solely attributable to net pension liability and other postemployment benefit obligations.

## 5. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the Constitution of Virginia, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly.

Under the provisions of Article X, Section 8 of the Constitution of Virginia, a deposit of $904.7 million is required during fiscal year 2024 based on fiscal year 2022 revenue collections reduced by the estimated rebate provided to taxpayers as required by Chapter 1, Item 3-5.24. No deposit is required based on fiscal year 2023 revenue collections, adjusted to include the prior year estimated rebate to taxpayers.

In addition, Chapter 769, Item 267. D2, appropriates $498.7 million from the Revenue Reserve Fund to be deposited to the Revenue Stabilization Fund during fiscal year 2024. This amount was provided in Chapter 1, 2022 Acts of Assembly Special Session I, as an advanced reservation for the fiscal year 2024 mandatory deposit. This amount is included as part of the 2024 restricted component of fund balance.

Section 2.2-1829(b) of the Code of Virginia requires an additional deposit into the Fund when specific criteria have been met. No such deposit is required since the specified criteria were not met for fiscal year 2023.

The Revenue Stabilization Fund has principal and interest on deposit of $1.8 billion restricted as a part of General Fund balance. Pursuant to the constitutional amendment of Article X, Section 8, effective January 1, 2011, the amount on deposit cannot exceed 15.0 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. As of June 30, 2023, the constitutional maximum is $3.9 billion.

## 6. REVENUE RESERVE FUND

As of June 30, 2023, the fund has principal and interest on deposit of $2.0 billion recorded in the Commonwealth's general ledger and reported as cash on the Balance Sheet. Pursuant to Chapter 769, Item 267. D2, the general ledger balance includes the advance reservation of $498.7 million for the fiscal year 2024 deposit to the Revenue Stabilization Fund (see Note 5). Accordingly, only $1.5 billion of the general ledger cash balance is included as a committed component of fund balance. This amount is set aside to mitigate certain anticipated revenue shortfalls when appropriations based on previous revenue forecasts exceed expected revenues in subsequent forecasts.

Section 2.2-1831.2 and 2.2-1831.3 of the *Code of Virginia* established the Revenue Reserve Fund and specified required deposits to the fund. Whenever there is a fiscal year in which there is not a mandatory deposit to the Revenue Stabilization Fund, a deposit is required if the general fund revenue exceeds the official estimate. The amount to be deposited shall not exceed one percent of the general fund revenues collected in the prior fiscal year. The Department of Planning and Budget has identified a deposit of $289.6 million to be made during fiscal year 2024. This amount represents the fiscal year 2023 revenue collected in excess of the estimate reduced by the statutory deposit to the Water Quality Fund for excess revenues. Additionally, this amount is subject to the one percent statutory limit adjusted to eliminate the impact of the prior year estimated rebate provided to taxpayers and is reported as part of the committed fund balance.

Additionally, the combined balance of the Revenue Reserve Fund and the Revenue Stabilization Fund cannot exceed 20.0 percent of the total Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. As of June 30, 2023, the constitutional maximum is $5.1 billion.

## 7. 2023 INDIVIDUAL INCOME TAX REBATE

The 2023 Individual Income Tax Rebate is authorized by Chapter 1, 2023 Acts of Assembly Special Session I, Item 3-5.28 and is in addition to any refund pursuant to §58.1-309 of the *Code of Virginia*. Qualifying individuals and married persons filing jointly are entitled to an additional tax rebate of $200 or $400, respectively. The rebates were disbursed subsequent to June 30. Accordingly, $906.8 million is reported as a liability in the accompanying financial statements.

## 8. CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of June 30, 2023, the carrying amount of cash for the primary government (including the Virginia Retirement System Pooled Investments) was $12.6 billion and the bank balance was $861.3 million. The carrying amount of cash for component units was $3.3 billion and the bank balance was $1.3 billion. Cash equivalents are investments with an original maturity of 90 days or less. Cash and cash equivalents for foundations (component units) totaled $755.8 million as of year-end. A portion of this amount and some balances during the year exceeded Federal Deposit Insurance Corporation (FDIC) insurance coverage. Foundation investments are disclosed in the Interest Rate Risk section of this note. Note 8 includes investment derivatives for the primary government and excludes derivatives for the component units. For additional information concerning derivative instruments, see Note 16.

For purposes of this note, primary government includes governmental, business-type activities, and fiduciary funds. The majority of deposits of the primary government and the component units, excluding foundations (component units), are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the *Code of Virginia*. The act requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of Federal deposit insurance. The required collateral percentage is determined by the Treasury Board and ranges from 50.0 percent to 100.0 percent for financial institutions choosing the pooled method of collateralization, and from 105.0 percent to 130.0 percent for financial institutions choosing the dedicated method of collateralization. As stated in Note 1.FF, unrealized gains or losses for the State Treasurer's Portfolio are recorded in the General Fund. Public Depositors are required to secure their deposits pursuant to several applicable provisions of the law.

The Local Government Investment Pool Act, Section 2.2-4600 of the *Code of Virginia*, created the Local Government Investment Pool (Pool) program for the benefit of public entities of the Commonwealth. The Treasury Board of Virginia is granted administration of the Local Government Investment Pool (LGIP) and Local Government Investment Pool – Extended Maturity (LGIP EM) on behalf of the participating public entities of the Commonwealth. Participation in this pool is voluntary. Both LGIP and LGIP EM offer two professionally managed investment portfolios in accordance with the Investment of Public Funds Act. The LGIP portfolio is a diversified portfolio structured to provide public entities an investment alternative that seeks to minimize the risk of principal loss while offering daily liquidity, a stable Net Asset Value (NAV), and a competitive rate of return. The LGIP is not registered with the Securities Exchange Commission (SEC) as an investment company. The LGIP EM portfolio is a diversified portfolio with fluctuating NAV structured to provide an investment alternative to public entities who wish to invest monies not needed for daily liquidity. The fair value of the Commonwealth's position in the Pool is the same as the value of the Pool shares for all except for the LGIP EM whose shares fluctuate with changes in the market value of the portfolio.

Certain deposits are held by trustees in accordance with the Trust Subsidiary Act, Section 6.2-1057 of the *Code of Virginia*. The act requires that cash held by trustees while awaiting investment or distribution is not to be used by an affiliate bank of the trustee in the conduct of its business unless the affiliate bank delivers securities to the trust department as collateral that is at least equal to the fair value of the trust funds held on deposit in excess of amounts insured by the FDIC.

The Commonwealth is authorized, in accordance with the guidelines set forth in Section 2.2-4500 et seq. of the *Code of Virginia*, to invest public funds in the following:

- U.S. Treasury and agency securities
- Corporate debt securities
- Asset–backed securities
- Mortgage–backed securities
- Municipal securities
- AAA rated obligations of foreign governments
- Bankers' acceptances and bank notes
- Negotiable certificates of deposit
- Repurchase agreements
- Money market funds

Permitted investments include agency mortgage-backed securities, corporate or private label mortgage-backed securities, and asset-backed securities, which by definition usually expose the investor to prepayment risk. Prepayment risk, or the prepayment option granted the borrower, can create uncertainty concerning cash flows, can affect the price of the security causing negative convexity, and can expose the investor to reinvestment risk. Similarly, many agency and corporate securities are callable after some predetermined date at a predetermined price. The call options in regular agency debentures and some corporate securities can be open ended and may significantly impact cash flows, security pricing, and reinvestment risks of these securities.

As of June 30, 2023, the State Treasurer held no security that was in default as to principal or interest. The State Treasurer held two securities with a maturity date of November 1, 2029 and one security in one component unit portfolio with a maturity of April 1, 2027 that were out of compliance with guidelines.

Public funds held by the Commonwealth, public officers, municipal corporations, political subdivisions, and any other public body of the Commonwealth shall be held in trust for the citizens of the Commonwealth. Any investment of such funds shall be made solely in the interest of the citizens of the Commonwealth and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Certain investments held in trust by the State Treasurer in accordance with bond indentures and resolutions may have more restrictive investment policies. Investment policies of component units are established by the entity's governing boards.

The information presented for the external investment pool was obtained from audited financial statements. Copies of the LGIP report may be obtained from the Department of the Treasury website at www.trs.virginia.gov.

The Board of Trustees (the Board) of the Virginia Retirement System (the System) (part of primary government) has full power to invest and reinvest the trust funds in accordance with Section 51.1-124.30 of the *Code of Virginia*, as amended. This section requires the Board to discharge its duties solely in the interests of members, retirees, and beneficiaries. It also requires the Board to invest the assets with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Board must also diversify such investments so as to minimize the risk of large losses, unless under the circumstances, it is clearly prudent not to do so. The Board does not have investment policies that place specific restrictions on investments related to custodial risk, interest rate risk, credit risk, or foreign currency risk. The System's investment portfolio is intended to be managed through diversification and prudent judgment, rather than through specific policy restrictions.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a depository bank failure, the Commonwealth may not be able to recover deposits or collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Commonwealth may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Policies related to custodial credit risk pertaining to the Commonwealth's securities lending program are found in the securities lending section of this note.

As of June 30, 2023, the primary government (excluding the System's pooled investments) had $12.9 million in bank balances that were uninsured and uncollateralized. There is no deposit policy that addresses custodial credit risk.

As of June 30, 2023, investment securities for the System (excluding cash equivalents and repurchase agreements held as securities lending collateral) were registered and held in the name of the System for the benefit of the System's trust and custodial funds and were not exposed to custodial credit risk. It is the standard practice and policy of the System, through the relevant provisions in its contracts and agreements with third parties, to minimize all known and reasonably foreseeable custodial credit risks.

As of June 30, 2023, component units had $135.1 million in bank balances that were uninsured and uncollateralized, and $36.6 million in bank balances that were uninsured and collateralized with securities held by the pledging financial institution. In addition, the Virginia Housing Development Authority (major) and Virginia Port Authority (nonmajor) held $247.4 million and $902.5 million, respectively, of investments, primarily U.S. Treasury and Agency Securities and Commercial Paper, that were uninsured and held by the counterparty as of June 30, 2023.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. As discussed in Note 1.F., the Commonwealth discloses the risk for its debt investments using the segmented time distribution method for the primary government (excluding the Virginia College Savings Plan's Defined Benefit 529 and Defined Contribution 529 programs and the Virginia Retirement System Pooled Investments) and component units and the effective duration method for Virginia College Savings Plan (Defined Benefit 529 and Defined Contribution 529 programs) and the System (Virginia Retirement System Pooled Investments).

The State Treasurer's guidelines limit the following maximum durations for any single security of the following investment types:

| Security Type | Maximum Duration |
|---|---|
| Corporate Security | 15 years |
| Asset-Backed Securities | 5 years |
| Sovereign Government Obligations (excluding U.S.) | 5 years |
| Negotiable Certificates of Deposit and Negotiable Bank Notes | 5 years |

The State Treasurer's guidelines further describe target durations for the overall general account portfolio of 1.7 years.

The Virginia College Savings Plan (Virginia529) manages the risk for fixed income investment securities held in its Defined Benefit 529 and Defined Contribution 529 programs using the effective duration methodology. Virginia529's Statements of Investment Policy and Guidelines do not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Although not an explicit requirement, duration of fixed income portfolios, if applicable, is expected to be within 20.0 percent of each portfolio's designated benchmark.

The System also manages the risk within its portfolio using the effective duration methodology. It is widely used in the management of fixed income portfolios in that it quantifies, to a much greater degree, the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending on the degree of change in rates and the slope of the yield curve. All of the System's fixed-income portfolios are managed in accordance with the System's investment guidelines, most of which are specific as to the degree of interest rate risk that can be taken.

As of June 30, 2023, the System's investments included $2.2 billion, primarily in U.S. Treasury and agency securities, corporate bonds and notes, and supranational and non-U.S. Government bonds and notes, which are highly sensitive to interest rate fluctuations in that they have an option adjusted duration of greater than ten years. The resulting reduction in expected total cash flows affects the fair value of these securities.

As of June 30, 2023, the Commonwealth's investments subject to interest rate risk had the following maturities and weighted average effective durations.

**Primary Government Investments**
(Excluding Virginia College Savings Plan and Virginia Retirement System Pooled Investments)
*(Dollars in Thousands)*

| Investment Type | June 30, 2023 | Investment Maturities (in years): Less Than 1 | 1-5 | 6-10 | More Than 10 |
|---|---|---|---|---|---|
| Debt Securities | | | | | |
| U. S. Treasury and Agency Securities | $ 4,709,600 | $ 1,866,659 | $ 2,052,229 | $ 419,344 | $ 371,368 |
| Corporate Bonds and Notes | 2,175,424 | 144,946 | 1,208,583 | 596,837 | 225,058 |
| Supranational and Non-U.S. Government Bonds and Notes | 159,243 | 157,219 | 2,024 | — | — |
| Commercial Paper | 9,466,017 | 9,466,017 | — | — | — |
| Negotiable Certificates of Deposit | 14,124,048 | 14,122,735 | 1,313 | — | — |
| Repurchase Agreements | 5,092,918 | 5,092,918 | — | — | — |
| Municipal Securities | 82,555 | — | 36,815 | 14,879 | 30,861 |
| Asset-Backed Securities | 696,916 | 74 | 309,346 | 113,726 | 273,770 |
| Agency Mortgage-Backed Securities | 988,831 | 4,312 | 34,579 | 75,275 | 874,665 |
| Agency Unsecured Bonds and Notes | 6,520,390 | 2,776,956 | 3,733,420 | 3,984 | 6,030 |
| Mutual and Money Market Funds (Includes SNAP) | 2,194,126 | 2,194,126 | — | — | — |
| Fixed Income and Commingled Funds | 9,558 | 2,103 | 7,295 | 160 | — |
| Other Debt Securities | 353 | 353 | — | — | — |
| Total | $ 46,219,979 | $ 35,828,418 | $ 7,385,604 | $ 1,224,205 | $ 1,781,752 |

**Primary Government - Virginia College Savings Plan Investments**
*(Dollars in Thousands)*

| Investment Type | Defined Benefit 529 (Major Enterprise Fund) | | Defined Contribution 529 (Private Purpose Trust Fund) | |
|---|---|---|---|---|
| | June 30, 2023 | Weighted Avg. Effective Duration | June 30, 2023 | Weighted Avg. Effective Duration |
| Debt Securities | | | | |
| U. S. Treasury and Agency Securities | $ 109,775 | 12.7 | $ 10,276 | 1.8 |
| Corporate Bonds and Notes | 414,456 | 3.7 | 230,744 | 4.8 |
| Convertible Bonds and Notes* | 527 | 3.5 | — | — |
| Supranational and Non-U.S. Government Bonds and Notes | 37,149 | 6.0 | 215,784 | 7.4 |
| Asset Backed Securities | 136,275 | 1.7 | 9,886 | <0.1 |
| Agency Mortgage Backed Securities | 161,166 | 5.9 | — | — |
| Mutual and Money Market Funds | 107,220 | <0.1 | 76,730 | <0.1 |
| Guaranteed Investment Contracts | — | — | 1,665,481 | 3.6 |
| Fixed Income and Commingled Funds* | 625,616 | 5.9 | 956,619 | 6.6 |
| Total | $ 1,592,184 | 5.1 | $ 3,165,520 | 4.7 |

*Effective duration is calculated using a methodology that takes into account the duration impact of equity warrants and rate-sensitive instruments.

**Primary Government - Virginia Retirement System Pooled Investments**
*(Dollars in Thousands)*

| Investment Type | June 30, 2023 | Weighted Avg. Effective Duration |
|---|---|---|
| Debt Securities | | |
| U. S. Treasury and Agency Securities | $ 5,377,812 | 6.0 |
| Corporate Bonds and Notes | 6,553,780 | 3.6 |
| Collateralized Mortgage Obligations | 466,318 | 6.8 |
| Commercial Mortgages | 143,406 | 2.3 |
| Supranational and Non-U.S. Government Bonds and Notes | 693,628 | 7.4 |
| Mutual and Money Market Funds | 85,984 | 7.2 |
| Commercial Paper | 2,380,310 | 0.2 |
| Negotiable Certificates of Deposit | 990,507 | 0.2 |
| Repurchase Agreements | 872,964 | < 0.1 |
| Municipal Securities | 65,451 | 7.7 |
| Asset Backed Securities | 236,647 | 2.7 |
| Agencies | 4,591,542 | 6.4 |
| Fixed Income and Commingled Funds | 823,876 | 5.7 |
| Fixed Income Derivatives | (8,668) | -3.0 |
| Time Deposits | 315,439 | < 0.1 |
| Term Loans | 17,425 | 0.2 |
| Debt Securities - No Effective Duration | | |
| U.S. Treasury and Agency Securities | 3,136 | N/A |
| Corporate Bonds and Notes | 3,144 | N/A |
| Collateralized Mortgage Obligations | 3,851 | N/A |
| Commercial Mortgages | 2,215 | N/A |
| Supranational and Non-U.S. Government Bonds and Notes | 2,856 | N/A |
| Mutual and Money Market Funds | 41,611 | N/A |
| Term Loans | 2,558 | N/A |
| Fixed Income Derivatives | (14,452) | N/A |
| Total | $ 23,651,340 | 4.3 |

**Component Unit Investments**
*(Dollars in Thousands)*

| Investment Type | June 30, 2023 | Investment Maturities (in years) Less Than 1 | 1-5 | 6-10 | More Than 10 |
|---|---|---|---|---|---|
| Debt Securities | | | | | |
| U. S. Treasury and Agency Securities | $ 1,629,885 | $ 1,043,105 | $ 467,948 | $ 52,099 | $ 66,733 |
| Supranational and Non-U.S. Government Bonds and Notes | 4,275 | 978 | 3,297 | — | — |
| Corporate Bonds and Notes | 615,911 | 134,926 | 448,443 | 19,852 | 12,690 |
| Commercial Paper | 380,259 | 380,259 | — | — | — |
| Negotiable Certificates of Deposit | 92,440 | 78,437 | 14,003 | — | — |
| Repurchase Agreements | 656,274 | 656,274 | — | — | — |
| Municipal Securities | 172,349 | 21,242 | 57,530 | 61,121 | 32,456 |
| Asset-Backed Securities | 471,476 | 38,446 | 351,572 | 13,918 | 67,540 |
| Agency Unsecured Bonds and Notes | 227,681 | 220,426 | 7,255 | — | — |
| Agency Mortgage-Backed Securities | 1,028,789 | 65,006 | 136,644 | 7,887 | 819,252 |
| Mutual and Money Market Funds (Includes SNAP) | 1,595,307 | 1,523,892 | 65,120 | 6,295 | — |
| Guaranteed Investment Contracts | 18,967 | 2,734 | 11,789 | 4,444 | — |
| International and Emerging Markets Funds | 4,989 | 1,531 | 1,321 | — | 2,137 |
| Fixed Income and Commingled Funds | 71,863 | 15,808 | 45,328 | 5,212 | 5,515 |
| Other Debt Securities | 73,228 | 50,385 | 192 | — | 22,651 |
| Total | $ 7,043,693 | $ 4,233,449 | $ 1,610,442 | $ 170,828 | $ 1,028,974 |

**Foundation Investments**
*(Dollars in Thousands)*

| Investment Type | Amount |
|---|---|
| U.S. Treasury and Agency Securities | $ 776,704 |
| Common and Preferred Stocks | 872,363 |
| Corporate Bonds and Notes | 260,859 |
| Commercial Paper | 6,815 |
| Negotiable Certificates of Deposit | 9,400 |
| Municipal Securities | 114,579 |
| Repurchase Agreements | 207,180 |
| Asset Backed Securities | 58,875 |
| Agency Mortgage Backed Securities | 28,983 |
| Mutual and Money Market Funds | 712,005 |
| Bankers' Acceptance | 92,346 |
| Real Estate | 864,299 |
| Index Funds | 389,610 |
| Hedge Funds | 2,288,169 |
| Partnerships | 1,577,588 |
| Venture Capital | 1,417,240 |
| Institutional Commingled Funds | 5,283,363 |
| Private Equity | 3,011,023 |
| Fixed Income | 491,660 |
| Other | 2,510,486 |
| Total | $ 20,973,547 |

Note: Foundations represent FASB reporting entities defined in Note 1.B. A portion of these amounts is reported at cost rather than fair value because fair value was not available or readily determinable.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Treasurer places emphasis on securities of high credit quality and marketability. At the time of purchase, the following limitations are in place:

- Bankers acceptances: At least two ratings of P-1/A-1/F1 by Moody's Investors Service (Moody's), Standard & Poor's (S&P), or Fitch
- Negotiable CDs and bank notes:
  - maturities of one year or less: At least two ratings of P-1/A-1/F1 by Moody's, S&P, or Fitch
  - maturities over one year: At least two ratings of Aa/AA/AA by Moody's, S&P, or Fitch
- Commercial paper: At least two ratings of P-1/A-1/F1 by Moody's, S&P, or Fitch
- Corporate Notes and Bonds: At least two ratings of A-3/A-/A- by Moody's, S&P, or Fitch. However, each external investment manager may invest up to 10.0 percent of their portfolio in Baa2/BBB rated bonds which, must be rated by two rating agencies and one of the two qualifying ratings shall be at least Baa2/BBB/BBB by Moody's, S&P, or Fitch.
- Municipal Bonds: A-3/A- or equivalent by two nationally recognized rating agencies, one of which must be Moody's or S&P
- Asset-backed securities: One of the two qualifying ratings shall be at least Aaa/AAA/AAA by Moody's, S&P, or Fitch
- Dollar denominated obligations of sovereign governments: Must be rated by two rating agencies with two qualifying ratings of at least Aaa/AAA/AAA by Moody's, S&P, or Fitch
- Commercial Mortgage-Backed Securities (CMBS) and Collateralized Mortgage Obligations (CMOs): Must be rated at least Aaa or AAA by two rating agencies. One of the two qualifying ratings shall be at least Aaa/AAA/AAA by Moody's, S&P, or Fitch.

The System's policy for credit risk is based on the concept of a risk budget rather than specific limitations related to the rating of an individual security. The System's risk budget is allocated among the different investment strategies.

Credit risk for derivative instruments held by the Commonwealth results from counterparty risk assumed by the Commonwealth. This is essentially the risk that the borrower will be unable to meet its obligation. Information regarding the Commonwealth's credit risk related to derivatives is found in Note 16.

Policies related to credit risk pertaining to the Commonwealth's securities lending program are found in the Securities Lending section of this note.

The following tables present the credit ratings for the investments of the primary government (excluding the Virginia Retirement System Pooled Investments), the System (Virginia Retirement System Pooled Investments), and component units as of June 30, 2023. The ratings presented are using Moody's, S&P, and Fitch rating scales. They are displayed from short-term to long-term.

## **Primary Government** (Excluding Virginia Retirement System Pooled Investments)

*(Dollars in Thousands)*

| Investment Type (1) | P-1 / A-1 / F1 | Percent of Portfolio | P-2 / A-2 / F2 | Percent of Portfolio | P-3 / A-3 / F3 | Percent of Portfolio | Aaa / AAA |
|---|---|---|---|---|---|---|---|
| Agency Mortgage Backed Securities | $ — | 0.0 % | $ — | 0.0 % | $ — | 0.0% | $ 6,328 |
| Agency Unsecured Bonds and Notes | 738,738 | 1.6 % | — | 0.0 % | — | 0.0% | 8,914 |
| Asset Backed Securities | — | 0.0 % | — | 0.0 % | 1 | 0.0% | 774,657 |
| Commercial Paper | 9,466,017 | 20.6 % | — | 0.0 % | — | 0.0% | — |
| Convertible Bonds and Notes | — | 0.0 % | — | 0.0 % | — | 0.0% | — |
| Corporate Bonds and Notes | 916 | 0.0 % | 454 | 0.0 % | 520 | 0.0% | 19,991 |
| Fixed Income and Commingled Funds | — | 0.0 % | — | 0.0 % | — | 0.0% | 160 |
| Guaranteed Investment Contracts | — | 0.0 % | — | 0.0 % | — | 0.0% | — |
| Municipal Securities | — | 0.0 % | — | 0.0 % | — | 0.0% | 5,560 |
| Mutual and Money Market Funds (Includes SNAP) | — | 0.0 % | — | 0.0 % | — | 0.0% | 2,272,053 |
| Negotiable Certificates of Deposit | 13,843,812 | 30.1 % | 278,923 | 0.6 % | — | 0.0% | — |
| Other Debt Securities | — | 0.0 % | — | 0.0 % | — | 0.0% | — |
| Repurchase Agreements | 3,645,000 | 7.9 % | 952,000 | 2.1 % | — | 0.0% | — |
| Supranational and Non-U.S. Government Bonds and Notes | — | 0.0 % | — | 0.0 % | — | 0.0% | 160,792 |
| Total | $ 27,694,483 | 60.2 % | $ 1,231,377 | 2.7 % | $ 521 | 0.0% | $ 3,248,455 |

## **Primary Government – Virginia Retirement System Pooled Investments**

*(Dollars in Thousands)*

| Investment Type (1) | P-1 / A-1 / F1 | Percent of Portfolio | P-2 / A-2 / F2 | Percent of Portfolio | P-3 / A-3 / F3 | Percent of Portfolio | Aaa / AAA |
|---|---|---|---|---|---|---|---|
| Corporate Bonds and Notes | $ 68,718 | 0.4% | $ — | 0.0% | $ — | 0.0% | $ 18,317 |
| Collateralized Mortgage Obligations | — | 0.0% | — | 0.0% | — | 0.0% | 229,949 |
| Commercial Mortgages | — | 0.0% | — | 0.0% | — | 0.0% | 95,662 |
| Supranational and Non-U.S. Government Bonds and Notes | 7,070 | 0.0% | — | 0.0% | — | 0.0% | 24,805 |
| Mutual and Money Market Funds | — | 0.0% | 59 | 0.0% | — | 0.0% | — |
| Commercial Paper | 1,536,490 | 8.9% | 579,873 | 3.3% | — | 0.0% | — |
| Negotiable Certificates of Deposit | 739,702 | 4.2% | — | 0.0% | — | 0.0% | — |
| Repurchase Agreements | — | 0.0% | — | 0.0% | — | 0.0% | 6,530 |
| Municipal Securities | — | 0.0% | — | 0.0% | — | 0.0% | — |
| Asset Backed Securities | — | 0.0% | — | 0.0% | — | 0.0% | 94,081 |
| Agencies | — | 0.0% | — | 0.0% | — | 0.0% | — |
| Fixed Income and Commingled Funds | — | 0.0% | — | 0.0% | — | 0.0% | — |
| Fixed Income Derivatives | — | 0.0% | — | 0.0% | — | 0.0% | — |
| Term Loans | — | 0.0% | — | 0.0% | — | 0.0% | — |
| Time Deposits | 79,605 | 0.5% | — | 0.0% | — | 0.0% | — |
| Total | $ 2,431,585 | 14.0% | $ 579,932 | 3.3% | $ — | 0.0% | $ 469,344 |

## **Component Units**

*(Dollars in Thousands)*

| Investment Type (1) | P-1 / A-1 / F1 | Percent of Portfolio | P-2 / A-2 / F2 | Percent of Portfolio | P-3 / A-3 / F3 | Percent of Portfolio | Aaa / AAA |
|---|---|---|---|---|---|---|---|
| Agency Mortgage Backed Securities | $ — | 0.0% | $ — | 0.0% | $ — | 0.0% | $ 838,987 |
| Agency Unsecured Bonds and Notes | 2,970 | 0.1% | — | 0.0% | — | 0.0% | 207,825 |
| Asset Backed Securities | — | 0.0% | — | 0.0% | — | 0.0% | 353,231 |
| Commercial Paper | 307,173 | 5.7% | — | 0.0% | — | 0.0% | 71,367 |
| Corporate Bonds and Notes | 14,784 | 0.3% | — | 0.0% | — | 0.0% | 5,190 |
| Fixed Income and Commingled Funds | — | 0.0% | — | 0.0% | — | 0.0% | 6,967 |
| International and Emerging Markets Funds | — | 0.0% | — | 0.0% | — | 0.0% | — |
| Municipal Securities | — | 0.0% | — | 0.0% | — | 0.0% | 18,071 |
| Mutual and Money Market Funds (Includes SNAP) | 922 | 0.0% | — | 0.0% | — | 0.0% | 1,469,678 |
| Negotiable Certificates of Deposit | 5,493 | 0.1% | — | 0.0% | — | 0.0% | 67,646 |
| Other Debt Securities | — | 0.0% | — | 0.0% | — | 0.0% | 22,652 |
| Repurchase Agreements | 10,698 | 0.2% | — | 0.0% | — | 0.0% | — |
| Supranational and Non-U.S. Government Bonds and Notes | — | 0.0% | — | 0.0% | — | 0.0% | 341 |
| Total | $ 342,040 | 6.4% | $ — | 0.0% | $ — | 0.0% | $ 3,061,955 |

(1) Excludes investments of $4.9 billion for primary government (excluding Virginia Retirement System Pooled Investments), $6.2 billion for the System (Virginia Retirement System Pooled Investments), and $1.7 billion for component units because obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government, Guaranteed Investment Contracts, United States Treasury Notes, or Repurchase Agreements which are collateralized by equity securities but not considered obligations of the U.S. Government and money market funds invested in Federated Hermes Government Obligations are not considered to have credit risk.

**Amount by Credit Rating - Moody's / S&P / Fitch**

| Percent of Portfolio | Aa / AA | Percent of Portfolio | A | Percent of Portfolio | Baa / BBB | Percent of Portfolio | Less Than Investment Grade | Percent of Portfolio | Unrated | Percent of Portfolio | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 0.0 % | $ 1,143,215 | 2.5 % | $ — | 0.0 % | $ — | 0.0 % | $ — | 0.0 % | $ 454 | 0.0 % | $ 1,149,997 |
| 0.0 % | 5,772,617 | 12.5 % | 21 | 0.0 % | 3 | 0.0 % | 22 | 0.0 % | 75 | 0.0 % | 6,520,390 |
| 1.7 % | 7,889 | 0.0 % | 23,210 | 0.1 % | 20,883 | 0.1 % | 30 | 0.0 % | 16,407 | 0.0 % | 843,077 |
| 0.0 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | 9,466,017 |
| 0.0 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | 527 | 0.0 % | 527 |
| 0.0 % | 162,587 | 0.4 % | 1,270,392 | 2.8 % | 933,298 | 2.0 % | 424,337 | 0.9 % | 8,129 | 0.0 % | 2,820,624 |
| 0.0 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | 1,591,633 | 3.4 % | 1,591,793 |
| 0.0 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | 1,665,481 | 3.6 % | 1,665,481 |
| 0.0 % | 68,256 | 0.2 % | 2,391 | 0.0 % | — | 0.0 % | 5,420 | 0.0 % | 928 | 0.0 % | 82,555 |
| 4.9 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | 106,023 | 0.2 % | 2,378,076 |
| 0.0 % | 1,313 | 0.0 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | 14,124,048 |
| 0.0 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | — | 0.0 % | 353 | 0.0 % | 353 |
| 0.0 % | — | 0.0 % | — | 0.0 % | 1 | 0.0 % | — | 0.0 % | 395,917 | 0.9 % | 4,992,918 |
| 0.4 % | 10,487 | 0.0 % | 10,555 | 0.0 % | 61,682 | 0.1 % | 159,077 | 0.4 % | 9,583 | 0.0 % | 412,176 |
| 7.0 % | $ 7,166,364 | 15.6 % | $ 1,306,569 | 2.9 % | $ 1,015,867 | 2.2 % | $ 588,886 | 1.3 % | $ 3,795,510 | 8.1 % | $ 46,048,032 |

**Amount by Credit Rating - Moody's / S&P / Fitch**

| Percent of Portfolio | Aa / AA | Percent of Portfolio | A | Percent of Portfolio | Baa / BBB | Percent of Portfolio | Less Than Investment Grade | Percent of Portfolio | Unrated | Percent of Portfolio | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 0.1% | $ 611,124 | 3.5% | $ 2,853,997 | 16.4% | $ 1,574,430 | 9.0% | $ 1,273,940 | 7.3% | $ 156,398 | 0.9% | $ 6,556,924 |
| 1.3% | 27,309 | 0.2% | 16,176 | 0.1% | 11,855 | 0.1% | — | 0.0% | 184,880 | 1.1% | 470,169 |
| 0.5% | 17,813 | 0.1% | 6,001 | 0.0% | — | 0.0% | 1 | 0.0% | 26,144 | 0.1% | 145,621 |
| 0.1% | 43,149 | 0.3% | 89,763 | 0.5% | 155,381 | 0.9% | 364,663 | 2.1% | 11,653 | 0.1% | 696,484 |
| 0.0% | — | 0.0% | — | 0.0% | — | 0.0% | 78,288 | 0.5% | 49,248 | 0.3% | 127,595 |
| 0.0% | — | 0.0% | 196,576 | 1.1% | 67,371 | 0.4% | — | 0.0% | — | 0.0% | 2,380,310 |
| 0.0% | 42,910 | 0.3% | 152,880 | 0.9% | — | 0.0% | — | 0.0% | 55,015 | 0.3% | 990,507 |
| 0.0% | 32,650 | 0.2% | 16,325 | 0.1% | — | 0.0% | — | 0.0% | — | 0.0% | 55,505 |
| 0.0% | 56,788 | 0.3% | 5,425 | 0.0% | — | 0.0% | — | 0.0% | 3,238 | 0.0% | 65,451 |
| 0.5% | 32,176 | 0.2% | 100,602 | 0.6% | 5,101 | 0.0% | 4,687 | 0.0% | — | 0.0% | 236,647 |
| 0.0% | 162,911 | 0.9% | — | 0.0% | — | 0.0% | — | 0.0% | 4,428,631 | 25.4% | 4,591,542 |
| 0.0% | — | 0.0% | — | 0.0% | — | 0.0% | — | 0.0% | 823,876 | 4.7% | 823,876 |
| 0.0% | — | 0.0% | — | 0.0% | — | 0.0% | — | 0.0% | (23,120) | -0.1% | (23,120) |
| 0.0% | — | 0.0% | 100 | 0.0% | — | 0.0% | 19,883 | 0.1% | — | 0.0% | 19,983 |
| 0.0% | — | 0.0% | 140,834 | 0.8% | — | 0.0% | — | 0.0% | 95,000 | 0.5% | 315,439 |
| 2.5% | $ 1,026,830 | 6.0% | $ 3,578,679 | 20.5% | $ 1,814,138 | 10.4% | $ 1,741,462 | 10.0% | $ 5,810,963 | 33.3% | $ 17,452,933 |

**Amount by Credit Rating - Moody's / S&P / Fitch**

| Percent of Portfolio | Aa / AA | Percent of Portfolio | A | Percent of Portfolio | Baa / BBB | Percent of Portfolio | Less Than Investment Grade | Percent of Portfolio | Unrated | Percent of Portfolio | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 15.2 % | $ 160,863 | 3.0% | $ — | 0.0% | $ 14,387 | 0.3% | $ — | 0.0% | $ 14,552 | 0.3% | $ 1,028,789 |
| 3.9 % | 13,911 | 0.3% | — | 0.0% | — | 0.0% | — | 0.0% | 2,975 | 0.1% | 227,681 |
| 6.6 % | 15,900 | 0.3% | 8,000 | 0.2% | 48,026 | 0.9% | 13,765 | 0.3% | 32,554 | 0.6% | 471,476 |
| 1.3 % | — | 0.0% | — | 0.0% | — | 0.0% | — | 0.0% | 1,719 | 0.0% | 380,259 |
| 0.1 % | 84,165 | 1.6% | 472,488 | 8.8% | 36,315 | 0.7% | — | 0.0% | 2,969 | 0.1% | 615,911 |
| 0.1 % | 1,370 | 0.0% | 15,732 | 0.3% | — | 0.0% | — | 0.0% | 44,753 | 0.8% | 68,822 |
| 0.0 % | 488 | 0.0% | 2,364 | 0.0% | — | 0.0% | — | 0.0% | 2,137 | 0.0% | 4,989 |
| 0.3 % | 109,457 | 2.0% | 36,386 | 0.7% | 2,604 | 0.1% | 1,014 | 0.0% | 4,817 | 0.1% | 172,349 |
| 27.2 % | 63,074 | 1.2% | — | 0.0% | — | 0.0% | — | 0.0% | 60,523 | 1.1% | 1,594,197 |
| 1.3 % | 4,270 | 0.1% | 2,589 | 0.1% | — | 0.0% | — | 0.0% | 12,442 | 0.2% | 92,440 |
| 0.4 % | 45 | 0.0% | 192 | 0.0% | — | 0.0% | — | 0.0% | 50,339 | 0.9% | 73,228 |
| 0.0 % | — | 0.0% | — | 0.0% | 625,000 | 11.6% | — | 0.0% | 20,576 | 0.4% | 656,274 |
| 0.0 % | 3,755 | 0.1% | — | 0.0% | 179 | 0.0% | — | 0.0% | — | 0.0% | 4,275 |
| 56.4 % | $ 457,298 | 8.6% | $ 537,751 | 10.1% | $ 726,511 | 13.6% | $ 14,779 | 0.3% | $ 250,356 | 4.6% | $ 5,390,690 |

### Concentration of Credit Risk

#### Primary Government

Concentration of credit risk is related to the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The State Treasury and the System have individual investment policies limiting the amounts that may be invested in any single issuer.

It is the State Treasurer's policy that each portfolio will be diversified with no more than 4.0 percent of the value of the fund invested in the securities of any single issuer. This limitation shall not apply to the U.S. Government, or agency thereof, or U.S. Government sponsored corporation securities and fully insured and/or collateralized certificates of deposit. Certain portfolios are limited to amounts less than 4.0 percent of the value of the fund invested in the securities of any single issuer. As of June 30, 2023, more than 5.0 percent of the Commonwealth's investments were in the Federal Farm Credit Bank, which totaled $2.6 billion. Since these securities are exempted from the State Treasury investment policies, all investments are compliant with investment policies.

The System's investment guidelines for each specific portfolio also limit investments in any corporate entity to no more than 5.0 percent of the market value of the account for both the internally and externally managed portfolios. The System has no investments in any commercial or industrial organization whose fair value equals 5.0 percent or more of the System's fiduciary net position.

### Foreign Currency Risk

#### Primary Government

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. All primary government investments exposed to foreign currency risk were part of the System, the Virginia College Savings Plan's (Virginia529) Defined Benefit 529 Program (major enterprise fund) and Defined Contribution 529 Program (fiduciary fund), and the Unclaimed Property (nonmajor special revenue fund) portfolios as of June 30, 2023. There is no investment policy related to foreign currency risk for the Unclaimed Property portfolio. Virginia529 has direct exposure to foreign currency risk through several investment mandates. Investment managers use currency forward contracts to hedge risks associated with currency fluctuations.

The System's foreign currency risk exposures, or exchange rate risk, primarily exist in the international and global equity investment holdings. The net realized gains and losses resulting from the settlement of foreign currency transactions and unrealized gains and losses associated with unsettled transactions are recorded in Investment Income in the Statement of Changes in Fiduciary Net Position. The Commonwealth's exposure to foreign currency risk as of June 30, 2023 is highlighted in the following tables.

#### Component Units

All nonmajor component unit investments exposed to foreign currency risk were part of James Madison University, the Virginia Economic Development Partnership, and the Virginia School for the Deaf and Blind Foundation as of June 30, 2023. None of these entities have investment policies related to foreign currency risk.

**Foreign Currency Exposures by Asset Class - Primary Government**
(Excluding Virginia Retirement System Pooled Investments)
*(Dollars in Thousands)*

| Currency | Deposits | Common and Preferred Stocks | Fixed Income and Commingled Funds | Equity Index and Pooled Funds | Corporate Bonds | Private Equity | Total |
|---|---|---|---|---|---|---|---|
| Euro Currency Unit | $ 9,625 | $ 32,406 | $ 51,372 | $ — | $ 304 | $ 4,536 | $ 98,243 |
| Japanese Yen | 92 | 18,792 | — | — | — | — | 18,884 |
| Swiss Franc | 2 | 8,632 | — | — | — | — | 8,634 |
| Australian Dollar | 53 | 12,022 | — | — | — | — | 12,075 |
| British Pound Sterling | 21 | 6,747 | 213 | — | — | 1,232 | 8,213 |
| Colombian Peso | 161 | — | 1,921 | — | — | — | 2,082 |
| Swedish Krona | — | 2,324 | — | — | — | — | 2,324 |
| Danish Krone | — | 8,204 | — | — | — | — | 8,204 |
| Hong Kong Dollar | 6 | 1,379 | — | — | — | — | 1,385 |
| Israeli Shekel | — | 669 | — | — | — | — | 669 |
| US Dollar | — | — | — | 500 | — | — | 500 |
| Polish Zloty | — | — | 965 | — | — | | 965 |
| Singapore Dollar | — | 3,142 | — | — | — | — | 3,142 |
| Norwegian Krone | — | 1,591 | — | — | — | — | 1,591 |
| Canadian Dollar | — | 675 | — | — | — | — | 675 |
| South African Rand | 151 | — | 1,503 | — | — | — | 1,654 |
| Mexican Peso | 135 | — | 1,844 | — | — | — | 1,979 |
| Brazil Real | 112 | — | 2,037 | — | — | — | 2,149 |
| Indonesian Rupiah | 109 | — | 1,651 | — | — | — | 1,760 |
| Chilean Peso | — | — | 1,650 | — | — | — | 1,650 |
| **Total** | $ 10,467 | $ 96,583 | $ 63,156 | $ 500 | $ 304 | $ 5,768 | $ 176,778 |

## Foreign Currency Exposures by Asset Class
## Primary Government - Virginia Retirement System Pooled Investments
*(Dollars in Thousands)*

| Currency | Cash and Short-term Investments | Equity | Fixed Income | Private Equity | Real Assets | International Funds | Forward Contracts | Total |
|---|---|---|---|---|---|---|---|---|
| U.S. Dollar | $ — | $ — | $ — | $ — | $ — | $ 2,636,953 | $ — | $ 2,636,953 |
| Euro Currency Unit | 822,110 | 2,124,977 | 24,092 | 1,262,645 | 404,496 | — | 216,820 | 4,855,140 |
| Japanese Yen | 22,001 | 1,558,250 | — | — | 1,191 | 215,892 | 405,735 | 2,203,069 |
| Hong Kong Dollar | 6,512 | 784,346 | — | — | — | — | (53,249) | 737,609 |
| British Pound Sterling | 10,381 | 1,172,471 | (3) | — | 15,591 | — | 75,574 | 1,274,014 |
| South Korean Won | 1,084 | 343,407 | — | — | — | — | 5,677 | 350,168 |
| Swiss Franc | 21,767 | 499,602 | — | — | — | — | (80,997) | 440,372 |
| New Zealand Dollar | 20 | 4,921 | — | — | — | — | (175,944) | (171,003) |
| Canadian Dollar | 3,520 | 566,057 | — | — | 15,398 | — | 243,851 | 828,826 |
| Brazil Real | 1,446 | 184,175 | 5,480 | — | 11,160 | — | 1,285 | 203,546 |
| Australian Dollar | 1,628 | 415,677 | — | — | 918 | — | 53,248 | 471,471 |
| Indian Rupee | 3,582 | 364,985 | — | — | — | — | 7,119 | 375,686 |
| South African Rand | 670 | 53,097 | 6,764 | — | 4,798 | — | (5,614) | 59,715 |
| New Taiwan Dollar | 1,187 | 443,040 | — | — | — | — | 1,456 | 445,683 |
| Thailand Baht | 89 | 58,954 | 1,038 | — | — | — | 736 | 60,817 |
| Swedish Krona | 1,617 | 180,151 | — | — | 812 | — | 130,782 | 313,362 |
| Indonesian Rupiah | 1,751 | 62,899 | 3,417 | — | — | — | (4,386) | 63,681 |
| Mexican Peso | 114 | 46,589 | 226 | — | 4,332 | — | (3,350) | 47,911 |
| Turkish Lira | 321 | 25,527 | — | — | 477 | — | 922 | 27,247 |
| Polish Zloty | (630) | 24,961 | — | — | — | — | (3,377) | 20,954 |
| Russian Ruble | — | 759 | — | — | — | — | — | 759 |
| Malaysian Ringgit | 331 | 15,984 | 1,693 | — | — | — | (1,836) | 16,172 |
| Danish Krone | 6,845 | 225,287 | — | — | — | — | (18,802) | 213,330 |
| Colombian Peso | 74 | 201 | — | — | — | — | (728) | (453) |
| Peruvian Sol | 2 | — | 5,176 | — | — | — | (2,284) | 2,894 |
| Czech Koruna | 1,022 | 1,944 | 2,289 | — | — | — | 2,880 | 8,135 |
| Hungarian Forint | 418 | 15,473 | 1,190 | — | — | — | 1,579 | 18,660 |
| Chinese Yuan Renminbi | 394 | 108,399 | — | — | — | — | (12,241) | 96,552 |
| Israeli Shekel | 2,331 | 91,949 | 1,516 | — | 1,193 | — | (40,180) | 56,809 |
| Chilean Peso | 752 | 6,795 | 1,411 | — | — | — | 1,126 | 10,084 |
| Egyptian Pound | 123 | 1,169 | — | — | — | — | (3) | 1,289 |
| Philippines Peso | 15 | 4,996 | — | — | — | — | (4,397) | 614 |
| Dominican Republic Peso | — | — | 682 | — | — | — | — | 682 |
| UAE Dirham | 56 | 24,186 | — | — | — | — | 526 | 24,768 |
| Argentine Peso | 759 | — | — | — | — | — | — | 759 |
| Qatari Riyal | 9 | 14,911 | — | — | — | — | — | 14,920 |
| Uruguayan Peso | — | — | 2,284 | — | — | — | — | 2,284 |
| Ukraine Hryvnia | — | — | 1,578 | — | — | — | — | 1,578 |
| Romanian Leu | 91 | — | 1,398 | — | — | — | (693) | 796 |
| Chinese Yuan HK | — | — | — | — | — | — | (2,201) | (2,201) |
| Moroccan Dirham | 1 | — | — | — | — | — | — | 1 |
| Saudi Arabian Riyal | 319 | 80,144 | — | — | — | — | — | 80,463 |
| Singapore Dollar | 272 | 97,169 | — | — | — | — | (90,548) | 6,893 |
| Norwegian Krone | 2,468 | 130,340 | — | — | — | — | (294,105) | (161,297) |
| Kenyan Shilling | — | 730 | — | — | — | — | — | 730 |
| Kazakhstan Tenge | — | — | — | — | — | — | 1,115 | 1,115 |
| **Total** | $ 915,452 | $ 9,734,522 | $ 60,231 | $ 1,262,645 | $ 460,366 | $ 2,852,845 | $ 355,496 | $ 15,641,557 |

## Foreign Currency Exposures by Asset Class - Component Units

*(Dollars in Thousands)*

| Currency | Common and Preferred Stock | Deposits | Total |
|---|---|---|---|
| British Pound Sterling | $ 105 | $ 716 | $ 821 |
| Euro Currency Unit | 1,117 | 1,675 | 2,792 |
| Swiss Franc | 118 | — | 118 |
| Japanese Yen | 150 | — | 150 |
| South Korean Won | 9 | — | 9 |
| Canadian Dollar | 19 | — | 19 |
| Brazil Real | 7 | — | 7 |
| New Taiwan Dollar | 40 | — | 40 |
| Indian Rupee | 41 | — | 41 |
| South African Rand | 2 | — | 2 |
| Norwegian Krone | 10 | — | 10 |
| Mexican Peso | 11 | — | 11 |
| Australian Dollar | 5 | — | 5 |
| Thailand Baht | 6 | — | 6 |
| Singapore Dollar | 18 | — | 18 |
| Danish Krone | 76 | — | 76 |
| Israeli Shekel | 6 | — | 6 |
| Uruguayan Peso | 8 | — | 8 |
| United Arab Emirates Dollar | 2 | — | 2 |
| Chinese Yuan Renminbi | 69 | — | 69 |
| Peruvian Sol | 3 | — | 3 |
| Chilean Peso | 5 | — | 5 |
| Cayman Islands | 2 | — | 2 |
| US Dollar | 2,974 | — | 2,974 |
| Hong Kong Dollar | 46 | — | 46 |
| **Total** | $ 4,849 | $ 2,391 | $ 7,240 |

## Fair Value Measurements

### Primary Government

GASB Statement No. 72, *Fair Value Measurement and Application*, requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The fair value hierarchy is based on the valuation inputs used to measure the fair value of assets.

- Level 1 inputs are quoted prices in active markets for identical assets;
- Level 2 inputs are significant other observable inputs and may include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model-driven valuations;
- Level 3 inputs are derived using valuation techniques that have significant unobservable inputs.

Investments that do not have a readily determinable fair value are excluded from the fair value hierarchy and instead are valued by using the net asset value (NAV) per share (or its equivalent). In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant in the valuation.

The following tables summarize recurring fair value measurements for the cash equivalents and investments reported by the primary government (excluding Virginia Retirement System Pooled Investments) and the System (Virginia Retirement System Pooled Investments) as of June 30, 2023.

**Fair Value Measurements - Primary Government**
(Excluding Virginia Retirement System Pooled Investments)
*(Dollars in Thousands)*

| | Fair Value | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Fair Value Measured Using Fair Value Hierarchy** | | | | |
| Debt Securities (1) | | | | |
| U. S. Treasury and Agency Securities | $ 3,602,636 | $ 3,321,876 | $ 280,760 | $ — |
| Corporate Bonds and Notes | 2,820,624 | 2,239 | 2,818,385 | — |
| Supranational and Non-U.S. Government Bonds and Notes | 412,176 | — | 412,176 | — |
| Commercial Paper | 5,757,699 | — | 5,757,699 | — |
| Convertible Bonds and Notes | 527 | — | 527 | — |
| Negotiable Certificates of Deposit | 9,648,753 | — | 9,648,753 | — |
| Municipal Securities | 82,555 | 929 | 81,626 | — |
| Asset Backed Securities | 843,076 | — | 843,076 | — |
| Agency Mortgage Backed Securities | 1,149,997 | — | 1,149,997 | — |
| Agency Unsecured Bonds and Notes | 5,339,193 | 8,914 | 5,330,279 | — |
| Mutual and Money Market Funds (Includes SNAP) | 3,338 | 3,154 | — | 184 |
| Fixed Income and Commingled Funds | 968,635 | 968,635 | — | — |
| Other Debt Securities | 353 | 353 | — | — |
| Total Debt Securities | 30,629,562 | 4,306,100 | 26,323,278 | 184 |
| Equity Securities (2) | | | | |
| Common and Preferred Stocks | 252,866 | 252,321 | 545 | — |
| Foreign Currencies | 945 | 945 | — | — |
| Equity Index and Pooled Funds | 3,670,108 | 3,670,098 | — | 10 |
| Equity Mutual Funds | 274,538 | 274,538 | — | — |
| Real Estate | 9,109 | 1,159 | — | 7,950 |
| International and Emerging Markets Funds | 406,552 | 406,552 | — | — |
| Other Equity Securities | 2,935 | 2,480 | 455 | — |
| Total Equity Securities | 4,617,053 | 4,608,093 | 1,000 | 7,960 |
| Total by Fair Value Level | $ 35,246,615 | $ 8,914,193 | $ 26,324,278 | $ 8,144 |
| **Fair value established using the net asset value (NAV) (3)** | | | | |
| Fixed Income and Commingled Funds | 623,158 | | | |
| Equity Index and Pooled Funds | 604,993 | | | |
| Real Estate | 318,910 | | | |
| Other Equity Securities | 556,280 | | | |
| Total Fair Value Established Using the Net Asset Value (NAV) (3) | 2,103,341 | | | |
| Total Fair Value | $ 37,349,956 | | | |

(1) Debt securities are classified as follows:
- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using a matrix pricing model and observable prices using dealer quotes for similar securities traded in active markets.

(2) Equity securities are classified as follows:
- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using dealer quotes for similar securities traded in active markets.
- Level 3 - valued using independent appraisals.

(3) Investments reported at fair value established using the NAV were all part of the Virginia College Savings Plan's (Virginia529) Defined Benefit 529 and Defined Contribution 529 programs. The following tables (dollars in thousands) summarizes Defined Benefit 529 and Defined Contribution 529's investments measured at the NAV and related disclosures as of June 30, 2023. In some cases, the actual NAV has not been determined by the external fund or investment managers as of the fiscal year end and must be projected using a roll-forward process. The projected NAV is the value at the end of the prior quarter, adjusted for any contributions or distributions. There is no adjustment for realized and unrealized gains and losses. Additional information, including investment strategies, is available in the Virginia529 individually published financial statements, which may be obtained at www.virginia529.com.

**Description of Defined Benefit 529 Investments Measured at the NAV:**

| Investments Measured at NAV | Fair Value | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Equity Index and Pooled Funds | | | | |
| Blackrock MSCI | $ 368,212 | $ — | Daily | 5 Days |
| Real Estate | | | | |
| Related Real Estate | 17,977 | 19,281 | | |
| UBS Trumbull | 48,731 | — | | |
| Bain Capital | 15,886 | 16,016 | | |
| Morgan Stanley | 80,417 | — | Quarterly | 90 Days |
| Starwood Capital | 6,620 | 24,000 | | |
| Stockbridge Real Estate | 65,845 | — | | |
| Other Equity Securities - Private Equity | | | | |
| Private Advisors | 28,867 | 6,947 | | |
| Adams Street | 243,833 | 38,379 | | |
| LGT Capital Partners | 6,832 | 2,060 | | |
| Neuberger Berman | 32,900 | 7,200 | | |
| Aether Investment Partners | 43,526 | 6,943 | | |
| Commonfund | 14,720 | 940 | | |
| Horsley Bridge | 18,740 | 5,694 | | |
| Hamilton Lane* | 87,564 | 58,795 | | |
| Asia Alternatives | 7,944 | 16,213 | | |
| Carlyle Global Credit | 18,604 | 3,087 | | |
| Eagle Point Credit | 19,242 | — | | |
| Sands | 33,509 | — | Monthly | 10 Days |
| Fixed Income and Commingled Funds | | | | |
| Ares Management | 25,815 | 11,295 | | |
| Wellington Emerging Market | 159,915 | — | Monthly | 10 Days |
| Ares Global | 69,588 | — | Monthly | 30 Days |
| Brigade Capital | 67,369 | — | Quarterly | 60 Days |
| Chorus Capital | 7,802 | 2,051 | | |
| Golub Capital | 62,125 | 7,875 | | |
| Hamilton Lane | 1,056 | 13,944 | | |
| Monarch Alternative Capital | 4,043 | 16,000 | | |
| Schroder Focus II | 94,687 | 10,249 | | |
| Wellington Multi-Asset Credit | 130,758 | — | Monthly | 15 Days |
| Total Investments Measured at the NAV | $ 1,783,127 | | | |

*In addition to the above commitments, as part of its agreement with Hamilton Lane, Virginia529 entered into agreements with two private equity funds but had not yet funded these investments as of June 30, 2023. Commitments to each of these funds was $7.5 million for a total of $15 million.

- **Equity Index and Pooled Funds** – This investment type includes one index fund. The fair value of investments in this type have been determined using the NAV per share of the investments.
- **Real Estate** – This investment type includes five limited partnerships and one limited liability company. For Bain Capital, Starwood Capital and Related Real Estate, capital is generally expected to be called during the initial four to five years and is expected to be returned through liquidations of underlying fund investments during the 3rd through 15th years. For the remaining real estate funds, capital is generally contributed up front and can be redeemed as requested, subject to the funds' redemption terms. The fair values of investments in this type have been determined using the NAV per share of the investments.
- **Other Equity Securities** – This investment type includes private equity funds of funds managed by 12 managers and several different funds. These investments cannot be redeemed from the fund. Capital is generally expected to be called during the initial four to five years and is expected to be returned through liquidations of underlying fund investments during the 3rd through 15th years. Secondary funds of funds may have an accelerated capital call and return of capital profile. Virginia529 invests in multiple funds with 12 of its private equity investment managers and is also diversified by vintage year with respect to these investments. The fair values of investments in this type have been determined using the March 31, 2023 NAV of Virginia529's ownership of the partnership, adjusted for cash flows (capital calls and distributions) through June 30, 2023.
- **Fixed Income and Commingled Funds** – This investment type includes eight limited partnerships and two investments in collective trusts. The fair values of investments in this type have been determined using the NAV per share of the investments. With the exception of funds held by Ares Global, Brigade Capital and Wellington, capital is generally expected to be called during the initial four to five years and is expected to be returned through liquidations of underlying fund investments during the 3rd through 15th years. For Ares Global, Brigade Capital and Wellington, capital can be redeemed subject to the fund redemption terms shown in the table above.

**Description of Defined Contribution 529 Investments Measured at the NAV:**

| Investments Measured at NAV | Fair Value | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Equity Index and Pooled Funds | | | | |
| Wellington Management Co., LLP | $ 236,780 | $ — | Daily | N/A |
| Real Estate | | | | |
| UBS Realty Investors | 25,108 | — | Quarterly | 60 Days |
| Blackstone Property Partners | 58,326 | — | Quarterly | 90 Days |
| Total Investments Measured at the NAV | $ 320,214 | | | |

- **Equity Index and Pooled Funds** – This investment type includes one common trust fund. The Wellington Management Co., LLP invests in developed markets international equities through the Wellington International Contrarian Value Fund. The fair value of investments in this type have been determined using the NAV per share of the investments.
- **Real Estate** – This investment type includes two limited partnerships. The UBS Trumbull Property Fund's investment strategy is to invest primarily through direct equity-owned real estate assets. The fund also has flexibility to invest in joint venture and debt investments. Investments are generally acquired on an all-cash basis, however, debt may be used where UBS determines leverage is prudent and is expected to enhance total return without undue risk. Blackstone Property Partners is an open ended commingled fund seeking core plus real estate investments in the U.S. and Canada. The fair values of investments in this type have been determined using the NAV per share of Virginia529's ownership of the partnership.

## Fair Value Measurements
## Primary Government - Virginia Retirement System Pooled Investments
*(Dollars in Thousands)*

| | Fair Value | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Fair Value Measured Using Fair Value Hierarchy** | | | | |
| Debt Securities (1) | | | | |
| U. S. Treasury and Agency Securities | $ 5,141,575 | $ 4,696,419 | $ 445,156 | $ — |
| Corporate Bonds and Notes | 4,854,039 | — | 4,854,039 | — |
| Collateralized Mortgage Obligations | 470,169 | — | 470,169 | — |
| Commercial Mortgages | 145,621 | — | 145,621 | — |
| Supranational and Non-U.S. Government Bonds and Notes | 694,679 | — | 694,679 | — |
| Mutual and Money Market Funds | 85,984 | 85,984 | — | — |
| Commercial Paper | 364,727 | — | 364,727 | — |
| Negotiable Certificates of Deposit | 238,171 | — | 238,171 | — |
| Repurchase Agreements | 872,964 | — | 872,964 | — |
| Municipal Securities | 65,451 | — | 65,451 | — |
| Asset Backed Securities | 236,647 | — | 236,647 | — |
| Agencies | 4,591,542 | — | 4,591,542 | — |
| Term Loans | 19,983 | — | — | 19,983 |
| Fixed Income Derivatives | (23,120) | (11,166) | (11,954) | — |
| Time Deposits | 220,439 | — | 220,439 | — |
| Total Debt Securities | 17,978,871 | 4,771,237 | 13,187,651 | 19,983 |
| Equity Securities (2) | | | | |
| Common and Preferred Stocks | 24,764,544 | 24,762,599 | 195 | 1,750 |
| Equity Index and Pooled Funds | 62,319 | — | — | 62,319 |
| Real Assets | 996,551 | — | — | 996,551 |
| Equity Futures and Swaps | 141,996 | 9,296 | 132,700 | — |
| Total Equity Securities | 25,965,410 | 24,771,895 | 132,895 | 1,060,620 |
| Total by Fair Value Level | $ 43,944,281 | $ 29,543,132 | $ 13,320,546 | $ 1,080,603 |
| Total Fair Value Established Using the Net Asset Value (NAV) (3) | 62,619,799 | | | |
| Total Fair Value | $ 106,564,080 | | | |

(1) Debt securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using bid evaluations or matrix pricing techniques. Inputs to the valuation techniques may include market participants' assumptions, quoted prices for similar assets, benchmark yield curves, market corroborated inputs, and other data inputs.
- Level 3 - valued using proprietary information.

(2) Equity securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or model-driven valuations in which all significant inputs are observable.
- Level 3 - valued using proprietary information or single source pricing. When observable inputs are not available, this results in using one or more valuation techniques, such as the market approach, the income approach, and/or the cost approach, for which sufficient and reliable data is available. Within this level, the use of the market approach generally consists of using comparable market transactions or other data, while the use of the income approach generally consists of the net present value of estimated future cash flows. The cost approach is often based on the amount that would currently be required to replace an asset with one of comparable utility.

(3) The following table (dollars in thousands) summarizes the System's investments measured at the NAV per share (or its equivalent) and as a practical expedient are not classified in the fair value hierarchy. Cash equivalents and certain other short-term, highly liquid investments that are measured at amortized cost are also not classified in the fair value hierarchy. In some cases, the actual NAV has not been determined by the external fund or investment managers as of the System's fiscal year end and must be projected using a roll-forward process. The projected NAV is the value at the end of the prior quarter, adjusted for any contributions or distributions and an estimate of income and management fees. There is no adjustment for realized or unrealized gains and losses.

**Description of Investments Measured at the NAV:**

| | Fair Value | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Hedge funds | | | | |
| Equity long/short funds | $ 5,070,936 | $ 219,130 | Monthly, quarterly, semi-annually, annually | 30-90 days |
| Equity long only funds | 1,725,890 | — | Quarterly, annually | 90 days |
| Credit funds | 128,624 | — | Quarterly, semi-annually | 90 days |
| Multi-strategy funds | 2,646,947 | — | Monthly, quarterly, semi-annually | 20-90 days |
| Total hedge funds | 9,572,397 | 219,130 | | |
| Credit strategies funds | | | | |
| Bank loan and direct lending funds | 4,437,213 | 2,403,949 | | |
| Distressed debt funds | 1,839,809 | 959,693 | | |
| Diversified private credit funds | 2,096,230 | 1,216,560 | | |
| Mezzanine debt funds | 1,417,868 | 1,272,110 | | |
| Multi-strategy funds | 2,775,572 | 908,826 | | |
| Opportunistic funds | 2,732,077 | 732,758 | | |
| Other Funds | 791,997 | 442,616 | | |
| Total credit strategies funds | 16,090,766 | 7,936,512 | | |
| Private equity funds | | | | |
| Buyout funds | 10,918,888 | 2,470,583 | | |
| Energy funds | 540,061 | 79,942 | | |
| Growth funds | 2,947,665 | 700,489 | | |
| International buyout funds | 2,378,427 | 754,215 | | |
| Special situations funds | 1,763,480 | 1,030,201 | | |
| Subordinated debt funds | 301,420 | 275,577 | | |
| Turnaround funds | 567,271 | 242,150 | | |
| Venture capital funds | 104,081 | 37,966 | | |
| Total private equity funds | 19,521,293 | 5,591,123 | | |
| Equity international commingled funds | 3,321,061 | — | Daily, semi-monthly | None, 6-14 days |
| Fixed-income commingled funds | 823,876 | — | Daily | None |
| Real estate and real asset funds | | | | |
| Infrastructure funds | 2,615,149 | 1,075,684 | | |
| Natural resources funds | 1,917,097 | 442,029 | | |
| Private investment real estate funds | 8,371,397 | 1,772,235 | | |
| Private real estate investment trusts | 99,559 | — | | |
| Total real estate and real asset funds | 13,003,202 | 3,289,948 | | |
| U. S. Equity commingled funds | 287,204 | — | Daily | None |
| Total investments measured at the NAV | $ 62,619,799 | $ 17,036,713 | | |

- **Equity Long/Short Hedge Funds** – This type included investments in eleven hedge funds at June 30, 2023, which invest in global long and short equity positions. Management of each hedge fund has the ability to invest from value to growth strategies, from small to large capitalization stocks and may vary net exposure considerably. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 29.0 percent of the value of the investments in this type of fund cannot be redeemed because the investments include restrictions that do not allow redemption in the first 12 to 60 months after acquisition. The remaining restriction period for these investments was less than 12 months at June 30, 2023.

- **Equity Long-Only Hedge Funds** – This type included an investment in three hedge funds at June 30, 2023, which invest in global long-only equity positions. These hedge funds are generally fully invested and only very occasionally may take short positions for hedging purposes. The fair value of the investment in this type has been determined using the NAV per share of the investments. Investments representing approximately 70.0 percent of the value of the investments in this type of fund cannot be redeemed because the investments include restrictions that do not allow redemption in the first 12 to 36 months after acquisition. The remaining restriction period for these investments was less than 12 months at June 30, 2023.

- **Credit Hedge Funds** – This type included investments in one hedge fund at June 30, 2023, which invests in event-driven, distressed and special situation credit opportunities. The fair values of the investments in this type have been determined using the NAV per share of the investments. At June 30, 2023, there were no restrictions preventing the redemption of any of the investments in this category during the next 12 months.

- **Multi-Strategy Hedge Funds** – This type included investments in ten hedge funds at June 30, 2023, which invest in multiple asset classes, combining exposure to balance risks. Such exposure can include traditional and alternative investments. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 7.0 percent of the value of the investments in this type of fund cannot be redeemed because the investments include restrictions that do not allow redemption in the first 12 to 60 months after acquisition. The remaining restriction period for these investments was 1 to 12 months at June 30, 2023.

- **Credit Strategies Funds** – This type consists of many fund categories, including bank loan and direct lending funds, distressed debt funds, diversified private credit, mezzanine debt funds, multi-strategy funds and opportunistic funds. The fair value of the investments in these funds have been determined using the NAV per share of the investments. The nature of the investments in this type is that distributions are received through the liquidation of the underlying assets in the fund. It is expected that hold periods for the underlying fund assets will range from three to eight years.

- **Private Equity Funds** – This type consists of many fund categories including Venture Capital, Buyout, Subordinated Debt, Growth Capital, Turnaround, Energy and Special Situations. The fair value of the investments in these funds have been determined using the NAV per share of the investments. The nature of the investments involves receiving distributions through liquidation of the underlying fund assets. It is expected that hold periods for the underlying fund assets will range from three to eight years.

- **Equity International Commingled Funds** – This type includes investments in six institutional investment funds at June 30, 2023, which invest in international equities. These funds employ a variety of investment strategies in global developed and emerging markets. The funds are regulated by either the Securities and Exchange Commission or the Office of the Comptroller of the Currency. The fair values of the investments in these funds have been determined using the NAV per share of the investments. Redemptions can be made from these funds, given the appropriate notice, any regular trading day on the NYSE.

- **Fixed Income Commingled Funds** – This type consists of ten institutional investment funds that invest in U.S. and multi-national fixed income markets. The funds are regulated by either the Securities and Exchange Commission or the Office of the Comptroller of the Currency. The fair values of the investments in these funds have been determined using the NAV per share of the investments.

- **Real Asset Funds** – This type includes investments in many fund categories including Private Investment Real Estate, Private Real Estate Investment Trusts, Infrastructure and Natural Resources. The fair value of the investments in these funds have been determined using the NAV per share of the investments. The nature of the investments in this type is that distributions are received through income as well as the liquidation of the underlying assets in the fund. If these investments were held, it is expected that the underlying assets of the funds would be liquidated over 1 to 14 years.

- **U.S. Equity Commingled Funds** - This type includes an investment in six institutional investment funds at June 30, 2023, which invest in domestic equities. The funds are regulated by the Office of the Comptroller of the Currency. The fair values of the investments in these funds have been determined using the NAV per share of the investment. Redemptions can be made from these funds, given the appropriate notice, any regular trading day on the NYSE.

## Component Units

The following table summarizes fair value measurements for the cash equivalents and investments reported by the component units as of June 30, 2023. The table excludes cash equivalents and investments measured at fair value by the foundations that follow FASB standards.

### Fair Value Measurements - Component Units
*(Dollars in Thousands)*

| | Fair Value | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| **Fair Value Measured Using Fair Value Hierarchy** | | | | |
| Debt Securities (1) | | | | |
| U. S. Treasury and Agency Securities | $ 953,424 | $ 684,363 | $ 269,061 | $ — |
| Corporate Bonds and Notes | 615,910 | 153,373 | 462,537 | — |
| Supranational and Non-U.S. Government Bonds and Notes | 4,276 | — | 4,276 | — |
| International and Emerging Markets Funds | 4,989 | 2,665 | 2,324 | — |
| Commercial Paper | 138,557 | 71,367 | 67,190 | — |
| Negotiable Certificates of Deposit | 92,441 | 67,646 | 24,795 | — |
| Repurchase Agreements | 31,274 | — | 31,274 | — |
| Municipal Securities | 172,349 | 5,318 | 167,031 | — |
| Asset-Backed Securities | 471,475 | 69,307 | 402,168 | — |
| Agency Mortgage-Backed Securities | 1,028,789 | 152,128 | 876,661 | — |
| Agency Unsecured Bonds and Notes | 227,682 | 15,311 | 212,371 | — |
| Mutual and Money Market Funds | 279,335 | 277,596 | 1,739 | — |
| Fixed Income and Commingled Funds | 34,980 | 34,980 | — | — |
| Other Debt Securities | 23,024 | 135 | 22,889 | — |
| Total Debt Securities | 4,078,505 | 1,534,189 | 2,544,316 | — |
| Equity Securities (2) | | | | |
| Common and Preferred Stocks | 61,397 | 61,397 | — | — |
| Equity Index and Pooled Funds | 90,530 | 90,530 | — | — |
| Real Estate | 1,415 | 1,304 | — | 111 |
| International and Emerging Markets Fund | 10,420 | 10,420 | — | — |
| Other Equity Securities | 3,993 | 467 | 3,519 | 7 |
| Total Equity Securities | 167,755 | 164,118 | 3,519 | 118 |
| Total by Fair Value Level | $ 4,246,260 | $ 1,698,307 | $ 2,547,835 | $ 118 |
| **Fair Value Established Using the Net Asset Value (NAV) (3)** | | | | |
| Common and Preferred Stocks | 16,103 | | | |
| Fixed Income and Commingled Funds | 36,883 | | | |
| Other Debt Securities | 50,152 | | | |
| Equity Index and Pooled Funds | 90,951 | | | |
| Real Estate | 2,957 | | | |
| Other Equity Securities | 1,484,862 | | | |
| Total Fair Value Established Using the NAV | 1,681,908 | | | |
| Total Fair Value | $ 5,928,168 | | | |

(1) Debt securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued based on quoted prices for similar securities in active markets or quoted prices for identical or similar securities in markets that are not active.

(2) Equity securities are classified as follows:

- Level 1 - valued using unadjusted quoted prices in active markets for those securities.
- Level 2 - valued using significant other observable inputs.
- Level 3 - valued using unobservable inputs and may include assumptions of management.

(3) The following nonmajor component units reported investments at fair value established using the NAV: Old Dominion University, Virginia Commonwealth University (VCU), Virginia Commonwealth University Health System Authority (blended component unit of VCU), College of William and Mary, Virginia Military Institute, Virginia State University, Virginia Biotechnology Research Partnership Authority, Virginia Outdoors Foundation, and Virginia Polytechnic Institute and State University. Additional information is available in the separately issued financial statements.

**Securities Lending**

The State Treasury's securities lending program is managed by Deutsche Bank AG, New York (Deutsche Bank), under a contract dated March 28, 2014, amended February 22, 2022. The enabling legislation for the securities lending program is Section 2.2-4506 of the *Code of Virginia*. No violations of legal or contractual provisions were noted during the year. The general account participated in a securities lending program for the entire fiscal year.

All securities lending loans are on an open-ended or one-day basis and may be terminated by the State Treasury with a 24-hour notice or are term loans with the right of substitution. While all securities may be recalled on a daily basis, securities are often on loan for much longer periods. Generally, cash reinvestments security maturities do not match the maturities of loans. Per the contract with Deutsche Bank, all cash collateral reinvestment securities attributable to loans made on the Commonwealth's behalf shall be maintained by Deutsche Bank, and the State Treasury cannot pledge or sell such collateral absent a default.

The State Treasury's contract with Deutsche Bank provides for loss indemnification against insolvency default with respect to lending transactions and in the case of reverse transactions (Repurchase Agreements) as defined in the applicable Agency Securities Lending and Repurchase Agreement. Additionally, Deutsche Bank AG is liable for any losses experienced from reinvestment of cash collateral in investments not authorized by the provisions of the investment guidelines for the Commonwealth of Virginia agreed upon by both parties and made a part of the Agency Securities Lending and Repurchase Agreement. There were no realized losses resulting from default during this reporting period.

When securities are loaned, the collateral received is at least 100.0 percent of fair value of the securities loaned and must be maintained at 100.0 percent or greater. There are no stated restrictions on the amount of securities that may be loaned, but the basic composition of the general account portfolio effectively restricts the maximum percentage of the portfolio that may be loaned. During the last fiscal year, approximately 10.4 percent of the general account securities were on loan.

During the past year, a combination of U.S. Treasury, agency, agency mortgage and corporate securities have been loaned, with the majority of the loaned securities being U.S. Treasury and agency securities. As of June 30, 2023, all collateral received was in the form of cash.

Securities loaned for the State Treasurer's cash collateral reinvestment pool, which consisted of 98.4 percent general account funds and 1.6 percent Virginia Lottery funds as of June 30, 2023, had a carrying value of $3.03 billion and a fair value of $2.86 billion. The fair value of the collateral received was $2.92 billion providing for coverage of 102.1 percent. At year-end, the State Treasury's securities lending program had no credit risk exposure to borrowers because the amounts it owed the borrowers exceeded the amounts the borrowers owed Treasury's securities lending program. All securities are marked to market daily. The carrying value of the cash collateral reinvestment pool received was $2.92 billion and the cost of the investments purchased with the cash collateral was $2.92 billion. As of June 30, 2023, the State Treasurer's cash collateral reinvestment pool had an unrealized gain of $2.2 million, and is recorded in the General Fund as stated in Note 1.FF. This amount is included in the total State Treasurer's Portfolio discussed earlier in this note.

Cash collateral reinvestment guidelines were amended effective April 16, 2014. Approved investment instruments include Indemnified Repurchase Agreements marked to market daily and preapproved Government Money Market Funds. Term repurchase agreements are limited to 93 days. As of June 30, 2023, 93.8 percent of cash collateral reinvestments were in indemnified repurchase agreements and 6.2 percent were in BlackRock Liquidity Fund FedFund Constant NAV Money Market fund.

As of June 30, 2023, the cash collateral reinvestment portfolio had a weighted average maturity to reset date of three days. Using the expected maturity date, the weighted average maturity was 42 days and using the final maturity date, which assumes no pay downs on any asset-backed or mortgage-backed securities, the weighted average maturity was 42 days.

As of June 30, 2023, the cash collateral reinvestment portfolio was in compliance with the State Treasury's current cash collateral reinvestment guidelines. On February 6, 2023, the 10.0 percent money market limit was breached when excess cash from a late failed trade was invested in the pre-approved government backed money fund but was back in compliance the next day.

Under authorization of the Board, the System lends its fixed income and equity securities to various broker-dealers on a temporary basis. This program is administered through an agreement with the System's custodial agent bank. All security loan agreements are collateralized by cash, securities, or an irrevocable letter of credit issued by a major bank, and have a fair value equal to at least 102.0 percent of the fair value for domestic securities and 105.0 percent for international securities. Securities received as collateral cannot be pledged or sold by the System unless the borrower defaults. Contracts require the lending agents to indemnify the System if the borrowers fail to return the securities lent and related distributions and if the collateral is inadequate to replace the securities lent. All securities loans can be terminated on demand by either the System or the borrowers. The majority of loans are open loans, meaning the rebate is set daily. This results in a maturity of one or two days on average, although securities are often on loan for longer periods. The maturity of loans generally does not match the maturity of collateral investments, which averages 8.2 days. At year-end, the System had no credit risk exposure to borrowers because the amounts it owes the borrowers exceeded the amounts the borrowers owe the System. All securities are marked to market daily and carried at fair value. The fair value of securities on loan as of June 30, 2023, was $7.9 billion. The June 30, 2023, balance was composed of U.S. Government and agency securities of $3.6 billion, corporate and other bonds of $724.7 million, common and preferred stocks of $3.6 billion and supranational and non-U.S. Government bonds of $41.7 million. The value of collateral (cash and non-cash) as of June 30, 2023, was $8.5 billion.

As of June 30, 2023, the invested cash collateral had a fair value of $3.7 billion and was composed of negotiable certificates of deposit of $167.7 million, floating rate notes of $2.1 billion, commercial paper of $388.7 million, time deposits of $220.4 million, supranational and non-U.S. government bonds of $7.1 million, and repurchase agreements of $873.0 million.

## 9. RECEIVABLES

The following schedule (dollars in thousands) details the accounts, loans, interest, taxes, educational contributions, security transactions, service concession arrangement upfront payments, and other receivables presented in the major funds, aggregated nonmajor funds by type, internal service funds, fiduciary funds, major component units, and aggregated nonmajor component units, as of June 30, 2023.

| | Accounts Receivable | Loans / Mortgage Receivable | Interest Receivable | Taxes Receivable |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| General (1) | $ 1,323,016 | $ 155 | $ 844,171 | $ 3,365,415 |
| Major Special Revenue Funds: | | | | |
| Commonwealth Transportation (2) | 260,848 | 266,375 | 4,780 | 430,638 |
| Federal Trust | 3,309,219 | — | — | — |
| Literary | 285,276 | 45,936 | 38,014 | — |
| Nonmajor Governmental Funds (2) (3) | 622,355 | 7,543 | 28,442 | 22,462 |
| Major Enterprise Funds: | | | | |
| Virginia Lottery | 75,964 | — | — | — |
| Virginia College Savings Plan | 12,878 | — | 9,182 | — |
| Unemployment Compensation | 384,938 | — | — | — |
| Nonmajor Enterprise Funds | 74,307 | — | — | — |
| Internal Service Funds | 14,769 | — | — | — |
| Private Purpose Trust Funds | 44 | — | 14,442 | — |
| Pension and Other Employee Benefit Trust Funds (4) | 297,734 | — | 309,293 | — |
| Custodial Funds - External Investment Pool | — | — | 44,374 | — |
| Custodial Funds - Other (4) | 6 | 76 | 217 | 258,308 |
| **Total Primary Government (5)** | $ 6,661,354 | $ 320,085 | $ 1,292,915 | $ 4,076,823 |
| **Discrete Component Units:** | | | | |
| Virginia Housing Development Authority (6) | $ — | $ 335,469 | $ 35,695 | $ — |
| Virginia Public School Authority (7) | — | — | 60,552 | — |
| Virginia Resources Authority (8) | — | — | 34,911 | — |
| Virginia College Building Authority | — | — | 19,147 | — |
| Nonmajor Component Units (9) | 2,970,292 | 68,610 | 24,551 | 727 |
| **Total Component Units** | $ 2,970,292 | $ 404,079 | $ 174,856 | $ 727 |

Note (1): The General Fund (major) reports pending investment transactions of $6,868 (dollars in thousands) as Other Receivables.

Note (2): The loans receivable in the Commonwealth Transportation Fund (major) includes $227.0 million from the Virginia Transportation Infrastructure Bank as discussed in Note 22.E. In the nonmajor governmental funds, it represents the amounts to be received for current debt service requirements. The amount to be received for long-term debt service requirements of $36.9 million is included in the government-wide statements but excluded from the above amounts.

Note (3): Nonmajor governmental funds includes $297.0 million in account receivables, which includes $258.3 million that will be received greater than one year. This receivable represents the Commonwealth's share of the National Opioid Settlement that will assist with the abatement of the opioid epidemic.

Note (4): In the Pension and Other Employee Benefit Trust Funds and Custodial Funds - Other, Interest Receivable of $309,510 (dollars in thousands) also includes dividends receivable. Additionally, of the total reported as Other Receivables, $320,523 (dollars in thousands) are made up of $287,430 (dollars in thousands) in pending investment transactions, which includes $2,428 (dollars in thousands) in external investment manager receivable, $28,268 (dollars in thousands) in foreign exchange receivable, $249,718 (dollars in thousands) in private equity receivable, $4,628 (dollars in thousands) in real assets, and $2,388 (dollars in thousands) in securities lending; and $33,093 (dollars in thousands) in other receivables.

Note (5): Fiduciary net receivables in the amount of $5,654,501 (dollars in thousands) are not included in the Government-wide Statement of Net Position.

Note (6): The Virginia Housing Development Authority (major component unit) reports $32,411 (dollars in thousands) as Restricted Interest Receivable.

Note (7): The Virginia Public School Authority (major component unit) reports $60,408 (dollars in thousands) as Restricted Interest Receivable.

Note (8): The Virginia Resources Authority (major component unit) reports $34,741 (dollars in thousands) as Restricted Interest Receivable.

Note (9): Other Receivables of the nonmajor component units are primarily comprised of the following (dollars in thousands): pledges receivable of $44,996 reported by the University of Virginia; third-party settlements and non-patient receivables of $87,832 reported by Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University-VCUHSA); $85,082 reported by foundations of the higher education institutions representing FASB reporting entities defined in Note 1.B which includes lease receivables of $34,239 under FASB standards; and $131,526 reported by the Virginia Port Authority (VPA), $13,125 reported by Fort Monroe Authority (FMA), and $4,428 reported by the Virginia Museum of Fine Arts Foundation which includes $57,418 and $13,125 reported by VPA and FMA, respectively, for lease receivables. Other receivables also include lease receivables of $55,291 reported by various higher education institutions, excluding foundations.

| Educational Benefits Receivable | Security Transactions | Service Concession Arrangement Upfront Payments | Other Receivables | Allowance for Doubtful Accounts | Net Accounts Receivable | Amounts to be Collected Greater than One Year |
|---|---|---|---|---|---|---|
| $ — | $ — | $ — | $ 6,868 | $ (2,167,760) | $ 3,371,865 | $ 531,878 |
| — | — | 1,721,046 | — | (92,754) | 2,590,933 | 1,902,063 |
| — | — | — | — | (511,830) | 2,797,389 | 69,108 |
| — | — | — | — | (289,970) | 79,256 | 43,650 |
| — | — | — | 60 | (82,366) | 598,496 | 262,526 |
| — | — | — | — | — | 75,964 | — |
| 69,498 | — | — | 25,517 | — | 117,075 | 51,670 |
| — | — | — | — | (322,329) | 62,609 | — |
| — | — | — | 982 | — | 75,289 | — |
| — | — | — | — | — | 14,769 | — |
| — | — | — | 475 | — | 14,961 | — |
| — | 4,470,953 | — | 320,216 | — | 5,398,196 | — |
| — | — | — | — | — | 44,374 | — |
| — | 3,137 | — | 307 | (65,081) | 196,970 | 11,187 |
| $ 69,498 | $ 4,474,090 | $ 1,721,046 | $ 354,425 | $ (3,532,090) | $ 15,438,146 | $ 2,872,082 |
| $ — | $ — | $ — | $ 21,762 | $ (38,922) | $ 354,004 | $ 325,927 |
| — | — | — | — | — | 60,552 | — |
| — | — | — | — | — | 34,911 | — |
| — | — | — | — | — | 19,147 | — |
| — | — | — | 442,894 | (1,417,461) | 2,089,613 | 199,289 |
| $ — | $ — | $ — | $ 464,656 | $ (1,456,383) | $ 2,558,227 | $ 525,216 |

## 10. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for foundations[1] included with the nonmajor component units, as of June 30, 2023. The major component units reported no contributions receivable for fiscal year 2023.

*(Dollars in Thousands)*

| | Due in Less Than One Year | Due Between One and Five Years | Due in More Than Five Years | Subtotal | Present Value Discount (2) | Allowance for Doubtful Accounts | Contributions Receivable, Net |
|---|---|---|---|---|---|---|---|
| **Discrete Component Units:** | | | | | | | |
| Nonmajor Component Units | $ 226,355 | $ 285,530 | $ 116,423 | $ 628,308 | $ (67,608) | $ (28,141) | $ 532,559 |
| **Total Component Units** | $ 226,355 | $ 285,530 | $ 116,423 | $ 628,308 | $ (67,608) | $ (28,141) | $ 532,559 |

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Note (2): The discount rate used to determine present value ranges from 0.1 percent to 8.2 percent.

## 11. INTERFUND AND INTER-ENTITY ASSETS / LIABILITIES

### Due from/to Other Funds

Due from Other Funds are amounts to be received from one fund by another fund for goods sold or services rendered. Due to Other Funds are amounts owed by one fund to another fund for goods purchased or services obtained.

The following line items are included in the category "Due from Other Funds":

- Due from Other Funds
- Due from Internal Parties (Governmental Funds and Business-type Activities)
- Due from External Parties (Fiduciary Funds)

The following line items are included in the category "Due to Other Funds":

- Due to Other Funds
- Due to Internal Parties (Governmental Funds and Business-type Activities)
- Due to External Parties (Fiduciary Funds)

The following schedule shows the Due from/to Other Funds as of June 30, 2023.

## Schedule of Due from/to Other Funds

June 30, 2023

*(Dollars in Thousands)*

| Due From | Amount | Due To | Amount |
|---|---|---|---|
| **Primary Government** | | **Primary Government** | |
| General Fund | $ 103,179 | Major Special Revenue Funds: | |
| | | Federal Trust | 1,800 |
| | | Nonmajor Governmental Funds | 375 |
| | | Major Enterprise Funds: | |
| | | Virginia Lottery | 86,171 |
| | | Nonmajor Enterprise Funds | 10,425 |
| | | Internal Service Funds | 4,408 |
| Major Special Revenue Funds: | | | |
| Commonwealth Transportation | 112,480 | Major Special Revenue Funds: | |
| | | Federal Trust | 2,332 |
| | | Nonmajor Governmental Funds | 110,148 |
| Federal Trust | 220 | General Fund | 201 |
| | | Nonmajor Governmental Funds | 19 |
| Literary | 1,000 | Major Enterprise Funds: | |
| | | Virginia Lottery | 1,000 |
| Nonmajor Governmental Funds | 64,490 | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 59,144 |
| | | Federal Trust | 4,246 |
| | | Major Enterprise Funds: | |
| | | Unemployment Compensation | 231 |
| | | Nonmajor Enterprise Funds | 863 |
| | | Internal Service Funds | 6 |
| Major Enterprise Funds: | | | |
| Virginia Lottery | 324 | Nonmajor Governmental Funds | 324 |
| Unemployment Compensation | 3,897 | General Fund | 989 |
| | | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 342 |
| | | Federal Trust | 2,456 |
| | | Nonmajor Governmental Funds | 84 |
| | | Major Enterprise Funds: | |
| | | Virginia Lottery | 10 |
| | | Virginia College Savings Plan | 1 |
| | | Nonmajor Enterprise Funds | 9 |
| | | Internal Service Funds | 6 |
| Nonmajor Enterprise Funds | 1,047 | General Fund | 270 |
| | | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 275 |
| | | Federal Trust | 433 |
| | | Nonmajor Governmental Funds | 52 |
| | | Nonmajor Enterprise Funds | 17 |
| Internal Service Funds | 78,208 | General Fund | 46,811 |
| | | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 16,387 |
| | | Federal Trust | 7,658 |
| | | Nonmajor Governmental Funds | 4,491 |
| | | Major Enterprise Funds: | |
| | | Virginia Lottery | 233 |
| | | Virginia College Savings Plan | 116 |
| | | Nonmajor Enterprise Funds | 1,456 |
| | | Internal Service Funds | 1,056 |
| Total Primary Government | $ 364,845 | Total Primary Government | $ 364,845 |

**Schedule of Due from/to Internal/External Parties**
June 30, 2023

*(Dollars in Thousands)*

| Due From | Amount | Due To | Amount |
|---|---|---|---|
| **Primary Government** | | **Primary Government** | |
| General Fund | $ 112 | Custodial Funds - External Investment Pool | $ 9 |
| | | Custodial Funds - Other | 103 |
| Nonmajor Governmental Funds | 193 | Custodial Funds - Other | 193 |
| Internal Service Funds | 262 | Pension and Other Employee Benefit Trust Funds | 262 |
| Pension and Other Employee Benefit Trust Funds | 41,336 | General Fund | 25,777 |
| | | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 6,721 |
| | | Federal Trust | 3,571 |
| | | Nonmajor Governmental Funds | 3,109 |
| | | Major Enterprise Funds: | |
| | | Virginia Lottery | 255 |
| | | Virginia College Savings Plan | 131 |
| | | Nonmajor Enterprise Funds | 1,176 |
| | | Internal Service Funds | 596 |
| Custodial Funds - Other | 266 | General Fund | 239 |
| | | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 22 |
| | | Nonmajor Governmental Funds | 5 |
| Total Primary Government | $ 42,169 | Total Primary Government | $ 42,169 |

### Interfund Receivables/Payables

Interfund Receivables/Payables are loans made by one fund to another.

The following schedule shows the Interfund Receivables/Payables for the primary government as of June 30, 2023. There were no Interfund Receivables/Payables for the component units as of June 30, 2023.

**Interfund Receivables/Payables**
June 30, 2023

*(Dollars in Thousands)*

| Receivable From | Amount | Payable To | Amount |
|---|---|---|---|
| **Primary Government** | | **Primary Government** | |
| Nonmajor Governmental Funds | $ 319,441 | General Fund | $ 6,000 |
| | | Major Special Revenue Funds: | |
| | | Commonwealth Transportation | 4,700 |
| | | Federal Trust | 68,556 |
| | | Nonmajor Governmental Funds | 6,000 |
| | | Major Enterprise Funds: | |
| | | Virginia College Savings Plan | 4,000 |
| | | Nonmajor Enterprise Funds | 58,007 |
| | | Internal Service Funds | 172,178 |
| Total Primary Government | $ 319,441 | Total Primary Government | $ 319,441 |

**Due from/to Primary Government and Component Units**

Included in this category is activity between the Commonwealth and its component units, as well as activity between component units.

A due from primary government amount that is due from the Federal Trust Fund (major special revenue) to the Virginia College Building Authority (major component unit) of $923,513 is for interest on Build America Bonds (BABs).

A due from primary government amount that is due from the Commonwealth Transportation Fund (major special revenue) to the Virginia Passenger Rail Authority (nonmajor component unit) of $28.5 million is for Commonwealth Rail Funds.

A $637.0 million due from primary government amount that is due from the General Fund (major governmental) to the higher education institutions (nonmajor component units) is for payments awaiting disbursements and appropriations available for capital projects and other programs. The General Fund reports $29.4 million in the fund financial statements and an additional $607.6 million in the government-wide financial statements.

A $70,035 due from primary government amount represents an amount due from a nonmajor governmental fund related to the Department of Treasury's reimbursement programs to the Virginia Community College System (nonmajor component unit).

A due from primary government amount that is due from the Virginia Public Building Authority (capital projects fund - nonmajor governmental fund) to the Virginia Port Authority (nonmajor component unit) of $11.6 million represents bond revenue to be used for capital projects.

A $28.9 million due from component units in the Health Care Fund (internal service fund) represents amounts due from the nonmajor component units.

A $1.9 million due from component units represents monies owed for administrative and project expenses from the Science Museum of Virginia Foundation (nonmajor component unit) to a nonmajor governmental fund. The entire nonmajor governmental amount is reported in the government-wide financial statements.

The $144.5 million due from component units amount represents amounts due from the Virginia College Building Authority (major component unit) for the Department of the Treasury’s reimbursement programs to higher education institutions (nonmajor component units).

**Due from/to Component Units and Fiduciary Funds**

A $41.0 million due from component units in the Pension and Other Employee Benefit Trust Funds (fiduciary funds) represents amounts due from nonmajor component units.

**Loans Receivable/Payable Between Primary Government and Component Units**

The $191.8 million in loans receivable from primary government represents loans from the Virginia Public School Authority (VPSA) (major component unit) to the Literary Special Revenue Fund (major governmental fund). The VPSA makes grants to local school divisions to finance the purchase of educational technology and security equipment. The VPSA makes these grants using the proceeds of notes issued for that purpose, which will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Special Revenue Fund (major governmental fund).

## 12. OTHER ASSETS

The following table summarizes Other Assets as of June 30, 2023.

*(Dollars in Thousands)*

| | Cash and Travel Advances | Net OPEB Asset (1) | Other Assets | Total Other Assets |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| General | $ 1,496 | $ — | $ 323 | $ 1,819 |
| Major Special Revenue Funds: | | | | |
| Commonwealth Transportation | 281 | — | — | 281 |
| Federal Trust | 2,362 | — | — | 2,362 |
| Nonmajor Governmental Funds | 671 | — | — | 671 |
| Major Enterprise Funds: | | | | |
| Virginia Lottery | 1 | 1,378 | — | 1,379 |
| Virginia College Savings Plan | — | 706 | — | 706 |
| Nonmajor Enterprise Funds | 429 | 6,078 | 28 | 6,535 |
| Internal Service Funds (2) | — | 3,127 | 37,307 | 40,434 |
| Custodial Funds - Other (3) | — | — | 1 | 1 |
| Total Primary Government | $ 5,240 | $ 11,289 | $ 37,659 | $ 54,188 |
| **Discrete Component Units:** | | | | |
| Virginia Housing Development Authority (4) | $ — | $ — | $ 45,386 | $ 45,386 |
| Virginia Resources Authority | — | — | 477 | 477 |
| Nonmajor Component Units (5) | 466 | — | 196,268 | 196,734 |
| Total Component Units | $ 466 | $ — | $ 242,131 | $ 242,597 |

Note (1): Other noncurrent assets in the proprietary funds represent the Virginia Sickness and Disability Program Net OPEB Asset applicable to the respective fund. The proprietary fund amounts are reclassified to Other Restricted Assets in the Government-wide Statement of Net Position.

Note (2): Of the $37,307 (dollars in thousands) shown above, $33,899 (dollars in thousands) and $3,408 (dollars in thousands) represent Technology and Data Services and Virginia Correctional Enterprises, respectively, amounts due from various governmental funds that will not be received within 60 days. These amounts are reclassified to an internal balance on the Government-wide Statement of Net Position.

Note (3): Custodial Funds - Other amount of $1,000 shown above is not included in the Government-wide Statement of Net Position.

Note (4): Other Assets of the Virginia Housing Development Authority are comprised primarily of mortgage servicing rights and other real estate owned.

Note (5): Other Assets of the nonmajor component units are primarily comprised of miscellaneous items spread among the higher education institutions and related foundations as well as the nonmajor component units as follows:

- University of Virginia includes primarily $12.2 million of Licensing & Ventures Group (LVG) seed funds at cost; and
- Related foundations of Longwood University, Virginia Polytechnic Institute and State University, and the University of Virginia include $22.0 million, $45.7 million, and $70.2 million, respectively, primarily for cash surrender value of life insurance policies, deferred tax assets, net investment in direct financing leases, intangibles, and right-of-use assets, and a derivative asset.

## 13. RESTRICTED ASSETS

**Restricted Cash and Cash Equivalents, Restricted Investments, and Other Restricted Assets**

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The governmental funds reported $2.5 billion in restricted cash, cash equivalents, and investments primarily related to bond agreements. Of this amount, $2.2 billion relates to transportation projects, $250.4 million pertains to capital projects, and $45.1 million pertains to debt service requirements. The governmental and business-type activities funds reported other restricted assets of $175.5 million and $8.2 million, respectively, for the Virginia Sickness and Disability Program Net OPEB Asset. See Note 12, Other Assets, for more information related to the Enterprise and Internal Service Funds.

The Virginia Housing Development Authority, the Virginia Public School Authority, and the Virginia College Building Authority (all major component units) reported restricted assets totaling $2.1 billion, $392.1 million, and $573.4 million, respectively. These major component units' assets are restricted for debt service under a bond indenture or other agreement, or for construction and equipment.

The Virginia Resources Authority (major component unit) reported restricted assets of $1.0 billion. Of this amount, $1.0 billion is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds, and $7.9 million is restricted for the Operating Reserve Fund for the Virginia Pooled Financing Program.

The Virginia Port Authority (nonmajor component unit) reported restricted assets of $642.2 million primarily for debt service under bond agreements, construction and other project funds.

The Tobacco Region Revitalization Commission (nonmajor component unit) reported restricted assets of $163.1 million to be used for financial aid to tobacco growers and to foster community economic growth. This includes Other Restricted Assets of $46,841 for the Virginia Sickness and Disability Program Net OPEB asset.

The Hampton Roads Sanitation District Commission (nonmajor component unit) reported restricted assets of $33.8 million to be used for debt service.

The Virginia Small Business Financing Authority (nonmajor component unit) reported restricted assets of $87.5 million for gifts and grants. This includes Other Restricted Assets of $45,163 for the Virginia Sickness and Disability Program Net OPEB asset.

The higher education institutions (nonmajor component units) reported restricted assets totaling approximately $8.7 billion primarily for endowment and other contractual obligations. Included in this amount is approximately $7.4 billion of foundations' restricted assets. This includes Other Restricted Assets of $109.9 million for the Virginia Sickness and Disability Program Net OPEB asset. The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of Virginia Commonwealth University–nonmajor component unit) includes $19.9 million for a beneficial trust and $5.1 million for an equity interest in a foundation as Other Restricted Assets. These Authority assets are classified as Level 3 on the fair value hierarchy. For additional information, see the Authority's separately issued financial statements.

The two museum foundations, the Virginia Museum of Fine Arts Foundation (nonmajor component unit) and the Science Museum of Virginia Foundation (nonmajor component unit) had restricted assets of $261.3 million and $27.7 million, respectively, primarily for donor-imposed restricted endowments.

The remaining $15.7 million is spread among the following nonmajor component units: the Virginia Outdoors Foundation, the Virginia Passenger Rail Authority, the Danville Science Center, the Fort Monroe Authority, the Virginia Biotechnology Research Partnership Authority, the Virginia Economic Development Partnership, the Virginia Tourism Authority, the Virginia Foundation for Healthy Youth, and the Library of Virginia Foundation. Included in this amount is approximately $1.4 million for the Virginia Sickness and Disability Program Net OPEB asset.

## Restricted Receivables, Net

The following schedule (dollars in thousands) details the restricted receivables reported by component units as of June 30, 2023.

The restricted receivables are generally expected to be collected in greater than one year.

**Restricted Receivables, Net**

*(Dollars in Thousands)*

| | Restricted Accounts Receivable | Restricted Loans / Mortgage Receivable | Restricted Local School Bonds Receivable | Restricted Other Receivables |
|---|---|---|---|---|
| **Discrete Component Units:** | | | | |
| Virginia Housing Development Authority | $ — | $ 6,746,170 | $ — | $ 235 |
| Virginia Public School Authority | — | — | 3,746,179 | — |
| Virginia Resources Authority | — | 4,394,456 | — | 15,890 |
| Virginia College Building Authority | — | — | — | — |
| Nonmajor Component Units (Note 1) | 152,618 | 28,916 | — | 133,631 |
| **Total Component Units** | $ 152,618 | $ 11,169,542 | $ 3,746,179 | $ 149,756 |

Note (1): Restricted Other Receivables of the nonmajor component units are primarily comprised of the following: restricted pledges receivable of $108,083 (dollars in thousands) reported by the University of Virginia.

| Allowance for Doubtful Accounts | | Restricted Receivables, Net | | Amounts to be Collected Greater than One Year |
|---|---|---|---|---|
| $ | (74,635) | $ 6,671,770 | $ | 6,390,371 |
| | — | 3,746,179 | | 3,447,477 |
| | (392) | 4,409,954 | | 4,030,244 |
| | — | — | | — |
| | (12,902) | 302,263 | | 287,108 |
| $ | (87,929) | $ 15,130,166 | $ | 14,155,200 |

## 14. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets as of June 30, 2023 (dollars in thousands).

**Schedule of Changes in Capital Assets**
**Governmental Activities**

*(Dollars in Thousands)*

| | Balance July 1 as restated (1) | Increases | Decreases | Balance June 30 |
|---|---|---|---|---|
| **Nondepreciable Capital Assets:** | | | | |
| Land | $ 3,761,886 | $ 225,472 | $ (2,807) | $ 3,984,551 |
| Construction-in-Progress | 4,616,641 | 1,773,460 | (2,069,422) | 4,320,679 |
| Intangible Assets with Indefinite Useful Life | | | | |
| Water Rights and/or Easements | 121,743 | 715 | — | 122,458 |
| Infrastructure | 1,308,220 | — | — | 1,308,220 |
| Total Nondepreciable Capital Assets | 9,808,490 | 1,999,647 | (2,072,229) | 9,735,908 |
| **Other Capital Assets:** | | | | |
| Buildings (2) | 4,751,345 | 32,553 | (10,137) | 4,773,761 |
| Equipment | 1,460,914 | 82,069 | (33,691) | 1,509,292 |
| Infrastructure | 36,727,105 | 4,546,131 | (318,285) | 40,954,951 |
| Intangible Assets | | | | |
| Computer Software (Including websites) | 1,118,295 | 126,540 | (9,606) | 1,235,229 |
| Patents/Trademarks/Copyrights | 30,880 | — | — | 30,880 |
| Right-to-Use Intangible Assets | | | | |
| Land | 3,182 | — | — | 3,182 |
| Buildings | 374,116 | 49,041 | (10,769) | 412,388 |
| Equipment | 49,694 | 28,155 | (10,043) | 67,806 |
| Subscription-based Information Technology Arrangements | 172,659 | 95,486 | — | 268,145 |
| Total Other Capital Assets at Historical Cost | 44,688,190 | 4,959,975 | (392,531) | 49,255,634 |
| **Less Accumulated Depreciation for:** | | | | |
| Buildings | 2,012,201 | 111,941 | (7,471) | 2,116,671 |
| Equipment | 916,351 | 78,184 | (31,222) | 963,313 |
| Infrastructure | 14,437,435 | 1,329,600 | (328,110) | 15,438,925 |
| Intangible Assets | | | | |
| Computer Software (Including websites) | 644,548 | 88,344 | (1,624) | 731,268 |
| Patents/Trademarks/Copyrights | 21,918 | 1,459 | — | 23,377 |
| Total Accumulated Depreciation | 18,032,453 | 1,609,528 | (368,427) | 19,273,554 |
| **Less Accumulated Amortization for:** | | | | |
| Right-to-Use Intangible Assets | | | | |
| Land | 287 | 287 | — | 574 |
| Buildings | 31,493 | 35,166 | (3,184) | 63,475 |
| Equipment | 15,922 | 20,072 | (9,975) | 26,019 |
| Subscription-based Information Technology Arrangements | — | 70,269 | — | 70,269 |
| Total Accumulated Amortization | 47,702 | 125,794 | (13,159) | 160,337 |
| Total Accumulated Depreciation and Amortization | 18,080,155 | 1,735,322 | (381,586) | 19,433,891 |
| Total Other Capital Assets, Net | 26,608,035 | 3,224,653 | (10,945) | 29,821,743 |
| Total Capital Assets, Net | $ 36,416,525 | $ 5,224,300 | $ (2,083,174) | $ 39,557,651 |

Note (1): Beginning balances have been restated by $51.9 million predominately as a result of $32.8 million of errors by the Department of Military Affairs, Department of General Services, and the Science Museum of Virginia, offset by restatements of $100.7 million as a result of the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* and a reclassification of $16.0 million from prepayments.

Note (2): Includes temporary impaired assets with a carrying value of $15.3 million.

## Depreciation/Amortization Expense Charged to Functions of the Primary Government

June 30, 2023

*(Dollars in Thousands)*

| | | |
|---|---|---|
| **Governmental Activities:** | | |
| General Government | $ | 56,083 |
| Education | | 13,676 |
| Transportation | | 1,386,748 |
| Resources and Economic Development | | 32,594 |
| Individual and Family Services | | 79,202 |
| Administration of Justice | | 69,810 |
| Capital Assets held by the Internal Service Funds are charged to various functions | | 97,209 |
| Total | $ | 1,735,322 |

## Schedule of Changes in Capital Assets
## Business-type Activities

*(Dollars in Thousands)*

| | Balance July 1 as restated (1) | Increases | Decreases | Balance June 30 |
|---|---|---|---|---|
| **Nondepreciable Capital Assets:** | | | | |
| Land | $ 11,033 | $ — | $ — | $ 11,033 |
| Construction-in-Progress | 6,225 | 13,028 | (1,078) | 18,175 |
| Total Nondepreciable Capital Assets | 17,258 | 13,028 | (1,078) | 29,208 |
| **Other Capital Assets:** | | | | |
| Buildings | 69,995 | — | — | 69,995 |
| Equipment | 84,924 | 3,947 | (435) | 88,436 |
| Intangible Assets | | | | |
| Computer Software (Including websites) | 45,054 | 1,753 | (1,310) | 45,497 |
| Right-to-Use Intangible Assets | | | | |
| Buildings | 213,758 | 26,478 | — | 240,236 |
| Equipment | 139 | 138 | — | 277 |
| Other Intangible Assets | — | 7,817 | — | 7,817 |
| Subscription-Based Information Technology Arrangements | 22,846 | 207,618 | (5,866) | 224,598 |
| Total Other Capital Assets at Historical Cost | 436,716 | 247,751 | (7,611) | 676,856 |
| **Less Accumulated Depreciation for:** | | | | |
| Buildings | 9,959 | 2,148 | — | 12,107 |
| Equipment | 39,737 | 8,659 | (420) | 47,976 |
| Intangible Assets | | | | |
| Computer Software (Including websites) | 16,498 | 7,137 | (262) | 23,373 |
| Total Accumulated Depreciation | 66,194 | 17,944 | (682) | 83,456 |
| **Less Accumulated Amortization for:** | | | | |
| Right-to-Use Intangible Assets | | | | |
| Buildings | 24,353 | 26,304 | — | 50,657 |
| Equipment | 51 | 85 | — | 136 |
| Other Intangible Assets | — | 3,908 | — | 3,908 |
| Subscription-Based Information Technology Arrangements | — | 11,494 | (553) | 10,941 |
| Total Accumulated Amortization | 24,404 | 41,791 | (553) | 65,642 |
| Total Accumulated Depreciation and Amortization | 90,598 | 59,735 | (1,235) | 149,098 |
| Total Other Capital Assets, Net | 346,118 | 188,016 | (6,376) | 527,758 |
| Total Capital Assets, Net | $ 363,376 | $ 201,044 | $ (7,454) | $ 556,966 |

Note (1): Beginning balances have been restated by $22.8 million as a result of the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

## Schedule of Changes in Capital Assets
## Component Units

*(Dollars in Thousands)*

| | Balance July 1 as restated (1) | Increases | Decreases | Subtotal June 30 | Foundations (2) | Total June 30 |
|---|---|---|---|---|---|---|
| **Nondepreciable Capital Assets:** | | | | | | |
| Land | $ 1,021,821 | $ 90,893 | $ (2,965) | $ 1,109,749 | $ 425,589 | $ 1,535,338 |
| Construction-in-Progress | 2,263,025 | 1,995,312 | (1,331,469) | 2,926,868 | 88,635 | 3,015,503 |
| Inexhaustible Works of Art/ Historical Treasures | 87,244 | 1,526 | (46) | 88,724 | 21,964 | 110,688 |
| Inexhaustible Easements | 299,673 | 4,001 | (70,189) | 233,485 | — | 233,485 |
| Livestock | 327 | 65 | — | 392 | 562 | 954 |
| Total Nondepreciable Capital Assets | 3,672,090 | 2,091,797 | (1,404,669) | 4,359,218 | 536,750 | 4,895,968 |
| **Other Capital Assets:** | | | | | | |
| Buildings | 21,768,099 | 1,019,292 | (47,317) | 22,740,074 | 1,536,940 | 24,277,014 |
| Infrastructure | 4,832,780 | 89,771 | (480) | 4,922,071 | 29,342 | 4,951,413 |
| Equipment | 4,953,362 | 455,667 | (128,566) | 5,280,463 | 217,643 | 5,498,106 |
| Improvements Other Than Buildings | 713,695 | 21,245 | (2,044) | 732,896 | 122,318 | 855,214 |
| Library Books | 753,768 | 16,815 | (5,391) | 765,192 | — | 765,192 |
| Software | 756,876 | 33,130 | (59,611) | 730,395 | — | 730,395 |
| Other Intangible Assets | 2,616 | 1,195 | — | 3,811 | — | 3,811 |
| Right-to-Use Intangible Assets: | | | | | | |
| Land | 19,008 | 6,570 | (2,993) | 22,585 | — | 22,585 |
| Buildings | 767,430 | 151,365 | (22,134) | 896,661 | — | 896,661 |
| Equipment | 130,962 | 136,955 | (2,162) | 265,755 | — | 265,755 |
| Infrastructure | 181 | — | — | 181 | — | 181 |
| Other Intangibles | 4,059,532 | — | — | 4,059,532 | — | 4,059,532 |
| Subscription-based Information Technology Arrangements | 272,246 | 133,163 | (2,914) | 402,495 | — | 402,495 |
| Total Other Capital Assets | 39,030,555 | 2,065,168 | (273,612) | 40,822,111 | 1,906,243 | 42,728,354 |
| **Less Accumulated Depreciation for:** | | | | | | |
| Buildings | 7,958,543 | 569,559 | (35,310) | 8,492,792 | 525,295 | 9,018,087 |
| Infrastructure | 2,265,489 | 127,449 | (33) | 2,392,905 | 3,896 | 2,396,801 |
| Equipment | 3,424,758 | 319,190 | (109,789) | 3,634,159 | 140,798 | 3,774,957 |
| Improvements Other Than Buildings | 452,409 | 24,391 | (1,831) | 474,969 | 67,312 | 542,281 |
| Library Books | 697,811 | 21,216 | (5,377) | 713,650 | — | 713,650 |
| Software | 563,884 | 45,953 | (51,274) | 558,563 | — | 558,563 |
| Other Intangible Assets | 2,231 | 385 | — | 2,616 | — | 2,616 |
| Total Accumulated Depreciation | 15,365,125 | 1,108,143 | (203,614) | 16,269,654 | 737,301 | 17,006,955 |
| **Less Accumulated Amortization for:** | | | | | | |
| Right-to-Use Intangible Assets: | | | | | | |
| Land | 18,657 | 12,258 | (69) | 30,846 | — | 30,846 |
| Buildings | 112,208 | 80,987 | (8,018) | 185,177 | — | 185,177 |
| Equipment | 20,937 | 29,752 | (2,001) | 48,688 | — | 48,688 |
| Infrastructure | 62 | 30 | — | 92 | — | 92 |
| Other Intangibles | 92,123 | 92,499 | — | 184,622 | — | 184,622 |
| Subscription-based Information Technology Arrangements | 56,803 | 95,644 | (2,767) | 149,680 | — | 149,680 |
| Total Accumulated Amortization | 300,790 | 311,170 | (12,855) | 599,105 | — | 599,105 |
| Total Accumulated Depreciation and Amortization | 15,665,915 | 1,419,313 | (216,469) | 16,868,759 | 737,301 | 17,606,060 |
| Total Other Capital Assets, Net | 23,364,640 | 645,855 | (57,143) | 23,953,352 | 1,168,942 | 25,122,294 |
| Total Capital Assets, Net | $ 27,036,730 | $ 2,737,652 | $ (1,461,812) | $ 28,312,570 | $ 1,705,692 | $ 30,018,262 |

Note (1): Beginning balances have been restated by $194.1 million predominately related to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, of $214.2 million. Various component units had an implementation date of July 1, 2021, because the separately issued financial statements include comparative statements. In addition, beginning balances have been restated by negative $3.2 million for correction of prior year errors by various higher education institutions (nonmajor) and by negative $16.9 million related to the Community Health acquisition by University of Virginia (nonmajor).

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Since foundations follow FASB rather than GASB reporting requirements, no amounts are reported in the software and other intangible assets categories for foundations.

## 15. DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, requires certain items to be classified as either deferred outflows or deferred inflows of resources. Additionally, deferred outflows or deferred inflows of resources are also required by other GASB statements. While all deferred outflows or deferred inflows of resources applicable to the Commonwealth are listed below, see Notes 16, 17, 19, and 39 for additional information regarding these items.

### Deferred Outflows

Deferred outflows of resources are a consumption of net assets by the government that is applicable to a future reporting period.

### Deferred Inflows

Deferred inflows of resources are an acquisition of net assets by the government that is applicable to a future reporting period.

The following tables summarize deferred outflows and deferred inflows of resources as of June 30, 2023.

**Government-wide Statements**

*(Dollars in Thousands)*

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Total Component Units |
| **Deferred Outflows of Resources** | | | | |
| Loss on Refunding of Debt | $ 29,104 | $ — | $ 29,104 | $ 217,065 |
| Nonexchange Transactions Not Meeting Time Requirements | 203 | — | 203 | — |
| Pension Related | 1,344,318 | 42,430 | 1,386,748 | 466,115 |
| Other Postemployment Benefit Related | 433,772 | 13,480 | 447,252 | 233,695 |
| Total Deferred Outflows of Resources | $ 1,807,397 | $ 55,910 | $ 1,863,307 | $ 916,875 |
| **Deferred Inflows of Resources** | | | | |
| Effective Hedges in a Gain Position | $ — | $ — | $ — | $ 17,183 |
| Public-Private and Public-Public Partnerships | 7,770,629 | — | 7,770,629 | 156,619 |
| Gain on Refunding of Debt | 78,172 | — | 78,172 | 70,308 |
| Pension Related | 1,179,294 | 26,022 | 1,205,316 | 510,256 |
| Other Postemployment Benefit Related | 669,422 | 17,539 | 686,961 | 408,736 |
| Irrevocable Split-Interest Agreements Related | — | — | — | 20,858 |
| Mortgage Banking Activities | — | — | — | 64,900 |
| Leases | — | — | — | 134,173 |
| Total Deferred Inflows of Resources | $ 9,697,517 | $ 43,561 | $ 9,741,078 | $ 1,383,033 |

**Fund Statements**

*(Dollars in Thousands)*

| | Primary Government - Governmental Funds | | | | | |
|---|---|---|---|---|---|---|
| | General | Commonwealth Transportation | Federal Trust | Literary | Nonmajor Governmental Funds | Total Governmental Funds |
| **Deferred Outflows of Resources** | | | | | | |
| Nonexchange Transactions Not Meeting Time Requirements | $ 203 | $ — | $ — | $ — | $ — | $ 203 |
| Total Deferred Outflows of Resources | $ 203 | $ — | $ — | $ — | $ — | $ 203 |
| **Deferred Inflows of Resources** | | | | | | |
| Public-Private and Public-Public Partnerships | $ — | $ 2,383,906 | $ — | $ — | $ — | $ 2,383,906 |
| Revenues Considered Unavailable | 1,458,347 | 105,048 | 343,132 | 25,443 | 313,814 | 2,245,784 |
| Total Deferred Inflows of Resources | $ 1,458,347 | $ 2,488,954 | $ 343,132 | $ 25,443 | $ 313,814 | $ 4,629,690 |

| (Dollars in Thousands) | Business-type Activities — Enterprise Funds: Virginia Lottery | Virginia College Savings Plan | Nonmajor | Total Business-type Activities | Governmental Activities: Internal Service Funds |
|---|---|---|---|---|---|
| **Deferred Outflows of Resources** | | | | | |
| Pension Related | $ 6,630 | $ 2,972 | $ 32,828 | $ 42,430 | $ 11,017 |
| Other Postemployment Benefit Related | 2,247 | 1,153 | 10,080 | 13,480 | 3,465 |
| Total Deferred Outflows of Resources | $ 8,877 | $ 4,125 | $ 42,908 | $ 55,910 | $ 14,482 |
| **Deferred Inflows of Resources** | | | | | |
| Pension Related | $ 4,577 | $ 2,271 | $ 19,174 | $ 26,022 | $ 12,208 |
| Other Postemployment Benefit Related | 2,577 | 1,233 | 13,729 | 17,539 | 6,677 |
| Total Deferred Inflows of Resources | $ 7,154 | $ 3,504 | $ 32,903 | $ 43,561 | $ 18,885 |

| (Dollars in Thousands) | Component Units: Virginia Housing Development Authority | Virginia Public School Authority | Virginia Resources Authority | Virginia College Building Authority | Nonmajor Component Units | Total Component Units |
|---|---|---|---|---|---|---|
| **Deferred Outflows of Resources** | | | | | | |
| Loss on Refunding of Debt | $ — | $ 59,188 | $ 33,747 | $ 17,283 | $ 106,847 | $ 217,065 |
| Government Acquisition-Goodwill | — | — | — | — | — | — |
| Pension Related | — | — | 104 | — | 466,011 | 466,115 |
| Other Postemployment Benefit Related | 11,258 | — | 23 | — | 222,414 | 233,695 |
| Total Deferred Outflows of Resources | $ 11,258 | $ 59,188 | $ 33,874 | $ 17,283 | $ 795,272 | $ 916,875 |
| **Deferred Inflows of Resources** | | | | | | |
| Effective Hedges in a Gain Position | $ — | $ — | $ — | $ — | $ 17,183 | $ 17,183 |
| Public-Private and Public-Public Partnerships | — | — | — | — | 156,619 | 156,619 |
| Gain on Refunding of Debt | — | — | 28,217 | 27,479 | 14,612 | 70,308 |
| Pension Related | — | — | 201 | — | 510,055 | 510,256 |
| Other Postemployment Benefit Related | 1,528 | — | 26 | — | 407,182 | 408,736 |
| Irrevocable Split-Interest Agreements Related | — | — | — | — | 20,858 | 20,858 |
| Mortgage Banking Activities | 64,900 | — | — | — | — | 64,900 |
| Leases | — | — | — | — | 134,173 | 134,173 |
| Total Deferred Inflows of Resources | $ 66,428 | $ — | $ 28,444 | $ 27,479 | $ 1,260,682 | $ 1,383,033 |

## 16. DERIVATIVE INSTRUMENTS

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* requires additional reporting and disclosures for derivative instruments.

### Primary Government

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indexes. They include futures, forwards, options and swap contracts. Some traditional securities, such as structured notes, can have derivative-like characteristics. In this case, the return may be linked to one or more indexes and asset-backed securities, such as collateralized mortgage obligations (CMOs), which are sensitive to changes in interest rates and prepayments. Futures, forwards, options and swaps generally are not recorded on the financial statements, whereas structured notes and asset-backed investments generally are recorded.

### Virginia College Savings Plan (Virginia529)

GASB Statement No. 53 defines stable value investment vehicles as synthetic guaranteed investment contracts. Stable value funds are invested in a high quality, diversified, intermediate term, fixed income portfolio that is protected against interest rate volatility by wrap or investment contracts from banks and insurance companies that guarantee the payment of benefits at book value (cost plus accrued interest), which enables the entire investment to be carried at its book value. The Virginia529 utilizes stable value investments in the Defined Contribution 529 and Access and Affordability Programs (Private Purpose Trust Fund). Virginia529's stable value investments meet the definition of fully benefit-responsive synthetic guaranteed investment contracts and are reported at contract value. As of June 30, 2023, Virginia529 had the following stable value investments outstanding (dollars in thousands) in the respective programs as shown in the table below.

**Stable Value Investments**

| Fund | Wrap Provider | Notional Amount | Effective Date | Maturity Date | Credit Rate | June 30, 2023 Fair Value | June 30, 2022 Fair Value |
|---|---|---|---|---|---|---|---|
| Private Purpose | American General Life | $ 277,159 | 1/16/2014 | Open ended | 2.6 % | $ 1,539,111 | $ 1,577,653 |
| | Nationwide Life Insurance | 279,440 | 1/29/2018 | Open ended | 3.2 % | | |
| | Prudential Retirement Insurance & Annuity | 277,397 | 1/30/2014 | Open ended | 2.6 % | | |
| | RGA | 277,136 | 8/28/2015 | Open ended | 2.6 % | | |
| | State Street Bank | 277,144 | 5/1/2002 | Open ended | 2.6 % | | |
| | Voya Retirement And Annuity | 277,205 | 10/5/2012 | Open ended | 2.6 % | | |

At June 30, 2023, the fair value of the underlying investments for the Private Purpose Trust Fund was less than the book value (notional amount) of the wrap contracts. The book value of the wrap contracts provides a guaranteed minimum value that program participants would receive upon liquidation, and therefore has a separate fair value only in the circumstance that the fair value of the associated underlying investment pool is below the book value of the wrap contracts. The fair value of the wrap contracts is the amount required to bring the total value of the stable value investments up to the book value of the wrap contracts. In the Private Purpose Trust Fund, the fair value of the wrapped stable value investments at June 30, 2023, was $1.5 billion.

As of June 30, 2023, PGIM High Yield Fixed Income also held futures contracts, which are permissible to hedge duration and excluded from the 10.0 percent limit. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. Credit risk is mitigated with these instruments as they are exchange traded.

**Investment Derivative Instruments - U.S. Treasury Futures Contracts**

| | Changes in Fair Value | | Fair Value at June 30, 2023 | | |
|---|---|---|---|---|---|
| Fund | Classification | Amount | Classification | Amount | Notional Amount |
| Enterprise | Revenue | $ (303) | Investment | $ (303) | $ 14,934 |
| Private Purpose | Revenue | (417) | Investment | (417) | 23,380 |

At June 30, 2023, PGIM High Yield Fixed Income also held total return swaps, which are permissible to gain exposure to assets with minimal cash outlay. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. Credit risk is mitigated with these instruments as they are exchange traded.

**Investment Derivative Instruments - Total Return Swaps**

| | Changes in Fair Value | | Fair Value at June 30, 2023 | | |
|---|---|---|---|---|---|
| Fund | Classification | Amount | Classification | Amount | Notional Amount |
| Enterprise | Revenue | $ (2) | Investment | $ 4 | $ 1,150 |
| Private Purpose | Revenue | — | Investment | 17 | 3,325 |

The enterprise fund's PGIM Core Bond Fixed Income accounts held zero coupon swaps at June 30, 2023. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value. Credit risk is mitigated with these instruments as they are centrally cleared derivative instruments.

**Investment Derivative Instruments - Zero Coupon Swaps**

| | Changes in Fair Value | | Fair Value at June 30, 2023 | | |
|---|---|---|---|---|---|
| Fund | Classification | Amount | Classification | Amount | Notional Amount |
| Enterprise | Revenue | $ 3 | Investment | $ 3 | $ 5,512 |

Pursuant to its investment management agreement, Loomis, Sayles & Company may invest in derivative instruments for hedging, and duration management. The portfolio’s notional exposure to derivative instruments, as measured on a net market value basis, is limited to 10.0 percent of the market value of the account. The Defined Benefit 529 Programs' Loomis, Sayles & Company (Loomis) Multi-Asset Credit Accounts held futures contracts, which are permissible to hedge duration. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. U.S. Treasury futures used to hedge duration are excluded from the 10.0 percent limit. Credit risk is mitigated with these instruments as they are exchange traded.

**Investment Derivative Instruments - U.S. Treasury Futures Contracts**

| | Changes in Fair Value | | Fair Value at June 30, 2023 | | |
|---|---|---|---|---|---|
| Fund | Classification | Amount | Classification | Amount | Notional Amount |
| Enterprise | Revenue | $ (76) | Investment | $ (76) | $ 6,511 |

The enterprise fund's Loomis Multi-Asset Credit account held credit default swaps at June 30, 2023. The following table (dollars in thousands) contain information relating to fair value, changes in fair value and notional value. Credit risk is mitigated with these instruments as they are centrally cleared derivative instruments.

**Investment Derivative Instruments - Credit Default Swaps**

| | Changes in Fair Value | | Fair Value at June 30, 2023 | | |
|---|---|---|---|---|---|
| Fund | Classification | Amount | Classification | Amount | Notional Amount |
| Enterprise | Revenue | $ (187) | Investment | $ 125 | $ 10,740 |

Pursuant to its investment management agreement, Neuberger Berman may invest in derivative instruments for hedging, and duration management. The portfolio’s notional exposure to derivative instruments, as measured on a net market value basis, is limited to 10.0 percent of the market value of the account. The Defined Contributions 529 Programs' Neuberger Berman Core Bond account held futures contracts, which are permissible to hedge duration. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. U.S. Treasury futures used to hedge duration are excluded from the 10.0 percent limit. Credit risk is mitigated with these instruments as they are exchange traded.

**Investment Derivative Instruments - U.S. Treasury Futures Contracts**

| | Changes in Fair Value | | Fair Value at June 30, 2023 | | |
|---|---|---|---|---|---|
| Fund | Classification | Amount | Classification | Amount | Notional Amount |
| Enterprise | Revenue | $ (1,034) | Investment | $ (1,034) | $ 55,198 |

Pursuant to their investment management agreements, Loomis, Sayles & Company and PGIM may invest in derivative instruments for hedging purposes or for efficient portfolio management. Synthetic positions are not allowed and the use of derivative instruments should not be considered as an alpha generator. Loomis primarily uses forward foreign exchange contracts to hedge the value of investments denominated in non-U.S. dollar currencies. Similarly, the PGIM Core Bond accounts are permitted to use these instruments. Credit risk of exchange traded currency contracts lies with the clearinghouse of the exchange at which the contracts are traded, while credit risk of currency contracts traded over the counter lies with the counterparty. Counterparty risk exposure is generally equal to the unrealized gain on in-the-money contracts. The following table (dollars in thousands) contains a breakdown of these forward contracts by currency.

**Enterprise Fund Foreign Currency Forwards**

| Currency | Cost | Foreign Exchange Purchases | Foreign Exchange Sales | Market Value |
|---|---|---|---|---|
| Australian Dollar | $ (136) | $ — | $ (136) | $ (136) |
| Brazil Real | 9 | 1,864 | (1,864) | — |
| Chilean Peso | 12 | 1,619 | (1,619) | — |
| Danish Krone | (312) | — | (313) | (313) |
| Euro Currency Unit | (7,130) | 4,253 | (11,445) | (7,192) |
| Indonesian Rupiah | 2 | 1,638 | (1,638) | — |
| Japanese Yen | (12) | — | (12) | (12) |
| Norwegian Krone | (333) | — | (336) | (336) |
| Polish Zloty | 5 | 954 | (954) | — |
| Pound Sterling | 333 | 550 | (216) | 334 |
| Swedish Krona | 357 | 361 | (3) | 358 |
| Swiss Franc | 918 | 922 | — | 922 |
| U.S. Dollar | 6,287 | 17,807 | (11,520) | 6,287 |
| Total | $ — | $ 29,968 | $ (30,056) | $ (88) |

Pursuant to its investment agreement, PGIM Fixed Income may invest in derivative instruments for hedging, duration and cash management. The portfolio's exposure to derivative instruments, as measured on a net market value basis, is limited to 10.0 percent of the market value of the high-yield account. Both the Defined Benefit and Defined Contribution 529 Programs' PGIM Fixed Income accounts held credit default swaps at June 30, 2023. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value for credit default swaps. Credit risk is mitigated with these instruments as they are centrally cleared derivatives.

**Investment Derivative Instruments - Credit Default Swaps**

| | Changes in Fair Value | | Fair Value at June 30, 2023 | | |
|---|---|---|---|---|---|
| Fund | Classification | Amount | Classification | Amount | Notional Amount |
| Enterprise | Revenue | $ (56) | Investment | $ (143) | $ 7,015 |
| Private Purpose | Revenue | 156 | Investment | 20 | 18,779 |

At June 30, 2023, PGIM Core Bond Fixed Income also held total return swaps, which are permissible to gain exposure to assets with minimal cash outlay. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. Credit risk is mitigated with these instruments as they are exchange traded.

**Investment Derivative Instruments - Total Return Swaps**

| | Changes in Fair Value | | Fair Value at June 30, 2023 | | |
|---|---|---|---|---|---|
| Fund | Classification | Amount | Classification | Amount | Notional Amount |
| Enterprise | Revenue | $ 29 | Investment | $ 29 | $ 1,654 |

At June 30, 2023, PGIM Core Bond Fixed Income also held futures contracts, which are permissable to hedge duration and excluded from the 10.0 percent limit. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. Credit risk is mitigated with these instruments as they are exchange traded.

**Investment Derivative Instruments - U.S. Treasury Futures Contracts**

| | Changes in Fair Value | | Fair Value at June 30, 2023 | | |
|---|---|---|---|---|---|
| Fund | Classification | Amount | Classification | Amount | Notional Amount |
| Enterprise | Revenue | $ (777) | Investment | $ (777) | $ 36,269 |

Pursuant to its investment management agreement, Neuberger Berman may invest in derivative instruments for hedging and duration management. The portfolio's notional exposure to derivative instruments, as measured on a net market value basis, is limited to 10.0 percent of the market value of the account. The Defined Contributions 529 Programs' Neuberger Berman Emerging Markets Debt account held U.S. Treasury futures contracts, which are permissible to hedge duration. The following table (dollars in thousands) contains information relating to fair value, changes in fair value and notional value of these derivative instruments. U.S. Treasury futures contracts used to hedge duration are excluded from the 10.0 percent limit. Credit risk is mitigated with these instruments as they are exchange traded.

**Investment Derivative Instruments - U.S. Treasury Futures Contracts**

| | Changes in Fair Value | | Fair Value at June 30, 2023 | | |
|---|---|---|---|---|---|
| Fund | Classification | Amount | Classification | Amount | Notional Amount |
| Private Purpose | Revenue | $ (413) | Investment | $ (413) | $ 32,729 |

Additional information is available in the Virginia529 separately issued financial statements, which may be obtained at www.virginia529.com.

### Virginia Retirement System

All derivative instruments held by the Virginia Retirement System (the System) are considered investments. The fair value of all derivative financial instruments is reported on a net basis on the Statement of Fiduciary Net Position. The derivative instruments are either subject to an enforceable master netting arrangement or similar agreement. The master netting arrangements allow the System to net applicable liabilities or payment obligations to counterparties to the derivative instrument contracts against amounts owed to the System by the counterparties.

The System holds investments in swaps, futures and options and enters into forward foreign currency exchange contracts. Swaps, futures, options and currency forwards contracts provide the System with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure and gain market exposure to various indexes in a more efficient way and at lower transaction costs. Derivative instruments that are exchange-traded are not subject to credit risk, but all over-the-counter derivative instruments, such as swaps and currency forwards, do expose the System to counterparty credit risk. Counterparty credit risk for the System's investments in derivatives instruments (inclusive of foreign currency forwards) is summarized in the table on page 132. Market risks arise from adverse changes in market prices, interest rates and foreign exchange rates.

The System's level of exposure to interest rate risk through derivative instruments and the System's investments in derivative instruments as of June 30, 2023, are summarized in the tables below (dollars in thousands).

**Derivative Instruments Summary**

| Investment | Net Appreciation/ (Depreciation) in Fair Value for the Fiscal Year Ended June 30, 2023 | | Fair Value June 30, 2023 | |
|---|---|---|---|---|
| Derivative Instruments (by Type) | Amount | Classification | Amount | Notional (Dollars) |
| Commodity Futures Long | $ (172) | Equity Securities | $ — | $ — |
| Credit Default Swaps Bought | (56) | Debt Securities | 11 | 1,600 |
| Credit Default Swaps Written | (20) | Debt Securities | (20) | 20,000 |
| Currency Futures Long | 74 | Debt Securities | 74 | 5,676 |
| Currency Futures Short | (144) | Debt Securities | — | — |
| Fixed-Income Futures Long | 992 | Debt Securities | (16,758) | 1,531,513 |
| Fixed-Income Futures Short | (2,896) | Debt Securities | 5,519 | (910,595) |
| Fixed Income Options | (1) | Debt Securities | (1) | — |
| FX Forwards | (20,596) | Investment Sales/Purchases | (14,589) | (391,437) |
| Index Futures Long | 14,391 | Equity Securities | 10,143 | 409,395 |
| Index Futures Short | (1,762) | Equity Securities | (847) | (24,049) |
| Pay Fixed-Interest Rate Swaps | 2,737 | Debt Securities | 2,737 | 69,582 |
| Receive Fixed-Interest Rate Swaps | (294) | Debt Securities | (295) | 24,472 |
| Swaptions | (8) | Debt Securities | (8) | (2,600) |
| Total Return Equity Index Swaps | 117,967 | Equity Securities | 118,313 | 2,400,506 |
| **Total** | $ 110,212 | | $ 104,279 | |

**Derivative Instruments Subject to Interest Rate Risk**

| Investment Type | Fair Value June 30, 2023 | Investment Maturities (in years): Under 1 | 1-5 | 6-10 | Greater than 10 |
|---|---|---|---|---|---|
| Credit Default Swaps Bought | $ 11 | $ — | $ 11 | $ — | $ — |
| Credit Default Swaps Written | (20) | (15) | 70 | (75) | — |
| Pay Fixed-Interest Rate Swaps | 2,737 | — | 474 | 322 | 1,941 |
| Receive Fixed-Interest Rate Swaps | (294) | (250) | 21 | (65) | — |
| Total Return Equity Index Swaps | (14,388) | — | (14,388) | — | — |
| **Total** | $ (11,954) | $ (265) | $ (13,812) | $ 182 | $ 1,941 |

## Futures Contracts

Futures contracts are contracts to deliver or receive securities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange-traded) and require an initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily, in cash, with the exchanges. The net gains or losses resulting from the daily settlements are included in the Statement of Changes in Fiduciary Net Position. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures contracts is minimal. Information on the System's investments in fixed income, currency, and equity index futures as of June 30, 2023, is shown in the Summary table to the left.

## Currency Forwards

Currency forwards represent foreign exchange contracts and are used by the System to effect settlements and to protect the base currency ($U.S.) value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies. A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over the counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the-money contracts. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates. The net realized gains or losses arising from the differences between the original values of the foreign currency contracts and the closing values of such contracts are included in the net appreciation/ depreciation in fair value of investments in the Statement of Changes in Fiduciary Net Position. Information on the currency forward contracts as of June 30, 2023, is shown in the following table and in the Summary table to the left.

**Currency Forwards**

as of June 30

*(Dollars in Thousands)*

| Currency | Cost | Pending Foreign Exchange Purchases | Pending Foreign Exchange Sales | Fair Value 2023 | Fair Value 2022 |
|---|---|---|---|---|---|
| Australian Dollar | $ 48,879 | $ 225,429 | $ (172,181) | $ 53,248 | $ (7,969) |
| Brazilian Real | 178 | 6,874 | (6,943) | (69) | 4,356 |
| British Pound Sterling | 71,931 | 233,459 | (158,742) | 74,717 | 16,341 |
| Canadian Dollar | 237,333 | 476,177 | (231,386) | 244,791 | 111,791 |
| Chilean Peso | 1,153 | 4,956 | (3,830) | 1,126 | 1,528 |
| Chinese Yuan Renminbi | (12,775) | — | (12,114) | (12,114) | (60,961) |
| Chinese Yuan Renminbi HK | (2,279) | — | (2,201) | (2,201) | — |
| Colombian Peso | (558) | 2,067 | (2,795) | (728) | (1,380) |
| Czech Koruna | 2,852 | 2,880 | — | 2,880 | (4,048) |
| Danish Krone | (18,752) | — | (18,802) | (18,802) | (17,753) |
| Egyptian Pound | (49) | 396 | (399) | (3) | — |
| Euro Currency Unit | 211,988 | 815,719 | (598,868) | 216,851 | 179,851 |
| Hong Kong Dollar | (53,191) | — | (53,143) | (53,143) | (55,356) |
| Hungarian Forint | 1,564 | 2,887 | (1,308) | 1,579 | 1,945 |
| Indian Rupee | 7,119 | 9,325 | (2,206) | 7,119 | (4,533) |
| Indonesian Rupiah | (4,531) | 1,740 | (6,232) | (4,492) | (1,695) |
| Israeli Shekel | (39,794) | 22 | (38,470) | (38,448) | (26,069) |
| Japanese Yen | 426,158 | 620,771 | (215,166) | 405,605 | (286,160) |
| Kazakhstan Tenge | 1,124 | 1,115 | — | 1,115 | — |
| Malaysian Ringgit | (1,995) | 2,389 | (4,225) | (1,836) | 1,298 |
| Mexican Peso | (2,911) | 4,319 | (7,348) | (3,029) | 1,062 |
| New Taiwan Dollar | 1,456 | 2,873 | (1,417) | 1,456 | (11,198) |
| New Zealand Dollar | (175,548) | 47,799 | (223,743) | (175,944) | (68,396) |
| Nigerian Naira | (26) | 81 | (81) | — | — |
| Norwegian Krone | (281,046) | 138,865 | (432,970) | (294,105) | (21,455) |
| Peruvian Sol | (2,269) | — | (2,284) | (2,284) | (4,611) |
| Philippines Peso | (4,369) | 2,105 | (6,502) | (4,397) | (607) |
| Polish Zloty | (3,322) | — | (3,369) | (3,369) | 3,779 |
| Romanian Leu | (696) | 1,466 | (2,159) | (693) | (1,161) |
| Singapore Dollar | (90,922) | 42,296 | (132,844) | (90,548) | (75,951) |
| South African Rand | (6,117) | 855 | (6,917) | (6,062) | (2,408) |
| South Korean Won | 5,124 | 6,456 | (1,423) | 5,033 | 18 |
| Swedish Krona | 129,364 | 294,216 | (163,463) | 130,753 | 97,416 |
| Swiss Franc | (77,506) | 286,738 | (367,735) | (80,997) | (343,508) |
| Thai Baht | 768 | 3,511 | (2,775) | 736 | 4,945 |
| Turkish Lira | — | — | — | — | (1,461) |
| U.S. Dollar | (368,334) | 2,861,346 | (3,229,680) | (368,334) | 578,357 |
| **Total Forwards Subject to Foreign Currency Risk** | | | | $ (14,589) | $ 6,007 |

**Options**

Options may either be exchange-traded or negotiated directly between two counterparties over the counter. Options grant the holder the right, but not the obligation, to purchase (call) or sell (put) a financial instrument at a specified price and within a specified period of time from the writer of the option.

As a purchaser of options, the System typically pays a premium at the outset. This premium is reflected as an asset on the financial statements. The System then retains the right, but not the obligation, to exercise the options and purchase the underlying financial instrument. Should the option not be exercised, it expires worthless, and the premium is recorded as a loss.

A writer of options assumes the obligation to deliver or receive the underlying financial instrument on exercise of the option. Certain option contracts may involve cash settlements based on specified indexes such as stock indexes. As a writer of options, the System receives a premium at the outset. This premium is reflected as a liability on the financial statements, and the System bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Information on the System's investments in options on interest rate swaps (swaptions) and fixed income futures contracts as of June 30, 2023 is shown in the Summary table on page 135.

**Swap Agreements**

Swaps are negotiated contracts between two counterparties for the exchange of payments at certain intervals over a predetermined timeframe. The payments are based on a notional principal amount and calculated using either fixed or floating interest rates or total returns from certain instruments or indexes. Swaps are used to manage risk and enhance returns. To reduce the risk of counterparty nonperformance, the System generally requires collateral on any material gains from these transactions. During fiscal year 2023, the System had activity in credit default, total return, and interest rate swaps. Gains and losses on swaps are determined based on fair values and are recorded in the Statement of Changes in Fiduciary Net Position. Information on the System’s swap balances as of June 30, 2023, is shown in the Summary table on page 135, and the terms, fair values and notional values of the System’s investments in swap agreements that are highly sensitive to interest rate changes are disclosed in the following tables (dollars in thousands).

**Derivatives Instruments Highly Sensitive to Interest Rate Changes**

| Investment Type | Reference Rate | Fair Value June 30, 2023 | Notional Amount |
|---|---|---|---|
| Interest Rate Swaps | Receive Fixed 8.34%, Pay Variable 28-day MTIIE | $ 16 | $ 1,090 |
| Interest Rate Swaps | Receive Fixed 8.39%, Pay Variable 28-day MTIIE | 15 | 819 |
| Interest Rate Swaps | Receive Fixed 11.42%, Pay Variable Brazil 1-day CDI | 16 | 705 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 13.02% | (26) | 415 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 13.65% | — | 2,011 |
| Interest Rate Swaps | Receive Variable Brazil 1-day CDI, Pay Fixed 13.65% | — | 5,307 |
| Interest Rate Swaps | Receive Fixed 4.61%, Pay Variable Czech Krona 6-month PRIBOR | 8 | 3,090 |
| Interest Rate Swaps | Receive Variable Poland 6-month WIBOR, Pay Fixed 5.46% | (7) | 837 |
| Interest Rate Swaps | Receive Variable Daily Compound SOFR, Pay Fixed 1.00% | 507 | 6,600 |
| Interest Rate Swaps | Receive Fixed 1.75%, Pay Variable Daily Compound SOFR | (250) | 7,100 |
| interest Rate Swaps | Receive Fixed 8.15%, Pay Variable 28-day MTIIE | 4 | 1,236 |
| interest Rate Swaps | Receive Variable Euro short term rate (€STR), Pay Fixed 1.34% | 75 | 709 |
| interest Rate Swaps | Receive Variable Euro short term rate (€STR), Pay Fixed 1.74% | 123 | 1,549 |
| interest Rate Swaps | Receive Variable Euro short term rate (€STR), Pay Fixed 2.05% | 33 | 573 |
| interest Rate Swaps | Receive Variable Euro short term rate (€STR), Pay Fixed 2.08% | 90 | 1,582 |
| interest Rate Swaps | Receive Fixed 8.8%, Pay Variable 28-day MTIIE | 184 | 4,198 |
| interest Rate Swaps | Receive Fixed 2.78%, Pay Variable Daily Compound SOFR | (51) | 732 |
| interest Rate Swaps | Receive Fixed 2.77%, Pay Variable Daily Compound SOFR | (103) | 1,621 |
| interest Rate Swaps | Receive Fixed 2.92%, Pay Variable Daily Compound SOFR | (30) | 560 |
| interest Rate Swaps | Receive Fixed 2.92%, Pay Variable Daily Compound SOFR | (101) | 1,540 |
| Interest Rate Swaps | Receive Fixed 5.59%, Pay Variable Pound Sterling SONIA overnight rate | (3) | 1,780 |
| Interest Rate Swaps | Receive Variable Daily SOFR, Pay Fixed 2.889% | 628 | 10,000 |
| Interest Rate Swaps | Receive Variable Fed Funds Effective Rate, Pay Fixed 2.857% | 317 | 5,000 |
| Interest Rate Swaps | Receive Variable Fed Funds Effective Rate, Pay Fixed 2.8425% | 333 | 5,000 |
| Interest Rate Swaps | Receive Variable Fed Funds Effective Rate, Pay Fixed 3.1555% | 59 | 10,000 |
| Interest Rate Swaps | Receive Variable Fed Funds Effective Rate, Pay Fixed 3.166% | 5 | 10,000 |
| Interest Rate Swaps | Receive Variable Fed Funds Effective Rate, Pay Fixed 2.896% | 288 | 5,000 |
| Interest Rate Swaps | Receive Variable Fed Funds Effective Rate, Pay Fixed 2.87% | 312 | 5,000 |
| **Subtotal Interest Rate Swaps** | | **$ 2,442** | **$ 94,054** |
| Total Return Equity Index Swaps | Receive Variable MSCI US Total Return Index, Pay Variable 3-month SOFR + 33 bps | $ 6,445 | $ 105,832 |
| Total Return Equity Index Swaps | Receive Variable MSCI US Total Return Index, Pay Variable 3-month SOFR + 39 bps | 44,879 | 517,081 |
| Total Return Equity Index Swaps | Receive Variable MSCI US Total Return Index, Pay Variable 3-month SOFR + 33 bps | 13,958 | 160,814 |
| Total Return Equity Index Swaps | Receive Variable GDUEACWF Index, Pay Variable 1-day SOFR + 42.5 bps | 5,413 | 112,966 |
| Total Return Equity Index Swaps | Receive Variable GDUEACWF Index, Pay Variable 1-day SOFR + 39 bps | 5,931 | 101,376 |
| Total Return Equity Index Swaps | Receive Variable MSCI US Total Return Index, Pay Variable 3-month SOFR + 50 bps | 13,958 | 160,815 |
| Total Return Equity Index Swaps | Receive Variable GDUEACWF Index, Pay Variable 1-day SOFR + 42.5 bps | 6,278 | 107,309 |
| Total Return Equity Index Swaps | Receive Variable GDUEACWF Index, Pay Variable 1-day SOFR + 44 bps | 10,239 | 209,384 |
| Total Return Equity Index Swaps | Receive Variable GDUEACWF Index, Pay Variable 1-day SOFR + 42.5 bps | 6,558 | 353,796 |
| Total Return Equity Index Swaps | Receive Variable GDDUUS Index, Pay Variable 1-day SOFR Cmpd + 35.5 bps | 19,042 | 285,564 |
| Total Return Equity Index Swaps | Receive Variable 1-day SOFR Cmpd + 31.5 bps, Pay  Variable FTEPNAUS Index | (14,388) | 285,569 |
| **Subtotal Total Return Swaps** | | **$ 118,313** | **$ 2,400,506** |
| **TOTAL** | | **$ 120,755** | **$ 2,494,560** |

**Derivative Instruments Subject to Counterparty Credit Risk**

| Counterparty | Percentage of Net Exposure | Moody's Ratings | S&P Ratings | Fitch Ratings |
|---|---|---|---|---|
| Barclays Bank PLC | 45.0% | A1 | A+ | A+ |
| JPMorgan Chase Bank NA | 21.0% | Aa2 | A+ | AA |
| Goldman Sachs International | 15.8% | A1 | A+ | A+ |
| UBS AG/Stamford CT | 8.7% | A3 | — | A |
| BNP Paribas SA | 3.7% | Aa3 | A+ | A+ |
| HSBC Bank USA NA/New York NY | 3.0% | A3 | — | A+ |
| BNP Paribas Securities Corp. | 2.6% | — | A+ | — |
| Goldman Sachs Bank USA-New York NY | 0.2% | A1 | A+ | A+ |
| **Total** | **100.0%** | | | |

Derivative instruments are classified as Level 1 and Level 2 in the fair value hierarchy. Derivative instruments classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The derivative instruments in Level 1 consist of futures contracts on currencies, U.S. Treasury bonds and notes, non-U.S. government bonds, and U.S. and non-U.S. equity indexes and options on futures contracts on U.S. Treasury notes. Derivative instruments classified as Level 2 are valued using a number of modeling approaches that take into account observable market levels, benchmark rates, and foreign exchange rates.

Additional information is available in the System's separately issued financial statements, which may be obtained from [www.varetire.org](www.varetire.org).

**Component Units**

**Investment Derivative Instruments**

The Virginia Housing Development Authority (major component unit) enters into forward sales contracts for the delivery of GNMA and FNMA securities in order to lock in the sales price for the securitization of certain homeownership mortgage loans. The contracts offset changes in interest rates between the time of the loan reservations and the securitization of such loans into GNMA and FNMA securities. These contracts are considered investment derivative instruments, such that their change in fair value is reported as investment derivative instrument gains or losses in the accompanying financial statements. Fair values of the forwards are based on observable market prices for similar instruments traded on the secondary mortgage loan markets. The Authority's portfolio of investment derivative instruments are classified as Level 2 in the fair value hierarchy. The outstanding forward contracts, summarized by counterparty rating as of June 30, 2023, were as follows:

| Counterparty Rating | Par | Concentration | Notional Amount | Market Value | Fair Value Asset (Liability) |
|---|---|---|---|---|---|
| A-1+/AA+ | $ 29,000,000 | 11.0 % | $ 29,460,313 | $ 29,345,625 | $ 114,688 |
| A-1/A+ | 66,700,000 | 25.4 % | 67,307,703 | 67,200,234 | 107,469 |
| A-1/A+ | 60,600,000 | 23.0 % | 61,276,418 | 61,086,625 | 189,793 |
| A-1/A+ | 56,000,000 | 21.3 % | 56,674,844 | 56,477,188 | 197,656 |
| A-1/A+ | 37,500,000 | 14.3 % | 38,070,000 | 38,042,266 | 27,734 |
| A-2/BBB+ | 9,000,000 | 3.4 % | 9,142,344 | 9,108,125 | 34,219 |
| A-2/BBB+ | 4,200,000 | 1.6 % | 4,240,851 | 4,234,781 | 6,070 |
| | $ 263,000,000 | 100 % | $266,172,473 | $265,494,844 | $ 677,629 |

**Investment Derivative Instruments – Ineffective Hedges**

During fiscal year 2015, the University of Virginia (UVA) (nonmajor) refunded the Series 2003A bonds and the commercial paper associated with the fixed-payer interest rate swaps which terminated hedge accounting. The fixed-payer interest rate swaps were no longer effective hedges. As of June 30, 2023, the negative fair value of the swaps of $12.6 million is included in other liabilities and the change in fair value of positive $4.4 million was reported as investment earnings in the accompanying financial statements. The derivative instruments are classified as Level 2 of the fair value hierarchy. Additional information regarding the institution’s derivative instruments is available at www.virginia.edu.

**Hedging Derivative Instruments**

As of June 30, 2023, Virginia Commonwealth University Medical Center (VCUMC), which is a division of the Virginia Commonwealth University Health System Authority (a blended component unit of VCU - nonmajor), had two interest rate swap agreements with a notional amount of $110.9 million. The swaps are used as cash flow hedges by VCUMC in order to provide a hedge against changes in interest rates on variable rate Series 2013B bonds. As of June 30, 2023, the negative fair value of VCUMC's two swaps of $13.2 million is included in other liabilities and the cumulative change in fair value of these swaps of $17.2 million is included in deferred inflows of resources in the accompanying financial statements. The derivative instruments are classified as Level 2 in the fair value hierarchy. Additional information regarding the institution's derivative instruments is available at www.vcu.edu.

Various foundations of higher education institutions have derivative instruments. The foundations follow FASB rather than GASB reporting requirements. Disclosures for the foundations’ derivative instruments can be found in the separately issued financial statements of the foundations.

## 17. RETIREMENT AND PENSION SYSTEMS

A separately issued financial report that includes financial statements and required supplementary information for each of the individual plans discussed below is publicly available. Copies may be obtained from the Virginia Retirement System website at www.varetire.org.

### A. Administration

The Virginia Retirement System (the System) is an independent agency of the Commonwealth that administers pension plans, other employee benefit plans, and other funds for Commonwealth employees, teachers, political subdivision employees, and other qualifying employees. The Board of Trustees is responsible for the general administration and operation of the plans. The Board consists of five members appointed by the Governor and four members appointed by the Joint Rules Committee, all subject to confirmation by the General Assembly. The Board of Trustees appoints a director to serve as the chief administrative officer of the System and a chief investment officer to direct, manage, and administer the investment of the System’s funds. The Board of Trustees has appointed BNY Mellon as the custodian of designated assets of the System.

The System administers four pension trust funds: the Virginia Retirement System (VRS); State Police Officers’ Retirement System (SPORS); Virginia Law Officers’ Retirement System (VaLORS); and the Judicial Retirement System (JRS). In addition to the pension plans, the System administers five Other Employee Benefit Plans: Group Life Insurance Fund; Retiree Health Insurance Credit Fund; the Virginia Sickness and Disability Program (VSDP); the Line of Duty Act Trust Fund; and the Virginia Local Disability Program (VLDP).

## B. Summary of Significant Accounting Policies (Virginia Retirement System)

### Basis of Accounting

The financial statements of the pension and other employee benefit trust funds are prepared using the flow of economic resources measurement focus and the accrual basis of accounting consistent with the plans. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as earned by the plans. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

### Method Used to Value Investments

Investments are reported at fair value as determined by the System's master custodian, BNY Mellon, from its Global Pricing System. This pricing system assigns a price source, based on asset type and the vendor pricing products to which the master custodian subscribes, for every security held immediately following its acquisition. Prices supplied by these sources are monitored on a daily basis by the master custodian.

When a pricing source is unable to provide a price, quotes are sought from major investment brokers and market-making dealers; or internal calculations are applied if feasible. As a last resort, the master custodian will contact investment managers for a price. The master custodian prices commingled funds, partnerships, and real estate assets from statements received from the funds, partnerships, or investment managers.

The pricing sources utilized by the master custodian provide daily prices for equity securities, corporate, government and mortgage-backed fixed income securities, private placement securities, futures and options on futures, open-ended funds, and foreign exchange rates. Depending on the vendor, collateralized mortgage obligations (CMOs), adjustable rate mortgages (ARMs) and asset-backed securities are priced daily, weekly or twice a month and at month-end. Municipal fixed income securities and options on Treasury/Government National Mortgage Association securities are priced at month-end.

The System's investment guidelines for each specific portfolio limits investments in any corporate entity to no more than 5.0 percent of the market value of the account for both the internally and externally managed portfolios. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits.

## C. Plan Description

The Virginia Retirement System (VRS) is a qualified governmental retirement plan that administers three retirement benefit structures: Plan 1, Plan 2, and Hybrid Plan, for state employees, public school board employees, employees of participating political subdivisions, and other qualifying employees. VRS is a combination of mixed-agent and cost-sharing, multiple-employer retirement plans. Each plan's accumulated assets may legally be used to pay all the plan benefits provided to any of the plan's members, retirees, and beneficiaries of each respective plan. Contributions for fiscal year 2023 were $4.2 billion with a reserve balance available for benefits of $98.1 billion. The contributions include one-time payments from the Commonwealth in June 2023 of $73.1 million to the State Employee Plan and $147.5 million to the Teacher Employee Plan. These special payments were authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I. As of June 30, 2023, VRS had 836 contributing employers.

The Commonwealth also administers the following single-employer retirement plans and benefit structures:

- State Police Officers' Retirement System (SPORS) – Plan 1 and Plan 2
- Virginia Law Officers' Retirement System (VaLORS) – Plan 1 and Plan 2
- Judicial Retirement System (JRS) – Plan 1, Plan 2, and Hybrid Plan

All full-time, salaried permanent employees of VRS participating employers are automatically covered under VRS, SPORS, VaLORS or JRS with the following exceptions: (1) certain full-time faculty and administrative staff of public colleges and universities; and (2) eligible classified employees of the two state teaching hospitals. These employees have the option to elect not to participate in the Virginia Retirement System. Benefit provisions and all other requirements are established by Title 51.1 of the *Code of Virginia*.

Benefits vest for all plans after five years of service credit. Vested VRS members in the VRS Plan 1 are eligible for an unreduced retirement benefit at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit as elected by the employer. Vested VRS members in the VRS Plan 2 and the Hybrid Plan are eligible for unreduced retirement benefits at normal social security retirement age with at least five years of service credit or when age and service credit equal 90. Vested SPORS and VaLORS members in both the VRS Plan 1 and the VRS Plan 2 are eligible for an unreduced benefit at age 60 with at least five years of hazardous duty service credit or age 50 with at least 25 years of total service credit.

Annual retirement benefits are payable monthly for life in an amount equal to 1.7 percent of eligible members' average final compensation (AFC) for each year of service credit. Under the VRS Plan 2, the multiplier for general employees was reduced to 1.65 percent beginning January 1, 2013. Under the Hybrid Plan, the multiplier for the defined benefit component is 1.0 percent. AFC is the average of the member's 36 consecutive months of highest creditable compensation for members under the VRS Plan 1. Under the VRS Plan 2 and the Hybrid Plan, a member's AFC is the average of the member's 60 consecutive months of highest creditable compensation. The benefit for members of SPORS is calculated using a 1.85 percent multiplier. Members of SPORS also are eligible for a hazardous duty supplement, paid monthly, until they reach full Social Security retirement age.

Members of VaLORS hired before July 1, 2001, were allowed to make a one-time election to increase the multiplier from 1.7 to 2.0 percent instead of receiving a monthly hazardous duty supplement. VaLORS members who elected to retain the 1.7 percent multiplier are eligible for the supplement until age 65. Members of VaLORS hired after June 20, 2001, have their benefit computed using the 2.0 percent multiplier and are not eligible for the supplement.

Members of JRS receive weighted years of service credit for each year of actual service under JRS. VRS, SPORS, VaLORS, and JRS also provide death and disability benefits.

A cost-of-living allowance (COLA), based on changes in the Consumer Price Index and limited to 5.0 percent per year for VRS Plan 1 and 3.0 percent for VRS Plan 2 and Hybrid Plan, is granted on July 1 of the second calendar year after retirement and is effective each July 1 thereafter. Beginning January 2013, a member who retires with less than 20 years of service must receive an allowance for one full calendar year after reaching unreduced retirement age to be eligible for a COLA. Members within five years of eligibility for an unreduced benefit as of January 1, 2013 were grandfathered.

Benefits for all vested members are actuarially reduced if they retire before becoming eligible for an unreduced retirement benefit, provided they meet age requirements for a reduced retirement benefit.

As required by Title 51.1 of the *Code of Virginia*, members contribute 5.0 percent of their annual compensation to the retirement plans. If a member leaves covered employment, the accumulated contributions plus earned interest may be refunded to the member. Each participating employer is required by state statute to contribute the remaining amounts necessary to fund the retirement plans using the entry age normal actuarial cost method adopted by the Board of Trustees. Contributions for fiscal year 2023 were $58.5 million, $30.1 million, and $115.8 million, and reserved balances available for benefits were $1.1 billion, $678.0 million, and $1.9 billion, for SPORS, JRS, and VaLORS, respectively. Contributions include special one-time payments from the Commonwealth in June 2023 of approximately $3.7 million, $2.1 million and $6.6 million to SPORS, JRS, and VaLORS, respectively. These special payments were authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I. State statute may be amended only by the General Assembly. To the extent that the employer's long-term obligation to provide pension benefits (total pension liability) is larger than the value of the assets available in the plan to pay these benefits (fiduciary net position), there is a net pension liability which is reported in the accompanying financial statements as a component of Long-term Liabilities Due in More than One Year.

The Hybrid Plan is the default benefit structure for new employees in the VRS and JRS plans. The Hybrid Plan benefit structure includes a defined benefit component and a defined contribution component. For Hybrid Plan members, 4.0 percent of the statutory member contribution of 5.0 percent is directed to the defined benefit component of the plan and 1.0 percent is directed to the mandatory defined contribution component of the plan. In addition, 1.0 percent of the total actuarially determined employer contribution is directed to the mandatory defined contribution component of the plan. The Hybrid Plan members may also elect to contribute an additional amount up to 4.0 percent to a voluntary defined contribution plan. The voluntary component also has a mandatory employer match of 0.5 to 2.5 percent that is deducted from the total actuarially determined employer contribution. For the fiscal year 2023, the mandatory and voluntary member contributions for the defined contribution component of the Hybrid Plan totaled $220.8 million and related mandatory employer contributions totaled $174.7 million. The statutory authority for the Hybrid plan is set out in the *Code of Virginia*, Section 51.1-169. This section also highlights the various plan provisions, including vesting and forfeiture. The total amount contributed by the employer shall vest to the employee's benefit according to the following schedule:

a. Upon completion of two years of active participation, 50.0 percent.
b. Upon completion of three years of active participation, 75.0 percent.
c. Upon completion of four years of active participation, 100.0 percent.

If an employee ceases to be a member prior to achieving 100.0 percent vesting, contributions made by an employer on behalf of the employee under subdivision 2 that are not vested shall be forfeited. The Defined Contribution plan component of the Hybrid plan has a fixed employer contribution that is a percentage of covered payroll. There is no additional employer liability for this component at year end.

Further information about the benefits provided in these retirement plans and their different benefit structures can be found in the Virginia Retirement System's Annual Comprehensive Financial Report.

The following table provides participant information.

| | VRS | SPORS | VaLORS | JRS | 2023 Total |
|---|---|---|---|---|---|
| Retirees and Beneficiaries Receiving Benefits | 62,292 | 1,533 | 5,853 | 553 | 70,231 |
| Terminated Employees Entitled to Benefits but not Receiving Them | 13,855 | 165 | 884 | 2 | 14,906 |
| Total | 76,147 | 1,698 | 6,737 | 555 | 85,137 |
| Active Members: | | | | | |
| Vested | 51,099 | 1,528 | 4,011 | 369 | 57,007 |
| Non-Vested | 27,965 | 389 | 3,513 | 88 | 31,955 |
| Total | 79,064 | 1,917 | 7,524 | 457 | 88,962 |

### D. Funding Policy

The funding policy of the retirement plans provides for periodic employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. Contribution rates are developed using the entry age normal cost method for both normal cost and amortization of the unfunded actuarial accrued liability. Gains and losses are reflected in the unfunded actuarial accrued liability that is being amortized as a level percentage of payroll within 30 years or less through fiscal year 2023 and 20 years or less starting in fiscal year 2024.

The System's former actuary, Cavanaugh MacDonald Consulting, LLC, computed the amount of contributions to be provided by state agency employers, state police and other Virginia law employers. The Commonwealth approved contribution rates for fiscal year 2023 based on the actuary's valuation as of June 30, 2021. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 14.5 percent, 30.0 percent, 24.6 percent, and 30.7 percent, respectively.

In addition to determining contribution requirements, the actuarial computations present an estimate of the discounted present value of the prospective accrued liability contributions that employers will have to pay in the future so that such contributions, together with the assets on hand, the normal contributions to be made in the future by employers and members and the income earned by investing funds, will be sufficient to provide all benefits to be paid to present members in the future as well as the annuitants and their designated beneficiaries.

### E. Changes in Net Pension Liability

The total pension liability was determined based on the actuarial valuation as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. The following tables (dollars in thousands) show the Commonwealth's total pension liability, plan fiduciary net position, and net pension liability in total and individually for the VRS, SPORS, JRS, and VaLORS for the current and prior year.

## Primary Government

| | Totals (1) | | |
|---|---|---|---|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2022 | $ 19,198,087 | $ 16,374,516 | $ 2,823,571 |
| Changes for the year | | | |
| Service cost | 316,154 | — | 316,154 |
| Interest | 1,286,139 | — | 1,286,139 |
| Differences between actual and expected experience | (107,318) | — | (107,318) |
| Assumption changes | — | — | — |
| Contributions - employer | — | 644,255 | (644,255) |
| Contributions - member | — | 147,875 | (147,875) |
| Net investment income | — | (15,073) | 15,073 |
| Benefit payments, including refunds | (1,024,596) | (1,036,575) | 11,979 |
| Administrative expense | — | (10,037) | 10,037 |
| Other changes | — | 257 | (257) |
| Net changes | 470,379 | (269,298) | 739,677 |
| Balances at June 30, 2023 | $ 19,668,466 | $ 16,105,218 | $ 3,563,248 |

| | VRS | | | SPORS | | |
|---|---|---|---|---|---|---|
| | Increase (Decrease) | | | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2022 | $ 14,973,225 | $ 12,942,108 | $ 2,031,117 | $ 1,292,177 | $ 1,050,148 | $ 242,029 |
| Changes for the year | | | | | | |
| Service cost | 233,775 | — | 233,775 | 23,688 | — | 23,688 |
| Interest | 1,005,321 | — | 1,005,321 | 86,396 | — | 86,396 |
| Differences between actual and expected experience | (139,728) | — | (139,728) | 25,538 | — | 25,538 |
| Assumption changes | — | — | — | — | — | — |
| Contributions - employer | — | 481,721 | (481,721) | — | 47,452 | (47,452) |
| Contributions - member | — | 123,097 | (123,097) | — | 7,131 | (7,131) |
| Net investment income | — | (12,188) | 12,188 | — | (902) | 902 |
| Benefit payments, including refunds | (756,267) | (773,838) | 17,571 | (71,844) | (71,844) | — |
| Administrative expense | — | (8,078) | 8,078 | — | (602) | 602 |
| Other changes | — | 167 | (167) | — | — | — |
| Net changes | 343,101 | (189,119) | 532,220 | 63,778 | (18,765) | 82,543 |
| Balances at June 30, 2023 | $ 15,316,326 | $ 12,752,989 | $ 2,563,337 | $ 1,355,955 | $ 1,031,383 | $ 324,572 |

| | JRS | | | VaLORS | | |
|---|---|---|---|---|---|---|
| | Increase (Decrease) | | | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2022 | $ 746,502 | $ 673,151 | $ 73,351 | $ 2,186,183 | $ 1,709,109 | $ 477,074 |
| Changes for the year | | | | | | |
| Service cost | 18,630 | — | 18,630 | 40,061 | — | 40,061 |
| Interest | 50,036 | — | 50,036 | 144,386 | — | 144,386 |
| Differences between actual and expected experience | (7,256) | — | (7,256) | 14,128 | — | 14,128 |
| Assumption changes | — | — | — | — | — | — |
| Contributions - employer | — | 30,266 | (30,266) | — | 84,816 | (84,816) |
| Contributions - member | — | 2,033 | (2,033) | — | 15,614 | (15,614) |
| Net investment income | — | (477) | 477 | — | (1,506) | 1,506 |
| Benefit payments, including refunds | (47,720) | (47,719) | (1) | (148,765) | (143,174) | (5,591) |
| Administrative expense | — | (386) | 386 | — | (971) | 971 |
| Other changes | — | 97 | (97) | — | (7) | 7 |
| Net changes | 13,690 | (16,186) | 29,876 | 49,810 | (45,228) | 95,038 |
| Balances at June 30, 2023 | $ 760,192 | $ 656,965 | $ 103,227 | $ 2,235,993 | $ 1,663,881 | $ 572,112 |

## Component Units

| | Totals | | |
|---|---|---|---|
| | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2022 | $ 11,970,848 | $ 10,330,124 | $ 1,640,724 |
| Changes for the year | | | |
| Service cost | 184,392 | — | 184,392 |
| Interest | 789,985 | — | 789,985 |
| Differences between actual and expected experience | (106,159) | — | (106,159) |
| Assumption changes | — | — | — |
| Contributions - employer | — | 380,204 | (380,204) |
| Contributions - member | — | 96,510 | (96,510) |
| Net investment income | — | (9,551) | 9,551 |
| Benefit payments, including refunds | (799,571) | (787,591) | (11,980) |
| Administrative expense | — | (6,327) | 6,327 |
| Other changes | — | 128 | (128) |
| Net changes | 68,647 | (326,627) | 395,274 |
| Balances at June 30, 2023 | $ 12,039,495 | $ 10,003,497 | $ 2,035,998 |

| | VRS | | | VaLORS | | |
|---|---|---|---|---|---|---|
| | Increase (Decrease) | | | Increase (Decrease) | | |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2022 | $ 11,766,422 | $ 10,170,309 | $ 1,596,113 | $ 204,426 | $ 159,815 | $ 44,611 |
| Changes for the year | | | | | | |
| Service cost | 180,127 | — | 180,127 | 4,265 | — | 4,265 |
| Interest | 774,612 | — | 774,612 | 15,373 | — | 15,373 |
| Differences between actual and expected experience | (107,663) | — | (107,663) | 1,504 | — | 1,504 |
| Assumption changes | — | — | — | — | — | — |
| Contributions - employer | — | 371,173 | (371,173) | — | 9,031 | (9,031) |
| Contributions - member | — | 94,848 | (94,848) | — | 1,662 | (1,662) |
| Net investment income | — | (9,391) | 9,391 | — | (160) | 160 |
| Benefit payments, including refunds | (812,078) | (794,507) | (17,571) | 12,507 | 6,916 | 5,591 |
| Administrative expense | — | (6,224) | 6,224 | — | (103) | 103 |
| Other changes | — | 129 | (129) | — | (1) | 1 |
| Net changes | 34,998 | (343,972) | 378,970 | 33,649 | 17,345 | 16,304 |
| Balances at June 30, 2023 | $ 11,801,420 | $ 9,826,337 | $ 1,975,083 | $ 238,075 | $ 177,160 | $ 60,915 |

The amounts in the previous tables include governmental, business-type, and component unit activity for the Commonwealth's VRS State Plan. All component unit tables exclude the non-VRS State Plan net pension liability of $29.8 million for all component units.

The 2021 actuarial valuations were prepared using the entry age normal cost method. The actuarial assumptions included (a) 6.8 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 3.5 percent to 6.0 percent, including a 2.5 percent inflation component and (c) COLA of 2.5 percent for Plan 1 and 2.3 percent for Plan 2 and Hybrid. The actuarial assumption for mortality rates was based on the Pub-2010 with modified MP-2020 Improvement Scale. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

For more detailed actuarial information, refer to the Virginia Retirement System's financial statements, including mortality rates shown in the "Actuarial Assumptions and Methods – Pension Plans" schedule.

## F. Changes to and Sensitivity of Discount Rate

The discount rate used to measure the total pension liability was 6.8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be based on the actuarially determined rates based on the Board's funding policy, which certifies the required rates under Title 51.1 of the *Code of Virginia*. Beginning on July 1, 2018, all agencies are assumed to contribute 100.0 percent of the actuarially determined contribution rates. Based on those assumptions, the fiduciary net position was projected to be available to make all of the projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability. In accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the employers' net pension liability for each of the plans calculated using the discount rate of 6.8 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.0 percent lower (5.8 percent) or 1.0 percent higher (7.8 percent) than the current rate. The following table (dollars in thousands) shows the Commonwealth's changes in the discount rate.

### Primary Government

| VRS | | | SPORS | | |
|---|---|---|---|---|---|
| Net Pension Liability | | | Net Pension Liability | | |
| 1.0% Decrease (5.8%) | Current Discount Rate (6.8%) | 1.0% Increase (7.8%) | 1.0% Decrease (5.8%) | Current Discount Rate (6.8%) | 1.0% Increase (7.8%) |
| $ 4,380,811 | $ 2,563,337 | $ 1,056,965 | $ 495,276 | $ 324,572 | $ 182,452 |

| JRS | | | VaLORS | | |
|---|---|---|---|---|---|
| Net Pension Liability | | | Net Pension Liability | | |
| 1.0% Decrease (5.8%) | Current Discount Rate (6.8%) | 1.0% Increase (7.8%) | 1.0% Decrease (5.8%) | Current Discount Rate (6.8%) | 1.0% Increase (7.8%) |
| $ 179,396 | $ 103,227 | $ 39,020 | $ 870,530 | $ 572,112 | $ 328,823 |

### Component Units

| VRS | | | VaLORS | | |
|---|---|---|---|---|---|
| Net Pension Liability | | | Net Pension Liability | | |
| 1.0% Decrease (5.8%) | Current Discount Rate (6.8%) | 1.0% Increase (7.8%) | 1.0% Decrease (5.8%) | Current Discount Rate (6.8%) | 1.0% Increase (7.8%) |
| $ 3,375,469 | $ 1,975,083 | $ 814,405 | $ 92,689 | $ 60,915 | $ 35,011 |

The long-term expected rate of return on the System's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 long-term target allocations are based on the Strategic Asset Allocation Implementation Schedule and Allowable Ranges document, which was approved by the VRS Board of Trustees on October 10, 2019. Best estimates of arithmetic real rates of return for each major asset class included in the System's long-term target asset allocation are summarized in the following table.

| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|---|---|---|---|
| Public Equity | 34.0 % | 5.7% | 1.9 % |
| Fixed Income | 15.0 % | 2.0% | 0.3 % |
| Credit Strategies | 14.0 % | 4.8% | 0.7 % |
| Real Assets | 14.0 % | 4.5% | 0.6 % |
| Private Equity | 14.0 % | 9.7% | 1.4 % |
| MAPS - Multi-Asset Public Strategies | 6.0 % | 3.7% | 0.2 % |
| PIP-Private Investment Partnerships | 3.0 % | 6.6% | 0.2 % |
| Total | 100.0 % | | 5.3 % |
| Inflation | | | 2.5 % |
| Expected arithmetic nominal return | | | 7.8 % |

The allocation in the previous table provides a one-year expected return of 7.8 percent. 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 pension system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.7 percent, including expected inflation of 2.5 percent. On October 10, 2019, the VRS Board of Trustees elected a long-term rate of return of 6.8 percent which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median of 7.1 percent, including expected inflation of 2.5 percent.

### G. Pension Related Deferred Outflows and Deferred Inflows

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* requires certain pension related items to be reported as either deferred outflows or deferred inflows of resources. The following tables (dollars in thousands) summarize these amounts as of June 30, 2023, in total and by individual plan.

**Primary Government (1)**

| | Totals (2) | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 46,865 | $ 195,058 |
| Changes of assumptions | 191,539 | 7,273 |
| Net difference between projected and actual earnings on plan investments | — | 469,402 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 565,460 | 533,583 |
| Employer contributions subsequent to the Measurement Date | 530,594 | — |
| Total | $ 1,334,458 | $ 1,205,316 |

| | VRS | | SPORS | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ — | $ 169,562 | $ 40,325 | $ 8,612 |
| Changes of assumptions | 102,854 | — | 51,253 | 7,270 |
| Net difference between projected and actual earnings on plan investments | — | 373,644 | — | 29,563 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 537,855 | 502,524 | — | — |
| Employer contributions subsequent to the Measurement Date | 377,603 | — | 46,981 | — |
| Total | $ 1,018,312 | $ 1,045,730 | $ 138,559 | $ 45,445 |

| | JRS | | VaLORS | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ — | $ 13,839 | $ 6,532 | $ 2,995 |
| Changes of assumptions | 29,623 | — | 7,806 | — |
| Net difference between projected and actual earnings on plan investments | — | 19,268 | — | 46,920 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | — | — | 27,605 | 31,059 |
| Employer contributions subsequent to the Measurement Date | 24,304 | — | 81,653 | — |
| Total | $ 53,927 | $ 33,107 | $ 123,596 | $ 80,974 |

**Component Units (1) (3)**

| | Totals | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 696 | $ 130,938 |
| Changes of assumptions | 80,064 | — |
| Net difference between projected and actual earnings on plan investments | — | 292,830 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 28,624 | 62,727 |
| Employer contributions subsequent to the Measurement Date | 315,012 | — |
| Total | $ 424,396 | $ 486,495 |

| | VRS | | VaLORS | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ — | $ 130,620 | $ 696 | $ 318 |
| Changes of assumptions | 79,233 | — | 831 | — |
| Net difference between projected and actual earnings on plan investments | — | 287,834 | — | 4,996 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 24,640 | 62,303 | 3,984 | 424 |
| Employer contributions subsequent to the Measurement Date | 305,856 | — | 9,156 | — |
| Total | $ 409,729 | $ 480,757 | $ 14,667 | $ 5,738 |

(1) During fiscal year 2023, the Commonwealth recognized pension expense for the primary government and component units of $296,297 (dollars in thousands) and $118,547 (dollars in thousands), respectively. The recognized pension expense by plan for the primary government was as follows (dollars in thousands): VRS $179,909, SPORS $34,078, JRS $20,777, and VaLORS $61,533. The recognized pension expense by plan for component units was as follows (dollars in thousands): VRS $107,041 and VaLORS $11,506.

(2) This table includes deferred outflows of resources and deferred inflows of resources of $63,697 and $60,411, respectively, for the Hampton Roads Transportation Accountability Commission (nonmajor governmental), not related to the VRS State Plan. During fiscal year 2023, the Commonwealth made a payment of $52,290 (dollars in thousands) to the System. This amount is reflected as deferred outflows of resources in the accompanying financial statements and excluded from this table.

(3) The component unit amounts exclude deferred outflows of resources and deferred inflows of resources of $41,719 (dollars in thousands) and $23,761 (dollars in thousands), respectively, not related to the VRS State Plan.

**Deferred Amounts to be Recognized in Fiscal Years Following Reporting Date**

The following tables (dollars in thousands) provide the net estimated amount of the deferred inflows and deferred outflows of resources that will be recognized in the Commonwealth's pension expense for each of the next five fiscal years. These amounts exclude employer contributions made subsequent to the measurement date as those contributions will reduce the fiscal year 2024 net pension liability.

**Primary Government**

| | VRS | SPORS | JRS | VaLORS |
|---|---|---|---|---|
| 2024 | $ (153,271) | $ 4,611 | $ (1,925) | $ (7,621) |
| 2025 | (166,689) | 12,454 | (99) | (21,208) |
| 2026 | (247,131) | (3,135) | (9,703) | (35,442) |
| 2027 | 162,070 | 26,620 | 8,243 | 25,240 |
| 2028 | — | 5,583 | — | — |

**Component Units**

| | VRS | VaLORS |
|---|---|---|
| 2024 | $ (142,623) | $ (45) |
| 2025 | (155,110) | (123) |
| 2026 | (229,962) | (206) |
| 2027 | 150,811 | 147 |
| 2028 | — | — |

## H. Defined Contribution Plan for Political Appointees

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the deferred contribution plan for Political Appointees, rather than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the MissionSquare. This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's 12.3 percent and the employee's (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2023, the total contributions to this plan were $2.0 million. As of June 30, 2023, the amount to be paid to participants upon retirement is $26.4 million. The summary of significant accounting policies for the plan is in accordance with those discussed in Note 17.B.

## I. Defined Contribution Plan for Public School Superintendents

The Public School Superintendent Plan is a defined contribution pension plan that provides optional postemployment benefits for school superintendents. This plan is authorized by the *Code of Virginia* and offered through the MissionSquare. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school board for credit to the member. As of June 30, 2023, there were four participant accounts in this plan. During the year ended June 30, 2023, the total contributions to this plan were $61,775. As of June 30, 2023, the amount to be paid to participants upon retirement is $324,562.

## J. Virginia Supplemental Retirement Plan

The Public School Teacher Supplemental Retirement Plan is a defined contribution pension plan established by the Department of Education to provide an optional postemployment benefit plan for turnaround specialists in the public school system. This plan is utilized as an incentive to attract highly skilled teachers for participating public schools pursuant to Title 51.1-617 of the *Code of Virginia* and offered through the MissionSquare. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school boards for credit to the members. As of June 30, 2023, there were two participant accounts in this plan. There were no contributions to the plan for fiscal year 2023.

## K. Higher Education (Nonmajor Component Units)

The Commonwealth's colleges and universities participate in the retirement plans administered by VRS. In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in optional retirement plans as authorized by Section 51.1-126 of the *Code of Virginia* rather than the VRS retirement plans. These optional retirement plans are defined contribution plans offered through the Teachers Insurance and Annuity Association (TIAA) and DCP. There are two defined contribution plans. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based upon the employer's 10.4 percent contributions, plus net investment gains. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based upon the employer's contribution, not to exceed 8.9 percent, and the employee's 5.0 percent contribution, plus net investment gains. For Plan 2, the employer contributions for fiscal year 2023 were 8.5 percent except for the University of Virginia (nonmajor) which were 8.9 percent. Vesting is full and immediate for both employer and employee contributions, except UVA employees hired after July 1, 2014, are fully vested in the UVA contributions after two years of continuous employment. For fiscal year 2023, total pension expense recognized was $190.3 million and contributions were calculated using the base salary amount of $2.0 billion. As of June 30, 2023, the Commonwealth's colleges and universities had accrued $12.7 million in employer liabilities related to these plans.

University of Virginia Medical Center (part of the University of Virginia – nonmajor) employees hired after July 1, 1999, cannot participate in Plan 1 or Plan 2 noted above, but have the option of participating in the Medical Center's Optional Retirement Plan. For information regarding this plan, see the institution's separately issued financial statements.

Certain employees of Virginia Commonwealth University (nonmajor) are participating in The Select Plan, which is a 401(a) defined contribution plan. Participation is limited to executives by invitation. For information regarding this plan, see the University's website at www.vcu.edu.

Prior to July 1, 1997, certain employees of the Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of Virginia Commonwealth University – nonmajor) were eligible to participate in the VRS defined benefit pension plan. Effective July 1, 1997, the Authority established the Virginia Commonwealth University Health System Authority Defined Contribution Plan (VCUHS 401(a) Plan) and the Virginia Commonwealth University Health System Authority Health Care Providers Defined Contribution Plan (HCP Plan). The Authority and component units participate in the VCUHS 401(a) as well as sponsor the VCUHS Savings Plan (VCUHS 457(b) Plan). The Authority also provides an executive defined contribution plan and deferred compensation retirement benefits for select executives of the Health System. MCVAP and CMH Physicians sponsor 401(a) defined contribution plans and 403(b) salary deferral plans. For information regarding these plans, see the Authority's separately issued financial statements.

## L. Other Component Units

Note 1.B. outlines the component units included in the Commonwealth's reporting entity. The Virginia Public Building Authority (blended - primary government), the Virginia Public School Authority (major), and the Virginia College Building Authority (major), have no employees. The Virginia School for the Deaf and Blind Foundation (nonmajor) has one wage employee. Virginia Resources Authority (major) and the following nonmajor component units participate in the retirement plans administered by VRS: the Virginia Economic Development Partnership, the Virginia Small Business Financing Authority, the Hampton Roads Sanitation District Commission, the Virginia Biotechnology Research Partnership Authority, the Virginia Tourism Authority, the Tobacco Region Revitalization Commission, the Virginia Foundation for Healthy Youth, the Virginia Passenger Rail Authority, and the Fort Monroe Authority.

The Virginia Housing Development Authority (major) has three defined contribution plans. For additional information regarding these plans, see the Authority's website at www.vhda.com.

The Virginia Outdoors Foundation (nonmajor) maintains a 401(k) contribution plan and employees are eligible to participate in the retirement plan at six months for the first 4.0 percent (safe harbor match) and from 5.0 percent to 10.0 percent after a three year vesting period. For information regarding this plan, see the Foundation's website at www.vof.org.

The Virginia Commercial Space Flight Authority (nonmajor) maintains a 401(a) contribution plan and provides an employer contribution to all eligible employees of 11.0 percent of their base salary. For information regarding this plan, see the Authority's separately issued financial statements at www.vaspace.org.

The Virginia Port Authority (VPA) (nonmajor) maintains two defined benefit plans for its employees. Employees of record on July 1, 1997, had the option of continuing to maintain their benefit status as a State employee, and their benefits maintained under the VRS, or elect to be covered under a newly created pension plan (the VPA Defined Benefit Plan). The VPA Defined Benefit Plan covers all employees hired between July 1, 1997 and January 28, 2014. Employees hired after January 28, 2014, are eligible for a defined contribution plan only. On January 1, 2015, the plan was amended to add certain employees who transferred from the Virginia International Terminals (VIT) (referred to as "Legacy VIT Participants") to VPA. VIT (a blended component unit of VPA – nonmajor) has the Virginia International Terminals, LLC Pension Plan that is a single employer, noncontributory defined benefit pension plan administered by VIT. A stand-alone financial report is issued and is available upon request from VPA's administrative offices. For information regarding these plans, see the Authority's website at www.portofvirginia.com.

Employees of the Virginia Museum of Fine Arts Foundation (nonmajor) who are age 21 or older are eligible to participate in the Employee's Savings Plan, a 401(k) defined contribution profit sharing plan. Also, the Foundation entered into a supplemental retirement agreement to pay a key employee of the Museum upon retirement the difference between the amount accrued under the VRS retirement plan, based on salary, and the amount based on the supplemental salary. For additional information regarding these plans, see the Foundation's separately issued financial statements.

The Science Museum of Virginia Foundation (nonmajor) has a 403(b) defined contribution pension plan through the TIAA-CREF Retirement Plan for employees meeting age and service requirements. For additional information regarding this plan, see the Foundation's separately issued financial statements.

# 18. OTHER EMPLOYMENT BENEFITS

In addition to the pension plans, the Commonwealth participates in two other employment benefit plans, Group Life Insurance and the Virginia Sickness and Disability Program, which are administered by the Virginia Retirement System (the System). The significant accounting policies are the same as those described in Note 17 for pension plans. A separately issued financial report that includes financial statements for the Group Life Insurance and Virginia Sickness and Disability Program is publicly available. Copies may be obtained from the Virginia Retirement System website at www.varetire.org.

## Group Life Insurance

The Group Life Insurance Plan was established for Commonwealth employees, teachers, employees of political subdivisions participating in the VRS, state police officers, other state law enforcement and correctional officers, judges, and other qualifying employees. The program provides life insurance for natural death coverage equal to a member's annual compensation rounded to the next highest $1,000 and then doubled. Accidental death coverage is double the natural death benefit. The program also provides coverage for accidental dismemberment and accidental blindness, a safety belt benefit, a repatriation benefit, a felonious assault benefit and an accelerated death benefit for terminal conditions. Approximately 346,624 active members participate in the program as of June 30, 2023.

Participating employers and their covered employees are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of group life insurance benefits. Employers may assume the employees' contributions.

An optional Group Life Insurance Fund was established for members covered under the group life program as a supplement to that plan. Members may purchase optional life insurance coverage for themselves, their spouses and/or their dependent children. The optional program provides natural death coverage equal to one, two, three or four times the member's annual compensation rounded to the next highest $1,000, up to a maximum of $800,000. Spouse coverage is available for up to one-half of the member's optional insurance amount. Minor children who are at least 15 days old can be insured for $10,000, $20,000 or $30,000, depending on the option chosen by the member. An additional accidental death and dismemberment benefit is payable for death or bodily injuries. Approximately 73,958 members were covered under this program as of June 30, 2023.

Optional group life insurance coverage ends for members when they retire or terminate their employment, or when their basic coverage ends. Optional life insurance amounts begin to reduce by 25.0 percent based on the retiree's age, beginning with the retiree's normal retirement age under his or her plan ending at age 80. Retirees may elect to continue coverage within 31 days of retirement. Spouse coverage terminates should a couple divorce or when the member leaves employment. Children's coverage ends with the termination of the member's coverage or when the child marries or turns 21 years of age (25 years of age for full-time college students).

Employers of members who elect optional life insurance coverage deduct the premiums from the members' paychecks, as required by Title 51.1 of the *Code of Virginia*. Premiums are based on the member's age and determined by the Board of Trustees. Because optional life insurance is an insured product, the carrier bills each employer directly, and the employer makes the contribution payments to the carrier. Any differences and adjustments are settled between the employer and the carrier.

**Virginia Sickness and Disability Program**

The System administers the Virginia Sickness and Disability Program (VSDP) to provide income protection in the event of a disability for eligible state employees hired on or after January 1, 1999. State agencies are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of providing long-term disability benefits and administering the program.

VSDP benefits include sick, family and personal leave and short-term and long-term disability benefits. After a seven-calendar day waiting period following the first day of disability, eligible employees receive short-term disability benefits from 60.0 percent to 100.0 percent of their compensation. After 125 work days of short-term disability, eligible employees receive long-term disability benefits equal to 60.0 percent of their compensation. If the employee's condition becomes catastrophic, income replacement increases to 80.0 percent until the condition is no longer catastrophic. Long-term disability benefits continue until employees return to work, retire or reach age 65 (age 60 for state police officers and other state law enforcement and correctional officers) or die.

Full-time permanent salaried state employees, including state police officers and other Virginia law and correctional officers, are automatically enrolled in the VSDP. Part-time permanent salaried state employees who work at least 20 hours a week and accrue leave also are automatically enrolled. Teaching, administrative and research faculty of Virginia public colleges and universities who elect VRS as their retirement plan must make an irrevocable election to participate in either the VSDP or the institution's disability program. If there is no institution program, the faculty member is covered under VSDP.

Eligible state employees and state police officers employed before January 1, 1999, had the option to elect to participate in the VSDP or remain under the Commonwealth's existing sick leave program and retain their eligibility for disability retirement benefits under VRS and SPORS. (Members of VaLORS have been automatically enrolled in the VSDP since October 1, 1999, when VaLORS was created.) Eligible employees enrolled in the VSDP are not eligible for disability retirement benefits under VRS, SPORS, or VaLORS. Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work related short-term disability coverage and certain income replacement levels. Approximately 82,381 members were covered under the program as of June 30, 2023.

## 19. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

### A. Virginia Retirement System (System-administered) OPEB Plans

#### 1) Administration and Significant Accounting Policies

The System-administered defined benefit OPEB plans mentioned below have a trust that meets the requirements in GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*. In addition, the net OPEB liability for these plans have a measurement date of June 30, 2022. As previously mentioned, a separately issued financial report that includes financial statements, notes and required supplementary information for each of the System-administered plans discussed below is publicly available. Copies may be obtained from the Virginia Retirement System website at www.varetire.org.

The administration and significant accounting policies for the System-administered OPEB plans are the same as those described in Note 17 for pension plans.

#### 2) Plan Descriptions

**Retiree Health Insurance Credit Program**

The Retiree Health Insurance Credit Program is composed of a single-employer plan for state employees; a cost-sharing multiple-employer plan for teachers; three cost-sharing, multiple-employer plans for constitutional officers, social services employees and registrars; and an agent, multiple-employer plan for political subdivisions electing coverage. This note and the required supplementary information in this report is for the single-employer plan for state employees and also includes the state-funded noncontributing employer portion for constitutional officers, registrars, and their employees, as well as local social service employees.

The Retiree Health Insurance Credit (RHIC) for state employees provides benefits for retired state employees, state police officers, other state law enforcement, correctional officers, and judges who have at least 15 years of service credit under the retirement plans. Members of JRS receive weighted years of service credit for each year of actual service under JRS. VRS, SPORS, VaLORS, and JRS also provide death and disability benefits. The program provides a credit reimbursement of $4 per month per year of service credit against the monthly health insurance premiums of eligible retirees. There is no cap on the credit. Certain eligible employees who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program are eligible for a credit not to exceed $120.

The following is the approximate number of employees covered by the RHIC plan for state employees on the measurement date of June 30, 2022:

| | RHIC for State Employees |
|---|---|
| Inactive employees currently receiving benefit payments | 50,134 |
| Inactive employees entitled to but not yet receiving benefit payments | 4,402 |
| Active employees | 108,528 |
| Total | 163,064 |

The health insurance credit plan for general registrars, constitutional officers, and their employees as well as local social service employees (RHIC Non-State) provides $1.50 per month per year of service with a maximum monthly credit of $45. The Commonwealth funds this credit. Benefit provisions and eligibility requirements are established by Title 51.1 of the *Code of Virginia*. The amount required to fund all credits is financed by the employers based on contribution rates determined by the System's actuary.

**Virginia Sickness and Disability Program**

The Virginia Sickness and Disability Program (VSDP) is a single-employer plan. It is also known as the Disability Insurance Trust Fund. The Commonwealth provides OPEB disability insurance benefits, in accordance with state statutes, to eligible retired and terminated employees. Eligible employees include 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 and full-time and part-time, salaried state employees covered under VRS, SPORS, and VaLORS. State agencies are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of providing long-term disability benefits and administering the program. The following is the approximate number of employees covered by this plan on the measurement date of June 30, 2022:

| | VSDP |
|---|---|
| Inactive employees currently receiving benefit payments | 5,757 |
| Inactive employees entitled to but not yet receiving benefit payments | — |
| Active employees | 76,529 |
| Total | 82,286 |

**Group Life Insurance Program**

The Group Life Insurance Program (GLI) is a cost-sharing, multiple employer plan. Members whose employers participate in the Group Life Insurance Program are covered automatically under the Basic Group Life Insurance Program upon employment. This program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including certain employers that do not participate in VRS for retirement. At retirement or termination, accidental death benefits cease and natural death coverage reduces at a rate equal to 25.0 percent on January 1 of the first full calendar year following retirement or termination and on January 1 of each year thereafter, until it reaches 25.0 percent of its original value. These group life insurance benefit provisions and requirements are established by Title 51.1 of the *Code of Virginia*. Participating employers and covered employees are required to contribute to the cost of group life insurance benefits. Employers may assume employees' contributions. A portion of the premium contributions collected during members' active careers is placed in an advance premium deposit reserve. This reserve is to fund the claims for eligible retired and deferred members.

**Line of Duty Act Program**

The Line of Duty Act Program (LODA) is a cost-sharing, multiple employer plan. It provides a one-time death benefit and premium-free health insurance to eligible public safety officers and eligible family members including volunteers, covered by resolutions, who as a result of the performance of their duties are permanently disabled or killed in the line of duty. There is limited health insurance reimbursement made to eligible individuals who no longer qualify for eligibility for employer subsidized coverage during the evaluation process. Benefit provisions and eligibility requirements are established by Title 9.1 of the *Code of Virginia*. The System is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in fiscal year 2012. The employer contribution rate was determined by the System's actuary using the anticipated costs and the number of covered individuals associated with all participating employers. The Department of Human Resource Management administers the health benefits and payment of claims under this program. The System manages the death benefit payments.

### 3) Funding

The contribution requirements are governed by the *Code of Virginia*, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employer contributions by the Commonwealth for the RHIC and VSDP were 1.1 percent and 0.6 percent, respectively, of covered employee compensation. In addition, the contributions by the Commonwealth for the RHIC: Non-State for general registrars, constitutional officers, and their employees, and local social service employees were approximately 0.4 percent.

The total contribution rate for the GLI was 1.3 percent allocated into an employee and an employer component using a 60/40 split. The employee component was 0.8 percent and the employer component was 0.5 percent. Each employer's contractually required employer contribution rate for the year ended June 30, 2023, was 0.5 percent of covered employee compensation. Each employer's contractually required employer contribution rate for the LODA for the year ended June 30, 2023, was $681.84 per covered full-time-equivalent employee.

The Commonwealth approved rates based on the results of the actuarial valuation as of June 30, 2021 with some rates being approved at a value greater than the actuarial rate. For RHIC and GLI, the actuarially determined rate was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. For VSDP, 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. For the LODA, the rate represents a pay-as-you-go funding rate and not the full actuarial cost of benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year.

Employer contributions by the Commonwealth to the RHIC, VSDP, GLI, LODA, and the RHIC Non-State plans were $119.5 million, $31.1 million, $41.5 million, $8.1 million, and $6.2 million, respectively, for the year ended June 30, 2023. These contributions include special one-time payments made by the Commonwealth in June 2023 of approximately $27.2 million, $3.1 million and $1.1 million for RHIC, GLI, and the RHIC Non-State plans, respectively. These special payments were authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I.

### 4) Changes in Net OPEB Liability and Proportionate Share of Net OPEB Liability

The total OPEB liability for each plan was determined based on the actuarial valuation as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022. The following tables (dollars in thousands) show the Commonwealth's total OPEB liability, plan fiduciary net position, and net OPEB liability (asset) for the RHIC and VSDP for the current and prior year, and the Commonwealth's proportionate share of the net OPEB liability for GLI, LODA, and RHIC Non-State plans. Since the VSDP has a net OPEB asset rather than a net OPEB liability, the net OPEB asset amount is not included in the total balance amount. The Commonwealth's Proportion for the GLI, LODA, and RHIC Non-State plans of $1.2 billion, $378.5 million and $39.0 million, respectively represents the portion of the Commonwealth's share of Net OPEB Liability amount compared to the Net OPEB Liability amount for all employers.

## Primary Government

| | RHIC | | | VSDP | | |
|---|---|---|---|---|---|---|
| | Increase (Decrease) | | | Increase (Decrease) | | |
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a)-(b) | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (Asset) (1) (a)-(b) |
| Balances at June 30, 2022 | $ 434,908 | $ 85,900 | $ 349,008 | $ 165,858 | $ 379,837 | $ (213,979) |
| Changes for the year | | | | | | |
| Service cost | 7,609 | — | 7,609 | 19,160 | — | 19,160 |
| Interest | 28,967 | — | 28,967 | 11,891 | — | 11,891 |
| Benefit changes | — | — | — | — | — | — |
| Differences between actual and expected experience | (14,199) | — | (14,199) | 12,611 | — | 12,611 |
| Assumption changes | 5,619 | — | 5,619 | — | — | — |
| Contributions - employer | — | 38,998 | (38,998) | — | 17,572 | (17,572) |
| Contributions - member | — | — | — | — | — | — |
| Net investment income | — | (149) | 149 | — | (315) | 315 |
| Benefit payments | (29,175) | (31,115) | 1,940 | (18,074) | (17,619) | (455) |
| Third-party administrator charges | — | — | — | — | (4,508) | 4,508 |
| Administrative expense | — | (148) | 148 | — | (300) | 300 |
| Other changes | — | (164) | 164 | — | 379 | (379) |
| Net changes | (1,179) | 7,422 | (8,601) | 25,588 | (4,791) | 30,379 |
| Balances at June 30, 2023 | $ 433,729 | $ 93,322 | $ 340,407 | $ 191,446 | $ 375,046 | $ (183,600) |

| | Other Plans (3) | |
|---|---|---|
| | Commonwealth's Proportion | Proportionate Share of Net OPEB Liability |
| Group Life Insurance | 14.5 % | $ 174,815 |
| Line of Duty Act | 56.6 % | 214,061 |
| Retiree Health Insurance Credit: Non-State | 100.0 % | 38,979 |
| Balance at June 30, 2023 | | $ 427,855 |
| Total balance at June 30, 2023: (excludes VSDP net OPEB asset) (1) (2) | | $ 768,262 |

## Component Units

| | RHIC | | | VSDP | | |
|---|---|---|---|---|---|---|
| | Increase (Decrease) | | | Increase (Decrease) | | |
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a)-(b) | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (Asset) (1) (a)-(b) |
| Balances at June 30, 2022 | $ 617,492 | $ 121,960 | $ 495,532 | $ 101,340 | $ 232,082 | $ (130,742) |
| Changes for the year | | | | | | |
| Service cost | 10,702 | — | 10,702 | 11,642 | — | 11,642 |
| Interest | 40,740 | — | 40,740 | 7,224 | — | 7,224 |
| Benefit changes | — | — | — | — | — | — |
| Differences between actual and expected experience | (19,970) | — | (19,970) | 7,663 | — | 7,663 |
| Assumption changes | 7,903 | — | 7,903 | — | — | — |
| Contributions - employer | — | 54,849 | (54,849) | — | 10,677 | (10,677) |
| Contributions - member | — | — | — | — | — | — |
| Net investment income | — | (209) | 209 | — | (192) | 192 |
| Benefit payments | (46,848) | (44,908) | (1,940) | (11,551) | (12,006) | 455 |
| Third-party administrator charges | — | — | — | — | (2,739) | 2,739 |
| Administrative expense | — | (209) | 209 | — | (183) | 183 |
| Other changes | — | (230) | 230 | — | 231 | (231) |
| Net changes | (7,473) | 9,293 | (16,766) | 14,978 | (4,212) | 19,190 |
| Balances at June 30, 2023 | $ 610,019 | $ 131,253 | $ 478,766 | $ 116,318 | $ 227,870 | $ (111,552) |

| | Other Plans (3) | |
|---|---|---|
| | Commonwealth's Proportion | Proportionate Share of Net OPEB Liability |
| Group Life Insurance | 15.6 % | $ 187,331 |
| Line of Duty Act | 2.9 % | 11,184 |
| Balance at June 30, 2023 | | $ 198,515 |
| Total balance at June 30, 2023: (excludes VSDP net OPEB asset) (1) (4) | | $ 677,281 |

(1) The VSDP net OPEB asset is included in Other Restricted Assets in the accompanying government-wide financial statements.
(2) The primary government's aggregate OPEB liability is $975,700 (dollars in thousands) as of June 30, 2023. This includes amounts for both the VRS-administered and DHRM-administered plans.
(3) The primary government's proportion for Group Life Insurance and Line of Duty changed by 0.0 percent and 0.3 percent, respectively, while the component units' proportion changed by 0.1 percent and -0.2 percent, respectively, when compared to the prior year. The Commonwealth's proportion of the Retiree Health Insurance Credit: Non-State for the primary government did not change from the prior year.
(4) The component unit's aggregate OPEB liability is $868,198 (dollars in thousands) as of June 30, 2023. This includes amounts for both the VRS-administered and DHRM-administered plans as well as other OPEB plans.

The amounts in the previous tables include governmental, business-type, and component unit activity for the Commonwealth's VRS OPEB plans. The table excludes other net OPEB liability amounts of $14.4 million for all other component units.

The net OPEB liabilities were based on an actuarial valuation as of June 30, 2021, using the entry age normal actuarial cost method. The actuarial assumptions included the following: (a) investment rate of return, net of OPEB plan investment expenses, including inflation: 6.8 percent for RHIC, VSDP, and GLI, and 3.7 percent for LODA; and (b) projected salary increases, including a 2.5 percent inflation component, ranging from 3.5 percent to 6.0 percent for VRS state, JRS, SPORS, and VaLORS employees, and teachers and political subdivision employees. For these OPEB plans, the teachers and political subdivision employees are not Commonwealth employees and, therefore, are excluded from the accompanying tables.

For more detailed actuarial information, refer to the Virginia Retirement System's financial statements, including the "Actuarial Assumptions and Methods – Other Post-Employment Benefit Plan Funds" schedule.

**5) Changes to and Sensitivity of Discount Rate**

The discount rate used to measure the total OPEB liability was 6.8 percent for the prefunded plans. These include the Group Life Insurance Program, the Retiree Health Insurance Credit Program, and the Disability Insurance Program.

The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be based on the actuarially determined rates based on the Board's funding policy, which certifies the required rates under Title 51.1 of the *Code of Virginia*. Based on those assumptions, the fiduciary net position was projected to be available to make all of the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of the projected benefit payments to determine the total OPEB liability. In accordance with GASB Statement No. 75 regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following table (dollars in thousands) presents the employers' net OPEB liability for each of the plans calculated using the discount rate of 6.8 percent, as well as what the employers' net OPEB liability would be if it were calculated using a discount rate that is 1.0 percent lower (5.8 percent) or 1.0 percent higher (7.8 percent) than the current rate.

The Line of Duty Act Program is funded on a pay-as-you-go basis. As a result, the liabilities are valued using a discount rate of 3.7 percent, which approximates the risk-free rate of return. This rate increased by 1.5 percent when compared to the prior year. The following table (dollars in thousands) shows the Commonwealth's changes in the discount rate and the healthcare trend rate.

## Primary Government

**Changes in Discount Rate**

| RHIC Net OPEB Liability 1.0% Decrease (5.8%) | RHIC Current Discount Rate (6.8%) | RHIC 1.0% Increase (7.8%) | VSDP Net OPEB Liability (Asset) (1) 1.0% Decrease (5.8%) | VSDP Current Discount Rate (6.8%) | VSDP 1.0% Increase (7.8%) |
|---|---|---|---|---|---|
| $ 382,247 | $ 340,407 | $ 304,485 | $ (168,987) | $ (183,600) | $ (196,440) |

| GLI Proportionate Share of Net OPEB Liability 1.0% Decrease (5.8%) | GLI Current Discount Rate (6.8%) | GLI 1.0% Increase (7.8%) | LODA Proportionate Share of Net OPEB Liability 1.0% Decrease (2.7%) | LODA Current Discount Rate (3.7%) | LODA 1.0% Increase (4.7%) |
|---|---|---|---|---|---|
| $ 254,376 | $ 174,815 | $ 110,519 | $ 244,348 | $ 214,061 | $ 189,282 |

| Changes in Discount Rate — RHIC: Non-State Proportionate Share of Net OPEB Liability 1.0% Decrease (5.8)% | Current Discount Rate (6.8%) | 1.0% Increase (7.8)% | Changes in Healthcare Cost Trend Rates — LODA Proportionate Share of Net OPEB Liability 1.0% Decrease (6.0% decreasing to 3.8%) | Healthcare Cost Trend Rates (7.0% decreasing to 4.8%) | 1.0% Increase (8.0% decreasing to 5.8%) |
|---|---|---|---|---|---|
| $ 44,102 | $ 38,979 | $ 34,625 | $ 180,393 | $ 214,061 | $ 256,320 |

## Component Units

**Changes in Discount Rate**

| RHIC Net OPEB Liability 1.0% Decrease (5.8)% | RHIC Current Discount Rate (6.8%) | RHIC 1.0% Increase (7.8%) | VSDP Net OPEB Liability (Asset) (1) 1.0% Decrease (5.8)% | VSDP Current Discount Rate (6.8%) | VSDP 1.0% Increase (7.8%) |
|---|---|---|---|---|---|
| $ 537,613 | $ 478,766 | $ 428,244 | $ (102,674) | $ (111,552) | $ (119,353) |

| GLI Proportionate Share of Net OPEB Liability 1.0% Decrease (5.8)% | GLI Current Discount Rate (6.8%) | GLI 1.0% Increase (7.8%) | LODA Proportionate Share of Net OPEB Liability 1.0% Decrease (2.7%) | LODA Current Discount Rate (3.7%) | LODA 1.0% Increase (4.7%) |
|---|---|---|---|---|---|
| $ 272,588 | $ 187,331 | $ 118,431 | $ 12,766 | $ 11,184 | $ 9,889 |

**Changes in Healthcare Cost Trend Rates**

| LODA Proportionate Share of Net OPEB Liability 1.0% Decrease (6.0% decreasing to 3.8%) | Healthcare Cost Trend Rates (7.0% decreasing to 4.8%) | 1.0% Increase (8.0% decreasing to 5.8%) |
|---|---|---|
| $ 9,424 | $ 11,184 | $ 13,391 |

(1) The VSDP net OPEB asset is included in Other Restricted Assets in the accompanying government-wide financial statements.

The long-term expected rate of return on the System's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 long-term target allocations are based on the Strategic Asset Allocation Implementation Schedule and Allowable Ranges document, which was approved by the VRS Board of Trustees on October 10, 2019. Best estimates of arithmetic real rates of return for each major asset class included in the System's long-term target asset allocation are summarized in the following table.

| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|---|---|---|---|
| Public Equity | 34.0 % | 5.7 % | 1.9 % |
| Fixed Income | 15.0 % | 2.0 % | 0.3 % |
| Credit Strategies | 14.0 % | 4.8 % | 0.7 % |
| Real Assets | 14.0 % | 4.5 % | 0.6 % |
| Private Equity | 14.0 % | 9.7 % | 1.4 % |
| MAPS - Multi-Asset Public Strategies | 6.0 % | 3.7 % | 0.2 % |
| PIP-Private Investment Partnerships | 3.0 % | 6.6 % | 0.2 % |
| Total | 100.0 % | | 5.3 % |
| Inflation | | | 2.5 % |
| Expected arithmetic nominal return | | | 7.8 % |

The allocation in the previous table provides a one-year expected return of 7.8 percent. 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 pension 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 6.7 percent, including expected inflation of 2.5 percent. On October 10, 2019, the VRS Board of Trustees elected a long-term rate of return of 6.8 percent which is roughly at the 40th percentile of expected long-term results of VRS fund asset allocation at that time, providing a median of 7.1 percent, including expected inflation of 2.5 percent.

The long-term expected rate of return on the LODA OPEB Program's investments was set at 3.7 percent for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.8 percent assumption. Instead, the assumed annual rate of return of 3.7 percent was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Fidelity Fixed Income General Obligation 20-year Municipal Bond Index as of June 30, 2022.

### 6) OPEB Related Deferred Outflows and Deferred Inflows

GASB Statement No. 75 requires certain OPEB related items to be reported as either deferred outflows or deferred inflows of resources. The following tables (dollars in thousands) summarize these amounts as of June 30, 2023, in total and by individual plan.

## Primary Government (3)

| | Totals (1) | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 49,176 | $ 191,604 |
| Changes of assumptions | 80,300 | 265,723 |
| Net difference between projected and actual earnings on plan investments | 214 | 22,161 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 192,114 | 207,473 |
| Employer contributions subsequent to the Measurement Date | 89,374 | — |
| Amounts associated with transactions subsequent to the Measurement Date | 22,692 | — |
| Total | $ 433,870 | $ 686,961 |

| | RHIC | | VSDP | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 58 | $ 20,573 | $ 18,483 | $ 27,331 |
| Changes of assumptions | 11,388 | 172 | 1,059 | 3,607 |
| Net difference between projected and actual earnings on plan investments | — | 185 | — | 10,138 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 65,249 | 66,624 | 27,675 | 28,422 |
| Employer contributions subsequent to the Measurement Date | 38,803 | — | 19,467 | — |
| Total | $ 115,498 | $ 87,554 | $ 66,684 | $ 69,498 |

| | GLI | | LODA | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 13,844 | $ 7,013 | $ 16,446 | $ 40,009 |
| Changes of assumptions | 6,520 | 17,028 | 59,696 | 52,797 |
| Net difference between projected and actual earnings on plan investments | — | 10,923 | — | 915 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 37,596 | 39,583 | 25,841 | 27,242 |
| Employer contributions subsequent to the Measurement Date | 18,967 | — | 7,756 | — |
| Total | $ 76,927 | $ 74,547 | $ 109,739 | $ 120,963 |

| | RHIC: Non-State | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 345 | $ 1,954 |
| Changes of assumptions | 1,637 | 116 |
| Net difference between projected and actual earnings on plan investments | 214 | — |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 2,056 | 2,113 |
| Employer contributions subsequent to the Measurement Date | 4,381 | — |
| Total | $ 8,633 | $ 4,183 |

## Component Units (2) (3)

| | Totals (1) | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 27,004 | $ 126,387 |
| Changes of assumptions | 26,766 | 167,835 |
| Net difference between projected and actual earnings on plan investments | — | 18,172 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 52,529 | 42,353 |
| Employer contributions subsequent to the Measurement Date | 85,070 | — |
| Amounts associated with transactions subsequent to the Measurement Date | 17,045 | — |
| Total | $ 208,414 | $ 354,747 |

| | RHIC | | VSDP | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 82 | $ 28,936 | $ 11,228 | $ 16,607 |
| Changes of assumptions | 16,017 | 242 | 644 | 2,191 |
| Net difference between projected and actual earnings on plan investments | — | 259 | — | 6,159 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 18,850 | 17,859 | 3,614 | 3,016 |
| Employer contributions subsequent to the Measurement Date | 53,502 | — | 11,666 | — |
| Total | $ 88,451 | $ 47,296 | $ 27,152 | $ 27,973 |

| | GLI | | LODA | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ 14,834 | $ 7,516 | $ 860 | $ 2,089 |
| Changes of assumptions | 6,987 | 18,246 | 3,118 | 2,758 |
| Net difference between projected and actual earnings on plan investments | — | 11,706 | — | 48 |
| Changes in proportion and difference between employer contributions and proportionate share of contributions | 6,656 | 7,724 | 1,935 | 2,072 |
| Employer contributions subsequent to the Measurement Date | 19,514 | — | 388 | — |
| Total | $ 47,991 | $ 45,192 | $ 6,301 | $ 6,967 |

(1) These tables aggregate the deferred inflows of resources and deferred outflows of resources for both the VRS-administered and DHRM-administered plans. During fiscal year 2023, the Commonwealth made a payment of $13,382 (dollars in thousands) to the System. This amount is reflected as deferred outflows of resources in the accompanying financial statements and excluded from the primary government amounts on the previous page.

(2) The component unit amounts in the accompanying financial statements include deferred outflows of resources and deferred inflows of resources of $24,093 (dollars in thousands) and $12,208 (dollars in thousands), respectively, for other OPEB plans.

(3) Additionally, during fiscal year 2023, the Commonwealth recognized OPEB expense for the primary government and component units of negative $60,303 (dollars in thousands) and negative $35,678 (dollars in thousands), respectively, for the VRS-administered OPEB plans and the DHRM-administered OPEB plans. The recognized OPEB expense by plan for the primary government was as follows for the VRS-administered OPEB plans (dollars in thousands): RHIC $26,014; VSDP $1,481; GLI $4,262; LODA $28,470; and RHIC: Non-State $4,005. The recognized OPEB expense by plan for component units was as follows (dollars in thousands): RHIC $41,432; VSDP $1,076; GLI $6,026; and LODA $1,519. The Commonwealth recognized OPEB expense for the primary government and component units of negative $124,535 (dollars in thousands) and negative $85,731 (dollars in thousands) respectively, for the DHRM-administered OPEB plan.

**Deferred Amounts to be Recognized in Fiscal Years Following Reporting Date**

The following tables (dollars in thousands) provide the net estimated amount of the deferred inflows and deferred outflows of resources that will be recognized in the Commonwealth's OPEB expense for each of the next five fiscal years and thereafter. These amounts exclude employer contributions made subsequent to the measurement date as those contributions will reduce the fiscal year 2024 net OPEB liability (asset).

**Primary Government**

| | RHIC | VSDP | GLI | LODA |
|---|---|---|---|---|
| 2024 | $ (2,436) | $ (8,434) | $ (3,322) | $ (120) |
| 2025 | (2,363) | (8,366) | (3,228) | (99) |
| 2026 | (3,504) | (10,405) | (9,993) | (77) |
| 2027 | (850) | 1,424 | 1,437 | 636 |
| 2028 | (1,657) | 439 | (1,481) | (417) |
| Thereafter | (49) | 3,061 | — | (18,903) |

| | RHIC: Non-State |
|---|---|
| 2024 | $ 144 |
| 2025 | 161 |
| 2026 | (44) |
| 2027 | 35 |
| 2028 | (100) |
| Thereafter | (127) |

**Component Units**

| | RHIC | VSDP | GLI | LODA |
|---|---|---|---|---|
| 2024 | $ (2,771) | $ (4,727) | $ (3,349) | $ (6) |
| 2025 | (2,686) | (4,689) | (3,252) | (6) |
| 2026 | (3,985) | (5,831) | (10,070) | (4) |
| 2027 | (966) | 798 | 1,449 | 35 |
| 2028 | (1,883) | 246 | (1,493) | (23) |
| Thereafter | (56) | 1,716 | — | (1,050) |

## B. Department of Human Resource Management (DHRM-administered) OPEB Plan

### 1) Administration

The DHRM-administered defined benefit OPEB plan mentioned below does not have a trust that meets the requirements of GASB Statement No. 75. In addition, the total OPEB liability for this plan has a measurement date of June 30, 2022. A separately issued financial report for this DHRM-administered OPEB plan is not available.

### 2) Plan Description

The Commonwealth provides a Pre-Medicare Retiree Healthcare (PMRH) plan established by Title 2.2 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 DHRM. After retirement, the Commonwealth of Virginia 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. Following are eligibility requirements for Virginia Retirement System (VRS) retirees:

- Retiring state employee who is eligible for a monthly retirement benefit from VRS;
- Start receiving (do not defer) retirement benefit immediately upon retirement;
- Last employer before retirement was the Commonwealth of Virginia;
- Eligible for (even if not enrolled) coverage as an active employee in the State Health Benefits Program until retirement date (not including Extended Coverage/COBRA); and
- Enroll no later than 31 days from retirement date.

Effective January 1, 2017, are the following eligibility requirements for Optional Retirement Plan (ORP) retirees:

- Terminating state employee who participates in one of the qualified Optional Retirement Plans;
- Last employer before termination was the Commonwealth of Virginia;
- Eligible for (even if not enrolled) coverage in the State Employee Health Benefits Program for active employees at the time of termination;
- Meet age and service requirements for an immediate retirement benefit under the non-ORP VRS plan that the retiree would have been eligible for on the date of hire had the retiree not elected the ORP; and
- Enroll in the State Retiree Health Benefits Program no later than 31 days from the date the retiree loses coverage (or loses eligibility for coverage) in the State Health Benefits Program for active employees due to termination of employment.

Eligibility for ORP retirees who terminated prior to January 1, 2017, would be based on the policy in place at the time of their termination.

This fund is reported as part of the Commonwealth's Health Care 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 3,647 retirees and

92,839 active employees in the program as of June 30, 2022. 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.

### 3) Funding

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.

### 4) Changes in Total OPEB Liability

The PMRH total OPEB liability of $363.4 million as of June 30, 2023, was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022. The following tables (dollars in thousands) show the Commonwealth's total OPEB liability for the current and prior year:

**Primary Government**

| | PMRH |
|---|---|
| | Increase (Decrease) |
| | Total OPEB Liability |
| Balances at June 30, 2022 | $ 257,325 |
| Changes for the year | |
| Service cost | 17,880 |
| Interest cost | 5,719 |
| Changes of benefit terms | — |
| Differences between expected and actual experience | (13,759) |
| Changes of assumptions | (39,897) |
| Benefit payments | (19,830) |
| Net change | (49,887) |
| Balances at June 30, 2023 | $ 207,438 |

**Component Units**

| | PMRH |
|---|---|
| | Increase (Decrease) |
| | Total OPEB Liability |
| Balances at June 30, 2022 | $ 191,567 |
| Changes for the year | |
| Service cost | 13,445 |
| Interest cost | 4,301 |
| Changes of benefit terms | — |
| Differences between expected and actual experience | (10,346) |
| Changes of assumptions | (29,999) |
| Benefit payments | (12,990) |
| Net change | (35,589) |
| Balances at June 30, 2023 | $ 155,978 |

The amounts in the previous tables include governmental, business-type, and component unit activity for the DHRM-administered OPEB plan. The table excludes the non-DHRM OPEB plans' total OPEB liability of $20.5 million for all other component units.

The PMRH total OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2022. 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 8.0 percent for medical and pharmacy and 4.0 percent for dental. The ultimate trend rates used were 4.5 percent for medical and pharmacy and 4.0 percent for dental.

**Actuarial Assumptions and Methods**

Valuation Date of June 30, 2022

| | |
|---|---|
| Measurement Date | June 30, 2022 (one year prior to the end of the fiscal year) |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level dollar, Closed |
| Effective Amortization Period | 5.86 years |
| Discount Rate | 3.5% |
| Projected Salary Increases | 5.4% to 3.5% based on years of service from 1 year to 20 years or more |
| Medical Trend Under 65 | Medical & Rx: 8.0% to 4.5% Dental: 4.0% |
| Year of Ultimate Trend | 2033 |
| Mortality | Mortality rates vary by participant status |
| 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, 2022. The inflation rate used was 2.3 percent per year and there were no ad hoc postemployment benefit changes used to measure the total OPEB liability.

**Changes of Assumptions**

The following actuarial assumptions were updated since the June 30, 2021 valuation based on recent experience:

- Retiree participation - reduced the rate from 40.0 percent to 35.0 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, 2022. Additionally, the discount rate was increased from 2.2 percent to 3.5 percent based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date of June 30, 2022. There were no plan changes in the valuation since the prior year.

## 5) Changes to and Sensitivity of Discount Rate

The following table (dollars in thousands) shows the Commonwealth's changes in discount rate and the healthcare cost trend rates.

### Primary Government

| Changes in Discount Rate | | |
|---|---|---|
| PMRH | | |
| Total OPEB Liability | | |
| 1.0% Decrease (2.5%) | Current Discount Rate (3.5%) | 1.0% Increase (4.5%) |
| $ 218,981 | $ 207,438 | $ 196,137 |

| Changes in Healthcare Cost Trend Rates | | |
|---|---|---|
| PMRH | | |
| Total OPEB Liability | | |
| 1.0% Decrease | Healthcare Cost Trend Rates | 1.0% Increase |
| (7.0% decreasing to 3.5%) | (8.0% decreasing to 4.5%) | (9.0% decreasing to 5.5%) |
| $ 188,848 | $ 207,438 | $ 228,844 |

### Component Units

| Changes in Discount Rate | | |
|---|---|---|
| PMRH | | |
| Total OPEB Liability | | |
| 1.0% Decrease (2.5%) | Current Discount Rate (3.5%) | 1.0% Increase (4.5%) |
| $ 164,658 | $ 155,978 | $ 147,481 |

| Changes in Healthcare Cost Trend Rates | | |
|---|---|---|
| PMRH | | |
| Total OPEB Liability | | |
| 1.0% Decrease | Healthcare Cost Trend Rates | 1.0% Increase |
| (7.0% decreasing to 3.5%) | (8.0% decreasing to 4.5%) | (9.0% decreasing to 5.5%) |
| $ 142,000 | $ 155,978 | $ 172,074 |

## 6) OPEB Related Deferred Outflows and Deferred Inflows

The following tables (dollars in thousands) summarize the OPEB related items reported as deferred outflows or deferred inflows of resources:

### Primary Government (2)

| | PMRH | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ — | $ 94,724 |
| Changes of assumptions | — | 192,003 |
| Changes in proportion | 33,697 | 43,489 |
| Amounts associated with transactions subsequent to the Measurement Date | 22,692 | — |
| Total | $ 56,389 | $ 330,216 |

### Component Units (1) (2)

| | PMRH | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | $ — | $ 71,239 |
| Changes of assumptions | — | 144,398 |
| Changes in proportion | 21,474 | 11,682 |
| Amounts associated with transactions subsequent to the Measurement Date | 17,045 | — |
| Total | $ 38,519 | $ 227,319 |

(1) The component unit amounts exclude deferred outflows of resources and deferred inflows of resources of $1,188 and $41,781 (dollars in thousands), respectively, for other OPEB plans.

(2) Additionally, during fiscal year 2023, the Commonwealth recognized OPEB expense for the primary government and component units of negative $124,535 (dollars in thousands) and negative $85,731 (dollars in thousands), respectively, for the DHRM-administered OPEB plan.

### Deferred Amounts to be Recognized in Fiscal Years Following Reporting Date

The following tables (dollars in thousands) provide the net estimated amount of the deferred inflows and deferred outflows of resources that will be recognized in the Commonwealth's OPEB expense for each of the next five fiscal years. These amounts exclude amounts associated with transactions subsequent to the measurement date as those will reduce the fiscal year 2023 total OPEB liability.

**Primary Government**

| | | PMRH |
|---|---|---|
| 2024 | $ | (128,214) |
| 2025 | | (81,793) |
| 2026 | | (46,228) |
| 2027 | | (27,336) |
| 2028 | | (12,948) |

**Component Units**

| | | PMRH |
|---|---|---|
| 2024 | $ | (89,007) |
| 2025 | | (56,781) |
| 2026 | | (32,092) |
| 2027 | | (18,976) |
| 2028 | | (8,989) |

### 7) Other OPEB Plans

**Higher Education**

The University of Virginia (nonmajor component unit) has an Optional Retirement Life Insurance Plan that is offered to University faculty and Medical Center employees who participate in the Optional Retirement Plans. The University reported a total OPEB liability of $19.7 million, deferred outflows of resources of $1.1 million, and deferred inflows of resources of $41.4 million as of June 30, 2023. Additional information on these plans can be found at the University's website at www.virginia.edu.

The Roanoke Higher Education Authority (nonmajor component unit) reported a net OPEB liability of $62,974, deferred outflows of resources of $28,218, and deferred inflows of resources of $34,315 for Group Life Insurance and Retiree Health Insurance Credit OPEB Plans. Additional information on these plans can be found at the Authority's website at www.education.edu/.

**Other Component Units**

The Virginia Housing Development Authority (major component unit) offers a medical, dental, and vision benefit plan, and reported deferred outflows of resources of $11.3 million and deferred inflows of resources of $1.5 million as of June 30, 2023. Additional information on these plans can be found at the Authority's website at www.virginiahousing.com.

The Virginia Resources Authority (major component unit) offers an optional Retirement Life Insurance Plan for those employees who choose to participate. The Authority reported a net OPEB liability of $207,923, deferred outflows of resources of $23,362, and deferred inflows of resources of $25,836 as of June 30, 2023. Additional information on these plans can be found at the Authority's website at www.virginiaresources.gov.

The Virginia Port Authority (nonmajor component unit) offers medical and dental benefits for retirees. The Authority reported a total OPEB Liability of $804,000 a net OPEB Liability of $910,000, deferred outflows of resources of $514,142 and deferred inflows of resources of $543,814 as of June 30, 2023. For additional information, please see the Authority's website at www.portofvirginia.com.

Hampton Roads Sanitation District (nonmajor component unit) offers a health and dental benefit plan for those employees who choose to participate. The District reported a net OPEB liability of $13.2 million, deferred inflows of resources of $10.4 million and deferred outflows of resources of $12.3 million as of June 30, 2023. For additional information, please see the Authority's website at www.hrsd.com.

The Virginia Biotechnology Research Partnership Authority (nonmajor component unit) offers an Optional Retirement Life Insurance Plan for those employees who choose to participate. The Authority reported a net OPEB liability of $47,810, deferred outflows of resources of $26,441, and deferred inflows of resources of $16,728 as of June 30, 2023.

## 20. DEFERRED COMPENSATION PLANS

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The Virginia Retirement System (the System) administers the deferred compensation plan, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51.1 of the *Code of Virginia*. The System contracts with private corporations or institutions subject to the standards set forth in the Code to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliation, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the System for investment. The plan provides a number of investment options and is designed so that each participant retains investment control of his/her individual account. The plan, available to all state employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of plan participants and their beneficiaries and is not available to employees until termination, retirement, death, unforeseeable emergency, or an in-service distribution at age 72 or later. Since the System has no fiduciary relationship with plan participants, plan assets as of June 30, 2023, of $4.1 billion are not included in the accompanying financial statements.

In addition, the Commonwealth provides a cash match under Internal Revenue Code Section 401(a) for employees participating in the deferred compensation plan. The match amount for an employee was established at 50.0 percent of the voluntary contributions to the deferred compensation plan. During the current fiscal year, the maximum match was $20 per pay period or $40 per month. The fair value of assets in the cash match savings plan as of June 30, 2023, was $591.5 million, which is also excluded from the accompanying financial statements. Employer contributions under this plan were approximately $14.3 million for fiscal year 2023.

Most employees of the Commonwealth's colleges and universities may participate in the Commonwealth's deferred compensation plan in accordance with Internal Revenue Code Section 457(b) and/or the institution's deferred compensation plan in accordance with Internal Revenue Code Section 403(b). Under either plan, the institution's cash match under the Internal Revenue Code Section 401(a) during fiscal year 2023 was a maximum match of up to $20 per pay period or $40 per month. This employer match is for either plan but not both plans. Employer contributions under these plans were approximately $13.0 million for fiscal year 2023.

The deferred compensation plan for the University of Virginia Medical Center (part of the University of Virginia – nonmajor component unit) employees hired on or after September 30, 2002, allows employee contributions of up to 4.0 percent of their salary and the employer match is 50.0 percent of the 4.0 percent deferral not to exceed 2.0 percent of the employees' salary. Employer contributions under this plan were approximately $7.1 million for fiscal year 2023. The University of Virginia provides executive deferred compensation retirement benefits for certain officers and executives of the University and the University Medical Center. The University makes contributions on behalf of each participant each plan year as determined by the Board of Visitors. The University contributed $2.2 million to these accounts for fiscal year 2023.

The Virginia Housing Development Authority and the Virginia Resources Authority (major component units) have deferred compensation plans available to all employees created in accordance with Internal Revenue Section 457(b). The plan permits participants to defer a portion of their salary or wages until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the plan are in an irrevocable trust with an external trustee and, accordingly, no assets or liabilities are reflected in the accompanying financial statements. For additional information, please see the Authority's website at www.virginiahousing.com.

The Virginia Port Authority (VPA) (nonmajor component unit) offers two deferred compensation plans and a matching savings plan under Internal Revenue Code Sections 457 and 401(a), respectively. For additional information, please see the Authority's website at www.portofvirginia.com.

The Assistive Technology Loan Fund Authority (nonmajor component unit) employees contribute an amount of their choosing into Deferred Compensation Plans administered by the Virginia Retirement System and into a qualified 403(b) plan. For additional information, please see the Authority's website at www.atlfa.org.

## 21. STATE NON-ARBITRAGE POOL

The Commonwealth sponsors the Virginia State Non-Arbitrage Program (SNAP) for use by the Commonwealth and local governments to invest bond proceeds. The Treasury Board is responsible for the oversight of SNAP, procuring the following services: investment management, program administration, arbitrage rebate and calculation, and custodial and depository services. The Commonwealth does not have fiduciary responsibility for SNAP.

The SNAP fund is a local government investment pool. PFM Asset Management LLC serves as the investment adviser of the SNAP fund. The SNAP individual investment portfolios are the responsibility of the SNAP investment manager and the governments investing proceeds in the portfolios. These investments are held solely in the SNAP participants' names. Since the Commonwealth has no fiduciary relationship with local governmental entities participating in the plan, these assets of $3.9 billion are not included in the financial statements.

## 22. COMMITMENTS

### A. Construction Projects

#### Primary Government

#### Highway Projects

As of June 30, 2023, the Department of Transportation had contractual commitments of approximately $5.4 billion for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) State funds - approximately 58.3 percent or $3.1 billion; (2) Proceeds from Bonds - approximately 25 percent or $1.4 billion; and, (3) Federal funds – approximately 16.7 percent or $893.0 million.

#### Mass Transit Projects

As of June 30, 2023, the Department of Rail and Public Transportation had contractual commitments of approximately $344.4 million for various public transportation and rail preservation projects. Funding of the future expenditures is expected to be as follows: 1) State funds – approximately 91.1 percent or $313.6 million, and 2) Federal funds – approximately 8.9 percent or $30.8 million.

#### Wastewater Treatment Projects

As of June 30, 2023, the Department of Environmental Quality was committed to grant contracts with localities to reimburse a portion of construction costs for nutrient reduction facilities at wastewater treatment plants totaling $136.9 million provided by bond proceeds and the Water Quality Improvement Fund.

#### Other Construction Projects

As of June 30, 2023, the Department of Forensic Science had commitments of approximately $166.1 million for construction projects.

As of June 30, 2023, the Department of Corrections had contractual commitments of $ 83.3 million and non-contractual commitments of $20.1 million for construction projects.

As of June 30, 2023, the Department of General Services had construction commitments of approximately $119.7 million.

As of June 30, 2023, the Department of Behavioral Health and Developmental Services had construction contractual commitments of approximately $21.6 million.

As of June 30, 2023, the Department of Conservation and Recreation had contractual commitments of $15.0 million for construction projects.

As of June 30, 2023, the Department of Veterans Services had contractual commitments of $16.8 million and non-contractual commitments of $11.0 million for construction projects.

As of June 30, 2023, the Department of Military Affairs had construction contractual commitments of approximately $48.7 million.

**Component Units**

**Port Projects**

As of June 30, 2023, the Virginia Port Authority (nonmajor) was committed to construction contracts totaling $773.3 million.

**Wallops Island Project**

As of June 30, 2023, the Virginia Commercial Space Flight Authority (nonmajor) was committed to construction programs totaling $6.9 million, approximately $4.5 million of which will be reimbursable under separate private and federal contract agreements and approximately $157,000 of which are funded by the Commonwealth.

**Treatment Plant**

As of June 30, 2023, the Hampton Roads Sanitation District Commission (nonmajor) was committed to construction contracts totaling $1.3 billion.

**Higher Education Institutions**

Colleges and universities (nonmajor) had contractual commitments as of June 30, 2023, of approximately $1.8 billion primarily for construction contracts. Higher education foundations' construction and other commitments total approximately $44.4 million and $9.8 million, respectively.

## B. Long-term Leases

As of June 30, 2023, the Commonwealth has entered into long-term leases that have not yet commenced. Commitments for the primary government were $27.8 million for lease payments due for governmental activities (including internal service funds). Business-type activities did not have lease commitments at June 30, 2023. Commitments for component units total $9.4 million for higher education institutions, excluding foundations.

Lease agreements are for various terms and contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

## C. Long-term Subscription-Based Information Technology Arrangements (SBITAs)

As of June 30, 2023, the Commonwealth has entered into long-term SBITAs that have not yet commenced. Commitments for the primary government were $1.3 million for SBITA payments due for governmental activities (including internal service funds). Business-type activities did not have SBITA commitments at June 30, 2023. Commitments for component units total $2.4 million for higher education institutions, excluding foundations.

## D. Investment Commitments – Virginia Retirement System

The Virginia Retirement System extends investment commitments in the normal course of business, which, as of June 30, 2023, amounted to $19.1 billion.

## E. Virginia Transportation Infrastructure Bank

Section 33.2-1500 of the *Code of Virginia* states the Virginia Transportation Infrastructure Bank is intended to help alleviate a critical financing need for present and future highways within the Commonwealth. This includes toll facilities; mass transit; freight, passenger, and commuter rail; and port, airport and other transportation facilities.

As of June 30, 2023, $227.0 million included as Loans Receivable in the accompanying statements represents loans to the City of Chesapeake for the Dominion Boulevard Project, Loudoun County for the Pacific Boulevard Project, the Chesapeake Bay Bridge and Tunnel District for the Parallel Thimble Shoal Tunnel, and the 95 Express Lanes LLC for the 395 Express Lanes Northern Extension. A $49 million loan to Capital Beltway Express, LLC for the I-495 Express Lanes loan has been approved, but no disbursements were made as of June 30, 2023. Payments were made by the City of Chesapeake for $10.1 million, Chesapeake Bay Bridge and Tunnel District for $730,105, the 95 Express Lanes LLC for $827,624, and Loudoun County for $278,493 for the Pacific Boulevard Project in July 2023. All loans are coordinated through the Virginia Resources Authority (major component unit).

## F. Tobacco Grants

The Tobacco Region Revitalization Commission (nonmajor component unit) had $66.3 million in grant award commitments not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2023, in accordance with GASB Statement No. 33.

## G. Other Commitments

### Primary Government

As of June 30, 2023, the Virginia Department of Transportation had contractual commitments of approximately $951.6 million for individual contracts awarded with a contract value of $1.0 million or more for operational services, facilities, tolling services and other non-highway construction type contracts.

As of June 30, 2023, the Department of Corrections had contractual commitments of approximately $22.2 million for detention services and medical care.

As of June 30, 2023, the Department of Behavioral Health and Developmental Services had contractual commitments of approximately $37.7 million.

As of June 30, 2023, the Department of Motor Vehicles had contractual commitments of approximately $46.5 million for driver's licenses and technology services.

As of June 30, 2023, the Virginia Employment Commission had contractual commitments of approximately $11.0 million for information systems modernization projects and approximately $1.1 million for other non-contractual commitments.

As of June 30, 2023, the Virginia Department of Health had commitments of approximately $25.1 million to localities, trauma centers, grants to rescue squads, and water supply assistance grants.

The Virginia College Savings Plan (major enterprise fund) administers the Defined Benefit 529 Program. As of June 30, 2023, the Program had $282.0 million in private equity commitments.

The Virginia Wireless E-911 (nonmajor enterprise fund) had $33.9 million in outstanding grants awarded but not yet disbursed to localities as of June 30, 2023, since all of the eligibility criteria have not been met in accordance with GASB Statement No. 33.

### Component Units

The Virginia Housing Development Authority (major) and Virginia Resources Authority (major) had $965.9 million and $417.4 million, respectively, in commitments to fund new loans not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2023, in accordance with GASB Statement No. 33.

As of June 30, 2023, the Virginia Passenger Rail Authority (nonmajor) had capital grant commitments outstanding of $247.1 million and other contractual commitments of $93.8 million. The Authority also has $17.1 million of funding committed to reimburse the Department of Rail and Public Transportation (part of primary government) for planned expenses related to grants managed by the Department.

The Virginia Small Business Financing Authority (nonmajor) had $4.1 million in loan commitments to banks and borrowers not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2023, in accordance with GASB Statement No. 33.

## 23. ACCRUED LIABILITY FOR COMPENSATED ABSENCES

Employees accrue annual leave at a rate of four to nine hours semimonthly, depending on their length of service. The maximum leave accumulation is dependent upon years of service, but in no case may it exceed 432 hours at the end of the leave year. The maximum compensation for annual leave balances is also dependent upon years of service, but in no case may an employee be compensated for more than 336 hours upon separation.

All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program (VSDP) (see Note 18). Under the VSDP, employees receive a specified number of sick and personal leave hours, depending on their length of service, and any balances at the end of the leave year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the traditional sick leave plan. If converting, the employee’s sick leave balance could be used to purchase retirement credits or be converted to disability credits. If an employee opted to remain in the traditional sick leave program, sick leave accrues at a rate of five hours semimonthly. Employees who leave state service after a minimum of five years employment receive the lesser of 25.0 percent of the value of their disability credits or accumulated sick leave at their current earnings rate or $5,000. All employees leaving state service are paid for accrued annual leave up to the maximum leave year limit at their current earnings rate.

In conformance with Section C60 of the GASB Codification, the monetary value of accumulated vacation, compensatory, overtime, recognition, and sick leave payable upon termination is included in the accompanying financial statements and is reported as Compensated Absences. In the government-wide statements, proprietary fund statements, and discrete component unit fund statements, compensated absence amounts are segregated into two components – the amount due within one year and the amount due in more than one year. Compensated absences due within one year consist of an estimate of the amount that will be used by active employees for paid time off and/or paid upon termination, plus the actual amount paid after June 30 for employees terminating on or before June 30. In the governmental fund statements, amounts to be paid from expendable resources are recognized as fund liabilities in the applicable governmental fund types as long-term liabilities and represent payments to employees for separations that occurred on or before June 30. Amounts not payable from expendable resources are reflected in the governmental activities column in the Government-wide Statement of Net Position (see Note 28). All amounts related to the fiduciary funds are recognized in those funds.

The liability as of June 30, 2023, was computed using salary rates effective at that date, and represents vacation, compensatory, overtime, recognition, and sick leave earned, or disability credits held by employees, up to the allowable ceilings.

## 24. POLLUTION REMEDIATION OBLIGATIONS

The Commonwealth has pollution remediation obligations of $8.2 million, of which $6.1 million is due within one year. With the exception of the Department of Environmental Quality (DEQ), agencies estimated future obligations based on professional consultant estimates and/or historical project expenses of similar projects; however, there is the potential for change in estimates due to price increases or reductions, technology, or applicable laws and regulations. Remediations for DEQ are not estimates but contractual obligations between the Commonwealth and the U.S. Environmental Protection Agency (EPA), and any change due to a reconciliation of incurred costs requires mutual consent and contract amendment.

The estimated Commonwealth pollution remediation liability relates to the anticipated cost of cleanup relating to leakage of underground storage tanks, soil and groundwater contaminations, dump site cleanups, mold remediation and remediation relating to superfund state contracts.

Agencies involved in remediation include:

- Department of Conservation and Recreation (DCR)
- Department of Corrections (DOC)
- Department of Environmental Quality (DEQ)
- Department of Juvenile Justice (DJJ)
- Department of Transportation (VDOT)

A Facility Lead Agreement was signed between the EPA and VDOT to resolve an issue concerning the storage of lab wastewater in an outdoor lined surface impoundment that operated between 1979 and 1983 for which contamination is present in soil and groundwater. DOC was fined by the EPA in September/October 2003. DOC proposed to conduct a Supplemental Environmental Project (SEP) which included the formation of the Pollution Prevention Section of the Environmental Services Unit, disclosure of all environmental deficiencies to both the EPA and DEQ and corrections of those deficiencies.

The following pollution remediation outlays could not reasonably be estimated as of June 30, 2023:

- DJJ relating to petroleum storage tank removal
- VDOT relating to groundwater contamination

## 25. INSURANCE

### A. Self-Insurance

The Commonwealth maintains three types of self-insurance plans. The first type of self-insurance is a health care plan administered by the Department of Human Resource Management (DHRM) for Commonwealth employees. The plan is accounted for in the Health Care Internal Service Fund. Interfund premiums are accounted for as internal activity receipts from other funds. As of June 30, 2023, $95.2 million is reported as the estimated claims payable for this fund, which is undiscounted as nearly all healthcare claims are current in nature. The estimated liability is based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported as described in Note 1.W. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

| | Balance July 1, | Current Year Claims and Changes in Estimates | Claim Payments | Balance June 30, (1) |
|---|---|---|---|---|
| 2022-2023 | $ 117,657 | $ 1,602,583 | $ (1,625,051) | $ 95,189 |
| 2021-2022 | $ 116,457 | $ 1,528,780 | $ (1,527,580) | $ 117,657 |

(1) The entire ending balance shown above is due within one year.

The second type of plan, Risk Management, is administered by the Department of the Treasury, Division of Risk Management and the Department of Human Resource Management, Worker's Compensation Program. These plans are accounted for in the Risk Management Internal Service Fund. The Department of the Treasury administers risk management programs providing property, general (tort) liability, medical malpractice, automobile and surety bond exposures for the Commonwealth of Virginia as provided in Sections 2.2-1834 through 1838 and Section 2.2-1840 of the *Code of Virginia*. Established subject to the approval of the Governor, risk management plans provide state agencies with protection through purchased insurance, self-insurance or a combination thereof. Interfund premiums for the fund are accounted for as internal activity receipts from other funds. The claims payable is an estimated liability based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported. As of June 30, 2023, $393.6 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at rates of 4.0 percent for DHRM and 5.4 percent for Department of Treasury. Undiscounted claims payable as of June 30, 2023, is $598.5 million. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

| | Balance July 1, | Current Year Claims and Changes in Estimates | Claim Payments | Balance June 30, (1) |
|---|---|---|---|---|
| 2022-2023 | $ 451,148 | $ (4,056) | $ (53,516) | $ 393,576 |
| 2021-2022 | $ 799,256 | $ (294,219) | $ (53,889) | $ 451,148 |

(1) Of the balance shown above, $67.3 million is due within one year.

For workers' compensation, the Commonwealth assumes the full risk of claims filed. For tort and automobile, liability is assumed at a maximum of $2.0 million per occurrence. Medical malpractice is assumed at the maximum per occurrence recovery limited as stated in Section 8.01-581.15 of the *Code of Virginia*. Risk Management purchases commercial insurance to protect state-owned property with deductibles as stated in the insurance policies.

The third type of plan, Line of Duty, is administered by the Department of Human Resource Management for Line of Duty recipients. Per the amended Line of Duty Act Section 9.1-401 of the *Code of Virginia*, the Department of Human Resource Management is responsible for administration of the premium-free health benefits provided to eligible Line of Duty recipients. The plan is accounted for in the Line of Duty Internal Service Fund. All eligible employees, former employees, and eligible family members will be covered under one program, the Line of Duty Health Benefit Plans. Participating or non-participating refers to whether the employer participates in the Line of Duty Death and Health Benefits Trust Fund, administered by VRS. All state agencies are participating employers, but localities can be either participating or non-participating. As of June 30, 2023, $403,902 is reported as the claims payable for the fund for state employees and participating localities, which is undiscounted as nearly all healthcare claims are current in nature. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

| | Balance July 1, | Current Year Claims and Changes in Estimates | Claim Payments | Balance June 30, (1) |
|---|---|---|---|---|
| 2022-2023 | $ 407 | $ 9,173 | $ (9,176) | $ 404 |
| 2021-2022 | $ 601 | $ 6,616 | $ (6,810) | $ 407 |

(1) The entire ending balance shown above is due within one year.

The Commonwealth has not had any insurance settlements exceed the coverage during the past three years.

University of Virginia (nonmajor component unit) employees have the option to participate in the University's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions. Claims and expenses are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. The estimated liability for outstanding claims on June 30, 2023 was $10.4 million. The University has contracted with several third-party claims administrators: Aetna for its medical and pharmacy claims and United Concordia for its dental claims.

As of June 30, 2023, the Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) reports the following claims payable amounts: estimated workers' compensation claims of $3.3 million and estimated losses on malpractice claims of $3.5 million. Aries Insurance Captive (component unit of the Authority) reports claims payable of $26.5 million for estimated losses on malpractice claims, $4.2 million for estimated workers' compensation claims, and $5.3 million for other insurance coverages. Additional information on claims payable can be found in the Authority's separately issued financial statements, which can be found at the University's website at www.vcu.edu.

Virginia International Terminals, LLC (VIT) (a blended component unit of the Virginia Port Authority – nonmajor) participates in a workers compensation insurance pool and shares risk with other members of the pool. VIT remains obligated under its former self-insured plan for future losses as a result of accidents that occurred prior to April 12, 1999. VIT bears some self-insurance risk for health/medical insurance claims cost in excess of employee premiums/contributions received. Pursuant to a joint arrangement with the Virginia Port Authority, (VPA) (nonmajor) the entity carries stop loss insurance to mitigate exposure to significant claims. The stop loss policy is on a calendar year basis, with renewals effective each January 1. During the calendar year 2023 and 2022, the individual claim cost limit (deductible) under the policy for the Authority was $150,000. The aggregate deductible for VIT and VPA combined claims in excess of the individual limit was $7.2 million for calendar year 2023 and $6.1 million for calendar year 2022. For additional information, please see the Authority's website at www.portofvirginia.com.

### B. Public Entity Risk Pools

The Commonwealth administers three types of public entity risk pools for the benefit of local governmental units: healthcare, risk management, and line of duty insurance. The Local Choice Health Care plan was established to make comprehensive healthcare insurance available to localities and political subdivisions at affordable rates and with stable premiums. During the fiscal year, there were 446 local government units participating in the pool. This includes 66 school districts, 39 counties, 134 cities/towns, and 207 other subdivisions. This program is accounted for in the Local Choice Health Care Enterprise Fund (nonmajor).

The Department of Human Resource Management, under Section 2.2-1204 of the *Code of Virginia*, has the authority to design, set rates, and administer the Local Choice Health Care fund. The pool's standard contract period is one year. However, a member group may withdraw on the last day of any month with three month's written notice. Contributions are based on the current necessary contribution and the amortization of experience adjustments in the pool. As of June 30, 2023, $48.7 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

The actuarial liability is determined for the membership pool in total and then adjusted for each locality based on individual historic and demographic data. If the pool's assets were to be exhausted, the program participants would share the responsibility for any liabilities or deficits.

The Department of the Treasury, Division of Risk Management administers the VARisk and VARisk2 risk management programs for political subdivisions, constitutional officers and others in accordance with Section 2.2-1839 of the *Code of Virginia*. These pools were established to provide an economical, low-cost alternative to the commercial insurance market for the Commonwealth's political subdivisions. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). The pool is established subject to approval by the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Participation is voluntary and open to those identified in Section 2.2-1839 of the *Code of Virginia*. As of June 30, 2023, there were 488 units of local government in the pool, including 13 towns and 23 counties. The remaining 452 units include a large variety of boards, commissions, authorities, and special districts.

The VARisk program is comprised of constitutional officers and regional jails, and participation is not mandated by the *Code of Virginia*. However, the Compensation Board (part of the primary government) requires participation by all constitutional officers.

The VARisk2 program is comprised of local governments and has a minimum membership period of one year. However, a member group can cancel membership and withdraw from the plan on their coverage anniversary date or at the end of the fiscal year with 30 days' notice.

No excess insurance or reinsurance is provided. The risk assumed by the VARisk and VARisk2 pool for liability is $1.0 million per occurrence, with the exception of sheriffs and their deputies, which is $1.5 million per occurrence.

As of June 30, 2023, $40.0 million and $3.2 million is reported as estimated claims payable for the VARisk and the VARisk2 programs, respectively. These figures are actuarially determined for the funds in total and are reported at gross. They are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. They do not reflect possible reimbursements for insurance recoveries.

Per the amended Line of Duty Act Section 9.1-401 of the *Code of Virginia*, the Virginia Department of Human Resource Management (DHRM) is responsible for administration of the premium-free health benefits provided to eligible LODA recipients. All eligible employees, former employees, and eligible family members will be covered under one program, the LODA Health Benefits Plans. As of June 30, 2023, $988,866 is reported as the actuarially determined estimated claims payable for the non-participating localities reported in this fund based on claims incurred but not reported.

The following schedule (dollars in thousands) shows the changes in claims liabilities for the past two fiscal years.

| | Local Choice Health Care | | Risk Management | | Line of Duty | |
|---|---|---|---|---|---|---|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| Unpaid Claims and Claim | | | | | | |
| Adjustment Expenses at Beginning of Fiscal Year | $ 47,568 | $ 49,932 | $ 48,326 | $ 48,916 | $ 996 | $ 1,472 |
| Incurred Claims and Claim Adjustment Expenses: | | | | | | |
| Provision for Insured Events of the Current Fiscal Year | 495,020 | 445,550 | 12,488 | 15,653 | 22,459 | 16,196 |
| Changes in Provision for Insured Events of Prior Fiscal Years | — | — | (7,597) | (5,387) | — | — |
| Total Incurred Claims and Adjustment Expenses | 495,020 | 445,550 | 4,891 | 10,266 | 22,459 | 16,196 |
| Payments: | | | | | | |
| Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year | 493,877 | 447,914 | 1,628 | 1,949 | 22,467 | 16,672 |
| Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Year | — | — | 7,413 | 9,854 | — | — |
| Total Payments | 493,877 | 447,914 | 9,041 | 11,803 | 22,467 | 16,672 |
| Change in Provision for Discounts | — | — | (1,007) | 947 | — | — |
| Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (1) (2) (3) | $ 48,711 | $ 47,568 | $ 43,169 | $ 48,326 | $ 988 | $ 996 |
| Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted) | $ 48,711 | $ 47,568 | $ 48,750 | $ 51,559 | $ 988 | $ 996 |

Note (1): The entire balance for Local Choice Health Care, $48,711 (dollars in thousands) is due within one year.

Note (2): Of the balance shown above for Risk Management, $12,120 (dollars in thousands) is due within one year.

Note (3): The entire balance for Line of Duty, $988,866 is due within one year.

## 26. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2023.

| | Vendor | Salary / Wage | Retainage | Other | Foundations (1) | Total |
|---|---|---|---|---|---|---|
| **Primary Government:** | | | | | | |
| General | $ 807,001 | $ 153,437 | $ 1,075 | $ — | $ — | $ 961,513 |
| Major Special Revenue Funds: | | | | | | |
| Commonwealth Transportation | 420,295 | 46,343 | 2,409 | — | — | 469,047 |
| Federal Trust | 136,956 | 27,801 | 4,538 | — | — | 169,295 |
| Nonmajor Governmental Funds | 54,710 | 21,186 | 23,907 | 459 | — | 100,262 |
| Major Enterprise Funds: | | | | | | |
| Virginia Lottery (2) | 23,739 | 2,481 | — | 12,599 | — | 38,819 |
| Virginia College Savings Plan | 208 | 966 | — | 266 | — | 1,440 |
| Unemployment Compensation | — | — | — | 19 | — | 19 |
| Nonmajor Enterprise Funds | 97,231 | 11,264 | — | 55 | — | 108,550 |
| Internal Service Funds | 103,150 | 4,262 | — | — | — | 107,412 |
| Private Purpose Trust Funds | — | — | — | 868 | — | 868 |
| Pension and Other Employee Benefit Trust Funds (3) | 4,892 | 4,834 | — | 29,812 | — | 39,538 |
| Custodial Funds - External Investment Pool (4) | — | — | — | 66,518 | — | 66,518 |
| Custodial Funds - Other | 3,016 | — | — | 137 | — | 3,153 |
| **Total Primary Government (5)** | $ 1,651,198 | $ 272,574 | $ 31,929 | $ 110,733 | $ — | $ 2,066,434 |
| **Discrete Component Units:** | | | | | | |
| Virginia Housing Development Authority (6) | $ 1,132 | $ 6,431 | $ — | $ 103,347 | $ — | $ 110,910 |
| Virginia Public School Authority | 130 | — | — | — | — | 130 |
| Virginia Resources Authority | 91 | 3 | — | — | — | 94 |
| Virginia College Building Authority | 16 | — | — | — | — | 16 |
| Nonmajor Component Units | 968,608 | 596,869 | 93,239 | 358 | 132,841 | 1,791,915 |
| **Total Component Units** | $ 969,977 | $ 603,303 | $ 93,239 | $ 103,705 | $ 132,841 | $ 1,903,065 |

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Note (2): Other Accounts Payable for the Virginia Lottery primarily represents unclaimed prizes attributable to multi-state games and player subscription wallets.

Note (3): Other Accounts Payable for the Pension and Other Employee Benefit Trust Fund consists of $25,306 (dollars in thousands) in investment management fees and $4,506 (dollars in thousands) in program benefit liabilities.

Note (4) Other Accounts Payable for the Custodial Funds - External Investment Pool consists of $66,518 (dollars in thousands) of investments purchased during fiscal year 2023 but received after June 30.

Note (5): Fiduciary liabilities of $43,559 (dollars in thousands) are not included in the Government-wide Statement of Net Position. In addition, governmental fund liabilities of $166,590 (dollars in thousands) are included in the Government-wide Statement of Net Position, but excluded from the above amounts.

Note (6): Other Accounts Payable for the Virginia Housing Development Authority (major) of $84,707 (dollars in thousands) predominantly represents federal pass-through grant awards that have not been disbursed to the recipients as of June 30.

## 27. OTHER LIABILITIES

The following tables (dollars in thousands) summarize Other Liabilities as of June 30, 2023.

| | Primary Government | | | | | |
|---|---|---|---|---|---|---|
| | General | Commonwealth Transportation | Federal Trust | Nonmajor Governmental Funds | Virginia Lottery | Virginia College Savings Plan (1) |
| Lottery Prizes Payable | $ — | $ — | $ — | $ — | $ 113,552 | $ — |
| Medicaid Payable | 112,323 | — | 1,249,320 | 245,504 | — | — |
| Family Access to Medical Insurance Security Payable | 8,292 | — | 16,993 | — | — | — |
| Tax Refunds Payable | 2,539,295 | — | — | — | — | — |
| Accrued Interest Payable | — | — | — | 26,120 | 52 | 35 |
| Deposits Pending Distribution | 17,043 | 5,513 | 16 | 28,499 | — | — |
| Car Tax Payable | 263,025 | — | — | — | — | — |
| Other Liabilities | 7 | 27,548 | 164 | 16,920 | — | 32,527 |
| Total Other Liabilities | $ 2,939,985 | $ 33,061 | $ 1,266,493 | $ 317,043 | $ 113,604 | $ 32,562 |

| | Primary Government | | | | |
|---|---|---|---|---|---|
| | Nonmajor Enterprise Funds | Internal Service Funds | Pension and Other Employee Benefit Trust Funds (2) | Custodial Funds - Other | Total Primary Government (3) |
| Lottery Prizes Payable | $ — | $ — | $ — | $ — | $ 113,552 |
| Medicaid Payable | — | — | — | — | 1,607,147 |
| Family Access to Medical Insurance Security Payable | — | — | — | — | 25,285 |
| Tax Refunds Payable | — | — | — | — | 2,539,295 |
| Accrued Interest Payable | — | — | — | — | 26,207 |
| Deposits Pending Distribution | 122 | 662 | — | — | 51,855 |
| Car Tax Refund Payable | — | — | — | — | 263,025 |
| Other Liabilities | — | — | 66,548 | 2,122 | 145,836 |
| Total Other Liabilities | $ 122 | $ 662 | $ 66,548 | $ 2,122 | $ 4,772,202 |

Note (1): Other Liabilities of $32,527 (dollars in thousands) reported by the Virginia College Savings Plan (major) represent amounts associated with pending investment trades and program distributions payable.

Note (2): Other Liabilities of $66,548 (dollars in thousands) reported in Pension and Other Employee Benefit Trust Funds are made up of $2,098 (dollars in thousands) in other payables related to the System benefit plans; and $64,450 (dollars in thousands) in pending investment transactions consisting of: $43,085 (dollars in thousands) in net foreign exchange contracts payable; $2,000 in call option payables; $6,000 in put option payables; $16,252 (dollars in thousands) in other miscellaneous payables; $3,867 (dollars in thousands) in foreign taxes payable related to the System benefit plans; and $1,238 (dollars in thousands) in dividends payable related to the System benefit plans.

Note (3): Fiduciary liabilities of $68,670 (dollars in thousands) are not included in the Government-wide Statement of Net Position. Governmental fund liabilities of $321,171 (dollars in thousands) are included in the Government-wide Statement of Net Position, but excluded from the above amounts.

| | Component Units | | | | | |
|---|---|---|---|---|---|---|
| | Virginia Housing Development Authority | Virginia Public School Authority | Virginia Resources Authority | Virginia College Building Authority | Nonmajor Component Units (4) | Total Component Units |
| Accrued Interest Payable | $ 35,392 | $ 56,613 | $ 20,820 | $ 92,473 | $ 99,303 | $ 304,601 |
| Deposits Pending Distribution | — | — | — | — | 580,553 | 580,553 |
| Short-term Debt | 400,000 | — | — | — | 90,121 | 490,121 |
| Grants Payable | — | — | — | — | 8,874 | 8,874 |
| Other Liabilities | 30,572 | — | 8,242 | — | 464,143 | 502,957 |
| Total Other Liabilities | $ 465,964 | $ 56,613 | $ 29,062 | $ 92,473 | $ 1,242,994 | $ 1,887,106 |

Note (4): Other Liabilities of nonmajor component units are predominantly comprised of the following (dollars in thousands); derivative instruments reported by University of Virginia of $12,619, Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University) (VCUHSA) of $13,193, and foundations of higher education institutions of $8,412. Other Liabilities also includes third party settlements reported by VCUHSA of $124,841 (dollars in thousands). Other Liabilities also includes $248,574 installment payables reported by the Virginia Port Authority.

**Medicaid Payable**

Medicaid Payable represents services rendered but not billed by providers and potential liability resulting from cost reports not settled as of year-end. Providers subject to cost settlement are paid in the interim based on established per diem or diagnosis related group rates for services.

The Department of Medical Assistance Services (DMAS) estimates, based on past experience, the total amount of Medicaid claims that will be paid from the Medicaid program in the future which relate to services provided before year-end. As of June 30, 2023, the estimated liability related to Medicaid claims totaled $1.6 billion in the fund financial statements. Of this amount, $112.3 million is reflected in the General Fund (major governmental), $1.2 billion in the Federal Trust Special Revenue Fund (major governmental), and $245.5 million in the Health and Social Services Fund (nonmajor special revenue).

**Family Access to Medical Insurance Security Payable**

DMAS estimates the total amount of claims that will be paid from the Family Access to Medical Insurance Security program in the future which relate to services provided before year-end. As of June 30, 2023, the estimated liability related to claims totaled $25.3 million. Of this amount, $8.3 million is reflected in the General Fund (major governmental) and $17.0 million in the Federal Trust Special Revenue Fund (major governmental).

**Tax Refunds Payable**

Tax refunds payable represent refunds due on individual tax returns filed for the calendar year ended on or before December 31, 2022, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2023. The individual tax return filing deadline is May 1 of each year for the preceding calendar year. The corporate tax return filing deadline is the 15th day of the fourth month following the close of the corporate fiscal year. In fiscal year 2023, included in the tax refunds payable amount is $906.8 million relating to the individual income tax rebate provided to taxpayers as required by Chapter 1, 2023 Acts of Assembly Special Session I, Item 3-5.28, see Note 7.

**Car Tax Refund Payable**

During the year ended June 30, 1998, the General Assembly passed the Personal Property Tax Relief Act. Under the terms of this legislation, the Commonwealth assumed financial responsibility for a portion, ranging from 12.5 percent to 70.0 percent, of the personal property taxes assessed by localities.

During 2004, the General Assembly modified this legislation. Chapter 1 of Special Session 1 (2004) established a $950.0 million limit on the amount the Commonwealth would appropriate for personal property tax relief, beginning in tax year 2006. It further established that each county, city, and town would receive a fixed percentage of the $950.0 million, with payments to begin on or after July 1, 2006 (fiscal year 2007). The accrued liability amount of $263.0 million reflects payments owed to localities as of June 30 and paid in July.

**Termination Benefits**

During fiscal year 2023, the Commonwealth laid off 50 employees. The affected employees had the option of volunteering for enhanced retirement benefits or severance benefits. The enhanced retirement benefits option was elected by nine employees, and the remaining 41 employees elected severance benefits. The severance benefits include salary payments based on years of service and insurance premium payments for health and life insurance. All severance benefits were initiated during fiscal year 2023 and will end no later than June 30, 2024. The benefit cost expended and the outstanding liability as of June 30, 2023 for governmental funds, are $492,502 and $375,185, respectively. Since the severance benefits last for a maximum of 12 months, discounting of future cash flows is unnecessary. Additionally, the estimated payments are calculated using the Department of Human Resources' Termination Benefits Calculator and actual costs.

**Short-term Debt**

Short-term debt results from borrowings from anticipation notes, lines of credit, and similar loans with parties external to the primary government. The primary government's policy is to disclose activity related to short-term borrowings occurring during the fiscal year. For fiscal year 2023, the primary government's agencies did not participate in short-term borrowings with external parties.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires the disclosure of any unused lines of credit. The primary government does not have any unused lines of credit at June 30, 2023.

The Hampton Roads Transportation Accountability Commission (nonmajor governmental) has unused lines of credit of $415.8 million at June 30, 2023 for various Transportation Infrastructure Finance and Innovation Act (TIFIA) loans.

The Virginia Housing Development Authority (major component unit) has a direct borrowing from a line of credit of $400.0 million. Virginia Polytechnic Institute and State University and Virginia Commonwealth University (nonmajor component units) have commercial paper of $6.8 million and $8.5 million, respectively, primarily for capital projects. Various higher education institution foundations (nonmajor component units) have lines of credit of $72.9 million primarily for construction or property acquisition. The Virginia Museum of Fine Arts Foundation (nonmajor component unit) has borrowed $1.9 million from a line of credit to purchase a building expected to be used by the Museum. Additionally, the Library of Virginia Foundation (nonmajor component unit) has a $3,500 note with a related party. The balance of Other Liabilities is spread among various other funds.

The Virginia Housing Development Authority (major component unit) has an unused line of credit of $250.0 million. The University of Virginia, Virginia Polytechnic Institute and State University, Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University), and Christopher Newport University (nonmajor component units) have unused lines of credit of $500.0 million, $373.0 million, $100.0 million, and $364,185, respectively. The Hampton Roads Sanitation District Commission and the Virginia Port Authority (nonmajor component units) have unused lines of credit of $31.4 million and $1.0 million, respectively. For the University of Virginia, in the event of default under revolving credit agreements, any outstanding advances, interest, and the value of the promissory note would be due and payable to the various banking institutions.

## 28. LONG-TERM LIABILITIES

Commonwealth bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(a) bonds have been issued to redeem previous debt obligations. Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations. Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Section 9(a), 9(b), and 9(c) bonds are tax-supported general obligation bonds and are backed by the full faith and credit of the Commonwealth. No other long-term debt obligations are backed by the full faith and credit of the Commonwealth.

Section 9(d) bonds are revenue bonds that are not backed by the full faith and credit of the Commonwealth. These bonds are not general obligation bonds and are not deemed to constitute a legal liability of the Commonwealth. However, this debt may be supported by state appropriations in whole or in part, such as certain debt of the Commonwealth Transportation Board (primary government) and the Virginia Port Authority (nonmajor component unit). Other 9(d) revenue bonds are payable from general revenues of the component units, or from revenues of specific revenue-producing capital projects, such as the teaching hospitals, dormitories, student centers, and dining halls at the various colleges and universities (nonmajor component units).

Certain 9(d) bonds are considered, along with 9(a), 9(b), and 9(c) bonds, to be tax-supported debt of the Commonwealth. Tax-supported debt includes all bonds and short-term debt for which debt service payments are made or are ultimately pledged to be made from tax revenues (net of sinking fund requirements).

Other 9(d) revenue bonds are considered debt not supported by taxes. For this debt, the Commonwealth has no direct or indirect pledge of tax revenues. In certain limited cases, the Commonwealth has made a moral obligation pledge. A government's moral obligation pledge provides a deficiency make-up for bondholders in the event pledged revenues prove to be insufficient. If a revenue deficiency exists, monies held in a debt service reserve fund are used to pay bondholders. The issuer then requests that the legislative body provide an appropriation to replenish the reserve fund before subsequent debt service is due. The legislative body may, but is not legally required to, replenish the reserve fund.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires disclosures related to unused lines of credit (see Note 27), direct borrowings and placement debt, and specific disclosures related to debt default. Direct borrowings and placements have terms with an investor or lender and are not offered for public sale.

GASB Statement No. 91, *Conduit Debt Obligations,* was implemented in fiscal year 2023. The Commonwealth had no conduit debt to record in accordance with GASB No. 91.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was implemented in fiscal year 2023 and resulted in significant changes to intangible right-to-use asset accounting and reporting requirements. Accordingly, beginning balances have been restated.

The following schedule presents the total long-term liabilities of the Commonwealth, and the portion of these amounts which are due within one year, as reported on the Government-wide Statement of Net Position.

## Total Long-term Liabilities

June 30, 2023

| (Dollars in Thousands) | Balance At June 30 | Amount Due Within One Year |
|---|---|---|
| **Primary Government:** | | |
| Governmental Activities: (1) | | |
| ***General Obligation Bonds: (2)*** | | |
| 9(b) Public Facilities (3) | $ 173,122 | $ 44,390 |
| 9(c) Parking Facilities (3) | 4,646 | 953 |
| Total General Obligation Bonds | 177,768 | 45,343 |
| ***Nongeneral Obligation Bonds - 9(d):*** | | |
| Transportation Debt (3) (4) | 3,777,042 | 224,701 |
| Virginia Public Building Authority (3) | 3,519,630 | 223,880 |
| Total Nongeneral Obligation Bonds | 7,296,672 | 448,581 |
| ***Other Long-term Obligations:*** | | |
| Net Pension Liability | 3,430,433 | — |
| Net OPEB Liability | 745,003 | 4,649 |
| Total OPEB Liability | 198,865 | 21,819 |
| Compensated Absences | 370,698 | 198,968 |
| Long-term Lease Liabilities (12) | 422,175 | 41,942 |
| Long-term Subscription-Based Information Technology Arrangements (13) | 145,101 | 62,543 |
| Pollution Remediation Obligations | 8,171 | 6,074 |
| Installment Purchase Obligations from Direct Borrowings | 88,575 | 14,056 |
| Hampton Roads Transportation Accountability Commission (3) (5) | 2,562,835 | — |
| Other Liabilities | 23,103 | 2,499 |
| Total Other Long-term Obligations | 7,994,959 | 352,550 |
| Total Governmental Activities | 15,469,399 | 846,474 |
| Business-type Activities: (1) (5) | | |
| ***Other Long-term Obligations:*** | | |
| Net Pension Liability | 132,815 | — |
| Net OPEB Liability | 23,259 | 42 |
| Total OPEB Liability | 8,573 | 863 |
| Compensated Absences | 15,244 | 11,775 |
| Long-term Lease Liabilities | 202,663 | 25,392 |
| Long-term Subscription-Based Information Technology Arrangements | 207,239 | 11,158 |
| Installment Purchase Obligations from Direct Borrowings | — | — |
| Educational Benefits Payable | 1,384,699 | 184,019 |
| Lottery Prizes Payable | 198,128 | 13,562 |
| Total Other Long-term Obligations | 2,172,620 | 246,811 |
| Total Business-type Activities | 2,172,620 | 246,811 |
| **Total Primary Government** | 17,642,019 | 1,093,285 |

**Total Long-term Liabilities**
June 30, 2023

| *(Dollars in Thousands)* | Balance At June 30 | Amount Due Within One Year |
|---|---|---|
| **Component Units:** | | |
| ***General Obligation Bonds: (2)*** | | |
| Higher Education Fund - 9(c) Bonds (3) | 940,849 | 70,877 |
| ***Nongeneral Obligation Bonds:*** | | |
| Higher Education Institutions - 9(d) (3) (5) | 4,154,882 | 15,530 |
| Higher Education Institutions - 9(d) from Direct Placements (3) (5) | 270,534 | 10,641 |
| Virginia College Building Authority (3) | 5,636,772 | 394,940 |
| Virginia Port Authority - 9(d) (3) (6) | 627,923 | 17,985 |
| Virginia Housing Development Authority - 9(d) (3) (5) | 4,547,880 | 120,322 |
| Virginia Housing Development Authority from Direct Placements - 9(d) (3) (5) | 215,835 | 7,670 |
| Virginia Resources Authority - 9(d) (3) (7) | 3,194,504 | 192,080 |
| Virginia Resources Authority from Direct Placements (3) (9) | 98,000 | 8,000 |
| Virginia Public School Authority - 9(d) (3) (5) | 3,961,308 | 270,575 |
| Virginia Public School Authority from Direct Placements - 9(d) (3) (5) | 87,286 | 4,010 |
| Hampton Roads Sanitation District Commission (3) (5) | 979,742 | 93,198 |
| Foundations (5) (8) | 999,422 | 37,917 |
| Total Nongeneral Obligation Bonds | 24,774,088 | 1,172,868 |
| ***Other Long-term Obligations:*** | | |
| Net Pension Liability (9) | 2,065,850 | — |
| Net OPEB Liability (10) | 691,731 | 245 |
| Total OPEB Liability (11) | 176,467 | 17,053 |
| Compensated Absences | 419,401 | 314,146 |
| Long-term Lease Liabilities (12) | 4,916,709 | 90,076 |
| Long-term Subscription-Based Information Technology Arrangements (13) | 209,855 | 81,874 |
| Notes Payable (5) | 1,814,266 | 243,775 |
| Notes Payable from Direct Borrowings (5) | 167,559 | 4,823 |
| Installment Purchase Obligations from Direct Borrowings | 225,249 | 9,693 |
| Trust and Annuity Obligations (5) (13) | 93,474 | — |
| Other Liabilities (5) | 237,239 | 14,468 |
| Total Other Long-term Obligations (Excluding Foundations) | 11,017,800 | 776,153 |
| ***Other Long-term Obligations (Foundations): (5) (8)*** | | |
| Compensated Absences | 30,875 | 20,146 |
| Notes Payable | 372,964 | 41,591 |
| Trust and Annuity Obligations (14) | 83,650 | 2,488 |
| Other Liabilities | 569,464 | 181,442 |
| Total Other Long-term Obligations - Foundations | 1,056,953 | 245,667 |
| Total Other Long-term Obligations | 12,074,753 | 1,021,820 |
| **Total Component Units** | 37,789,690 | 2,265,565 |
| **Total Long-term Liabilities** | $ 55,431,709 | $ 3,358,850 |

1. Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.
2. Total general obligation debt of the Commonwealth is $1.1 billion.
3. Amounts are net of any unamortized discounts and premiums.
4. This debt includes $974.6 million that is not supported by taxes.
5. This debt is not supported by taxes.
6. This debt includes $259.0 million for bonds that is not supported by taxes.
7. This debt is not supported by taxes; however, $906.8 million is considered moral obligation debt.
8. Foundations represent FASB reporting entities defined in Note 1.B.
9. This includes net pension liabilities that do not relate to the Virginia Retirement System’s State Plan from the Hampton Roads Sanitation District Commission and Virginia Port Authority of $18.3 million and $11.5 million, respectively. This debt is not supported by taxes.
10. This includes OPEB obligations that do not relate to the Virginia Retirement System’s State Plan from the Hampton Roads Sanitation District Commission, Virginia Port Authority, Virginia Resources Authority, Roanoke Higher Education Authority, and Virginia Biotechnology Research Partnership Authority, of $13.2 million, $910,000, $207,923, $62,974, and $47,810 respectively. This debt is not supported by taxes.
11. This includes OPEB obligations that do not relate to the Department of Human Resource Management from the University of Virginia of $19.7 million and Virginia Port Authority of $804,000. This debt is not supported by taxes.
12. This includes $330.7 million for governmental activities and $273.4 million for component units that are supported by taxes.
13. This includes $137.1 million for governmental activities and $46.4 million for component units that are supported by taxes.
14. These generally represent split-interest agreements that represent donor contributed assets with the requirement that an annual distribution be made to the donor or specified beneficiary. The annual distributions are usually for a fixed dollar amount or a fixed percentage of the trust's fair market value. The present value of these commitments is reported as Trust and Annuity Obligations.

**Primary Government**

**Transportation Facilities Debt**

Transportation Facilities Bonds include $3.8 billion of Transportation Facilities Section 9(d) debt. The Section 9(d) debt includes $2.8 billion of Section 9(d) revenue bonds, $873.8 million of Grant Anticipation Revenue Notes (GARVEES), and $100.8 million of I-81 revenue bonds in addition to the outstanding Section 9(d) revenue bonds. There are no Section 9(c) bonds outstanding at June 30, 2023. Section 9(d) principal and interest requirements for the current year totaled $368.4 million. The Section 9(d) Transportation Facilities Bonds were issued to fund the construction of State Route 28, U.S. Route 58, the Northern Virginia Transportation District Program, the Interstate 81 Improvement Program, and the costs of certain transportation projects throughout the Commonwealth. The interest rates for these bonds range from 2.5 percent to 5.4 percent and the issuance dates range from October 10, 2002 to June 22, 2023. The GARVEES were issued to finance various Federal Aid Transportation projects throughout the Commonwealth. The interest rates for these bonds range from 2.0 percent to 5.0 percent and the issuance dates range from November 9, 2016 to September 22, 2020.

The following schedule details the annual funding requirements necessary to amortize Transportation 9(d) debt. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $37.0 million for Build America Bonds (BABs) issued. The BABs are applicable to Commonwealth of Virginia Transportation Series 2010A Capital Project Revenue Bonds. The following schedule details the annual funding requirements necessary to repay the Transportation Facilities 9(d) debt. Additionally, the Commonwealth will receive the amounts required to pay the debt service on outstanding Series 2002 and Series 2012 bonds from the Route 28 Transportation Improvement District, annually. The Commonwealth will also receive a portion of the debt service amount for the Northern Virginia Transportation District from the localities where the projects are located, annually.

**9(d) TRANSPORTATION FACILITIES DEBT**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 224,700,602 | $ 150,122,237 | $ 374,822,839 |
| 2025 | 222,323,739 | 140,125,588 | 362,449,327 |
| 2026 | 232,794,277 | 129,117,925 | 361,912,202 |
| 2027 | 235,481,299 | 117,468,790 | 352,950,089 |
| 2028 | 229,310,000 | 105,670,637 | 334,980,637 |
| 2029-2033 | 1,013,035,000 | 376,885,527 | 1,389,920,527 |
| 2034-2038 | 714,865,000 | 171,534,829 | 886,399,829 |
| 2039-2043 | 351,055,000 | 69,082,768 | 420,137,768 |
| 2044-2048 | 123,225,000 | 22,240,975 | 145,465,975 |
| 2049-2053 | 16,940,000 | 6,839,750 | 23,779,750 |
| 2054-2058 | 16,865,000 | 2,159,750 | 19,024,750 |
| Less: | | | |
| Unamortized Discount | (57,142) | — | (57,142) |
| Add: | | | |
| Accretion on Capital Appreciation Bonds | 18,667,784 | — | 18,667,784 |
| Unamortized Premium | 377,836,530 | — | 377,836,530 |
| Total | $ 3,777,042,089 | $ 1,291,248,776 | $ 5,068,290,865 |

**Public Facilities Bonds**

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 2012A Refunding, Series 2013B Refunding, Series 2015B Refunding, Series 2016B Refunding, and Series 2019C Refunding. Bonds were issued to fund construction projects for higher educational institutions, behavioral health, and/or park facilities. The Series 2012A bonds were issued to advance refund outstanding Series 2002, Series 2003A, Series 2004A, and Series 2005A bonds. The Series 2013B bonds were issued to advance refund outstanding Series 2005A, Series 2006B, Series 2007A, and Series 2007B bonds. The Series 2015B bonds were issued to advance refund certain maturities of outstanding Series 2007B, Series 2008A, and Series 2008B bonds. The Series 2016B bonds were issued to advance refund certain maturities of outstanding Series 2009A bonds. The Series 2019C bonds were issued to advance refund outstanding 2009E bonds. Principal and interest requirements for the current year totaled $55.9 million. The interest rates for all bonds range from 2.0 percent to 5.0 percent and the issuance dates range from March 7, 2012, to August 14, 2019. The following schedule details the annual funding requirements necessary to repay these bonds.

**9(b) PUBLIC FACILITIES BONDS**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 44,390,000 | $ 6,830,292 | $ 51,220,292 |
| 2025 | 36,280,000 | 4,807,314 | 41,087,314 |
| 2026 | 30,400,000 | 3,243,986 | 33,643,986 |
| 2027 | 24,430,000 | 1,874,093 | 26,304,093 |
| 2028 | 14,130,000 | 740,575 | 14,870,575 |
| 2029-2033 | 4,835,000 | 180,280 | 5,015,280 |
| Add: | | | |
| Unamortized Premium | 18,657,308 | — | 18,657,308 |
| Total | $ 173,122,308 | $ 17,676,540 | $ 190,798,848 |

**Parking Facilities Bonds**

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, Series 2012A Refunding and Series 2016B Refunding. The Series 2012A Refunding bonds were issued to advance refund outstanding Series 2002 Refunding and Series 2004A bonds. The Series 2016B Refunding bonds were issued to advance refund certain maturities of outstanding Series 2009B bonds. The interest rate for these bonds range from 2.0 percent to 5.0 percent, and the issuance dates range from March 7, 2012, to November 10, 2016. Current year principal and interest requirements totaled $1.1 million. The following schedule details the annual funding requirements necessary to repay these bonds.

**9(c) PARKING FACILITIES BONDS**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 952,789 | $ 178,339 | $ 1,131,128 |
| 2025 | 575,000 | 130,700 | 705,700 |
| 2026 | 605,000 | 101,950 | 706,950 |
| 2027 | 630,000 | 71,700 | 701,700 |
| 2028 | 660,000 | 40,200 | 700,200 |
| 2029-2033 | 675,000 | 27,000 | 702,000 |
| Add: | | | |
| Unamortized Premium | 547,912 | — | 547,912 |
| Total | $ 4,645,701 | $ 549,889 | $ 5,195,590 |

## Virginia Public Building Authority

Virginia Public Building Authority Section 9(d) bonds consist of 2010B-2 (Taxable Build America Bonds), 2010B-3 Refunding, 2012A Refunding, 2013A, 2013B Refunding, 2014A, 2014B (Taxable), 2014C Refunding, 2015A, 2015B Refunding, 2016A, 2016B Refunding, 2016C (AMT), 2016D (Taxable), 2017A Refunding, 2018A, 2018B (Taxable), 2019A, 2019B (AMT), 2019C (Taxable), 2020A, 2020B Refunding, 2020C (Taxable), 2021A, 2021B Refunding (Taxable), 2022A, and 2022B (Taxable). All bonds were issued for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combinations of localities under the Regional Jail Financing Program. The Series 2010B-3 bonds were issued to advance refund outstanding series 2002A and 2004B Revenue bonds. The Series 2012A bonds were issued to advance refund outstanding series 2004B and 2005C Revenue bonds. The Series 2013B bonds were issued to advance refund 2006A and 2006B revenue bonds. The Series 2014C bonds were issued to advance refund outstanding Series 2004A Refunding, 2004B, 2004C Refunding, and 2004D Refunding bonds, and certain maturities of the 2005C, 2006A, 2006B, and 2007A bonds. The Series 2015B bonds were issued to advance refund outstanding series 2005A Refunding, 2005B Refunding, and 2006A bonds and certain maturities of the series 2008B bonds. The Series 2016B bonds were issued to advance refund certain maturities of the series 2009B and 2011A bonds. The Series 2017A bonds were issued to advance refund certain maturities of the 2011A, 2013A, and 2014A bonds. The Series 2020B bonds were issued to advance refund outstanding Series 2005D, Series 2009D Refunding and 2010A bonds. The Series 2021B bonds were issued to advance refund outstanding Series 2011B bonds. The interest rates range from 0.3 percent to 5.9 percent and the issuance dates range from November 23, 2010, to April 26, 2022.

Current year principal and interest requirements for all VPBA bonds totaled $336.2 million. The following schedule details the annual funding requirements necessary to repay these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $10.4 million for Build America Bonds (BABs) issued. The BABs are applicable to Series 2010 Revenue Bonds.

**9(d) VIRGINIA PUBLIC BUILDING AUTHORITY BONDS**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 223,880,000 | $ 132,085,178 | $ 355,965,178 |
| 2025 | 234,485,000 | 121,243,304 | 355,728,304 |
| 2026 | 228,810,000 | 110,284,949 | 339,094,949 |
| 2027 | 224,600,000 | 99,613,798 | 324,213,798 |
| 2028 | 204,855,000 | 89,520,709 | 294,375,709 |
| 2029-2033 | 889,840,000 | 315,947,047 | 1,205,787,047 |
| 2034-2038 | 695,100,000 | 145,151,477 | 840,251,477 |
| 2039-2043 | 417,615,000 | 28,686,480 | 446,301,480 |
| Add: | | | |
| Unamortized Premium | 400,445,028 | — | 400,445,028 |
| Total | $ 3,519,630,028 | $ 1,042,532,942 | $ 4,562,162,970 |

## Hampton Roads Transportation Accountability Commission

Hampton Roads Transportation Accountability Commission bonds consists of Senior Lien Revenue Bonds, Series 2018A, Senior Lien Revenue Bonds, Series 2020A, Senior Lien Revenue Bonds, Series 2022A, and a TIFIA loan, Series 2021A. The bonds were issued to pay for the costs of planning, design, and construction of transportation infrastructure in the localities comprising Planning District 23. The TIFIA loans were issued to refund the 2019A and 2021A bond anticipation notes. The interest rates for these bond and loan series range from 1.9 percent to 5.5 percent and the issue dates range from February 14, 2018 to March 27, 2023. Current year principal and interest requirements totaled $496.9 million.

The following schedule details the annual funding requirements necessary to repay these bonds. This schedule includes future capitalized interest of $54.0 million through June 30, 2025.

**HAMPTON ROADS TRANSPORTATION ACCOUNTABILITY COMMISSION BONDS**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ — | $ 52,240,100 | $ 52,240,100 |
| 2025 | — | 56,405,215 | 56,405,215 |
| 2026 | 6,788,369 | 60,364,636 | 67,153,005 |
| 2027 | 7,505,354 | 68,033,901 | 75,539,255 |
| 2028 | 20,553,521 | 75,267,038 | 95,820,559 |
| 2029-2033 | 142,017,293 | 362,544,103 | 504,561,396 |
| 2034-2038 | 243,138,292 | 330,614,317 | 573,752,609 |
| 2039-2043 | 312,955,292 | 288,209,100 | 601,164,392 |
| 2044-2048 | 397,122,865 | 234,020,550 | 631,143,415 |
| 2049-2053 | 492,572,339 | 168,810,022 | 661,382,361 |
| 2054-2058 | 535,504,059 | 94,243,044 | 629,747,103 |
| 2059-2063 | 312,235,473 | 17,053,705 | 329,289,178 |
| Add: | | | |
| Unamortized Premium | 146,456,479 | — | 146,456,479 |
| Total | $ 2,616,849,336 | $ 1,807,805,731 | $ 4,424,655,067 |

## Component Units

### Higher Education Institution Bonds

Higher Education Institution Bonds are comprised of both 9(c) general obligation bonds and 9(d) revenue bonds. Section 9(d) bonds are from several sources as shown on the following schedule (dollars in thousands).

| | |
|---|---|
| College and university bonds backed by pledge of general revenue or revenue from specific revenue-producing capital projects | $ 3,884,222 |
| College and university debt backed exclusively by pledged revenues of an institution | 541,194 |
| Total Higher Education Institution 9(d) debt | $ 4,425,416 |

The interest rates for these bonds range from 0.4 percent to 6.2 percent and the issuance dates range from April 15, 2009, to February 1, 2023. The Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – nonmajor) Series 2013B bonds are variable rate bonds and the rates are reset weekly by the remarketing agent.

The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $157.8 million for Build America Bonds (BABs) issued. The BABs are applicable to General Obligation Series 2010A Bonds, Series 2010B 21st Century Virginia College Building Authority Education Facilities Bonds, and the University of Virginia's Series 2009 and 2010 General Revenue Bonds. Virginia Commonwealth University (nonmajor component unit) and Virginia Commonwealth University Health System Authority (blended component unit of Virginia Commonwealth University - nonmajor component unit) (VCUHSA) have Direct Placement Bond Series. The VCUHSA bonds include event of default provisions that could change the timing of repayment of the outstanding amounts to become immediately due.

**9(c) HIGHER EDUCATION INSTITUTION BONDS**
**Debt Service Requirements to Maturity**

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2024 | $ 70,877,211 | $ 31,274,844 | $ 102,152,055 |
| 2025 | 73,695,000 | 28,591,614 | 102,286,614 |
| 2026 | 75,550,000 | 25,819,908 | 101,369,908 |
| 2027 | 72,880,000 | 22,849,028 | 95,729,028 |
| 2028 | 68,935,000 | 19,911,696 | 88,846,696 |
| 2029-2033 | 292,050,000 | 64,723,111 | 356,773,111 |
| 2034-2038 | 163,025,000 | 25,014,758 | 188,039,758 |
| 2039-2043 | 50,315,000 | 7,187,568 | 57,502,568 |
| 2044-2048 | 7,020,000 | 2,743,625 | 9,763,625 |
| 2049-2053 | 6,920,000 | 886,250 | 7,806,250 |
| Add: | | | |
| Unamortized Premium | 59,581,978 | — | 59,581,978 |
| Total | $ 940,849,189 | $ 229,002,402 | $ 1,169,851,591 |

**9(d) HIGHER EDUCATION INSTITUTION BONDS**
**Debt Service Requirements to Maturity**

| *Maturity* | *Principal* | *Interest (1)* | *Total* |
|---|---|---|---|
| 2024 | $ 15,530,000 | $ 149,750,879 | $ 165,280,879 |
| 2025 | 16,355,000 | 149,156,466 | 165,511,466 |
| 2026 | 18,435,000 | 148,466,641 | 166,901,641 |
| 2027 | 27,325,000 | 147,592,484 | 174,917,484 |
| 2028 | 28,925,000 | 146,596,558 | 175,521,558 |
| 2029-2033 | 184,260,000 | 716,583,279 | 900,843,279 |
| 2034-2038 | 182,820,000 | 688,890,584 | 871,710,584 |
| 2039-2043 | 663,015,000 | 559,764,733 | 1,222,779,733 |
| 2044-2048 | 696,585,000 | 405,438,970 | 1,102,023,970 |
| 2049-2053 | 1,471,265,000 | 229,171,561 | 1,700,436,561 |
| 2054-2058 | 100,000,000 | 123,657,500 | 223,657,500 |
| 2059-2063 | — | 119,157,500 | 119,157,500 |
| 2064-2068 | — | 119,157,500 | 119,157,500 |
| 2069-2073 | — | 119,157,500 | 119,157,500 |
| 2074-2078 | — | 119,157,500 | 119,157,500 |
| 2079-2083 | — | 119,157,500 | 119,157,500 |
| 2084-2088 | — | 119,157,500 | 119,157,500 |
| 2089-2093 | — | 119,157,500 | 119,157,500 |
| 2094-2098 | — | 119,157,500 | 119,157,500 |
| 2099-2103 | — | 119,157,500 | 119,157,500 |
| 2104-2108 | — | 119,157,500 | 119,157,500 |
| 2109-2113 | — | 119,157,500 | 119,157,500 |
| 2114-2118 | 300,000,000 | 112,889,000 | 412,889,000 |
| 2119-2123 | 350,000,000 | 16,941,750 | 366,941,750 |
| Add: | | | |
| Unamortized Premium | 100,367,256 | — | 100,367,256 |
| Total | $ 4,154,882,256 | $ 4,905,632,905 | $ 9,060,515,161 |

Note (1): The future interest requirements exclude any net Payments associated with hedging derivative instruments. See Note 16 for more details on hedging derivative instruments.

**9(d) HIGHER EDUCATION INSTITUTION DIRECT PLACEMENT BONDS**
**Debt Service Requirements to Maturity**

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2024 | $ 10,640,598 | $ 9,235,577 | $ 19,876,175 |
| 2025 | 15,011,169 | 8,896,234 | 23,907,403 |
| 2026 | 14,991,056 | 8,543,385 | 23,534,441 |
| 2027 | 14,356,518 | 8,190,675 | 22,547,193 |
| 2028 | 14,802,903 | 7,869,971 | 22,672,874 |
| 2029-2033 | 77,030,039 | 33,224,153 | 110,254,192 |
| 2034-2038 | 92,371,522 | 15,517,524 | 107,889,046 |
| 2039-2043 | 22,485,000 | 4,480,516 | 26,965,516 |
| 2044-2048 | 8,845,000 | 1,041,760 | 9,886,760 |
| Total | $ 270,533,805 | $ 96,999,795 | $ 367,533,600 |

**9(d) VIRGINIA COLLEGE BUILDING AUTHORITY BONDS**
**Debt Service Requirements to Maturity**

| *Maturity* | *Principal* | *Interest* | *Total* |
|---|---|---|---|
| 2024 | $ 394,940,000 | $ 202,563,791 | $ 597,503,791 |
| 2025 | 376,970,000 | 201,136,858 | 578,106,858 |
| 2026 | 377,115,000 | 183,894,718 | 561,009,718 |
| 2027 | 369,275,000 | 167,495,508 | 536,770,508 |
| 2028 | 369,020,000 | 151,363,568 | 520,383,568 |
| 2029-2033 | 1,571,695,000 | 514,232,827 | 2,085,927,827 |
| 2034-2038 | 1,048,745,000 | 224,360,580 | 1,273,105,580 |
| 2039-2043 | 510,360,000 | 55,318,700 | 565,678,700 |
| Add: | | | |
| Unamortized Premium | 618,652,424 | — | 618,652,424 |
| Total | $ 5,636,772,424 | $ 1,700,366,550 | $ 7,337,138,974 |

Various higher education institutions' foundations (component units) and a museum foundation (component unit) have bonds outstanding as of year-end. The purpose of a majority of these bonds is for construction, property acquisition, and defeasance of prior debt. The following schedule details the future principal payments.

**FOUNDATIONS' BONDS (1)**
**Debt Service Requirements to Maturity**

| Maturity | Principal |
|---|---|
| 2024 | $ 37,917,441 |
| 2025 | 38,905,608 |
| 2026 | 41,524,166 |
| 2027 | 40,472,142 |
| 2028 | 64,411,769 |
| Thereafter | 776,190,870 |
| Total | $ 999,421,996 |

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

## Virginia Port Authority

The Virginia Port Authority (nonmajor) has issued Section 9(d) revenue bonds and notes pursuant to powers provided to its Board of Commissioners by the *Code of Virginia.* The interest rates for these bonds range from 0.6 percent to 5.3 percent, and the issuance dates range from January 25, 2012, to May 11, 2023. The following schedule details the annual funding requirements necessary to amortize these bonds.

**9(d) VIRGINIA PORT AUTHORITY DEBT**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 17,985,000 | $ 20,940,772 | $ 38,925,772 |
| 2025 | 18,610,000 | 23,945,442 | 42,555,442 |
| 2026 | 19,275,000 | 23,261,386 | 42,536,386 |
| 2027 | 19,980,000 | 22,535,539 | 42,515,539 |
| 2028 | 20,725,000 | 21,767,026 | 42,492,026 |
| 2029-2033 | 108,295,000 | 97,921,142 | 206,216,142 |
| 2034-2038 | 104,345,000 | 76,674,062 | 181,019,062 |
| 2039-2043 | 130,170,000 | 52,128,638 | 182,298,638 |
| 2044-2048 | 127,700,000 | 19,161,051 | 146,861,051 |
| 2048-2052 | 18,515,000 | 486,019 | 19,001,019 |
| Add: | | | |
| Unamortized Premium | 42,322,547 | — | 42,322,547 |
| Total | $ 627,922,547 | $ 358,821,077 | $ 986,743,624 |

### Virginia Housing Development Authority

The Virginia Housing Development Authority (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 2.1 percent to 6.6 percent and the issuance dates range from June 8, 2006, to June 1, 2023. The following schedule details the annual funding requirements necessary to amortize these bonds. VHDA has an option to redeem various bonds pursuant the terms of each bond issue. The redemptions generally cannot be exercised without condition until the bonds have been outstanding for nine years or more.

**9(d) VIRGINIA HOUSING DEVELOPMENT AUTHORITY BONDS**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 120,321,788 | $ 141,935,347 | $ 262,257,135 |
| 2025 | 124,370,000 | 139,263,549 | 263,633,549 |
| 2026 | 104,470,000 | 137,039,762 | 241,509,762 |
| 2027 | 121,935,000 | 134,301,379 | 256,236,379 |
| 2028 | 105,685,000 | 131,479,886 | 237,164,886 |
| 2029-2033 | 547,690,000 | 613,929,496 | 1,161,619,496 |
| 2034-2038 | 629,707,587 | 525,511,469 | 1,155,219,056 |
| 2039-2043 | 789,735,009 | 409,169,039 | 1,198,904,048 |
| 2044-2048 | 743,605,540 | 266,531,093 | 1,010,136,633 |
| 2049-2053 | 879,679,641 | 142,035,299 | 1,021,714,940 |
| 2054-2058 | 328,325,000 | 29,579,991 | 357,904,991 |
| 2059-2063 | 33,850,000 | 6,268,755 | 40,118,755 |
| 2064-2068 | 19,575,000 | 1,173,434 | 20,748,434 |
| Unamortized Discount | (1,069,805) | — | (1,069,805) |
| Total | $ 4,547,879,760 | $ 2,678,218,499 | $ 7,226,098,259 |

**9(d) VIRGINIA HOUSING DEVELOPMENT AUTHORITY DIRECT PLACEMENT BONDS**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 7,670,000 | $ 8,386,227 | $ 16,056,227 |
| 2025 | 7,930,000 | 8,083,470 | 16,013,470 |
| 2026 | 8,210,000 | 7,770,205 | 15,980,205 |
| 2027 | 8,490,000 | 7,445,935 | 15,935,935 |
| 2028 | 8,780,000 | 7,110,661 | 15,890,661 |
| 2029-2033 | 48,670,000 | 30,102,429 | 78,772,429 |
| 2034-2038 | 57,680,000 | 19,794,889 | 77,474,889 |
| 2039-2043 | 68,405,000 | 7,568,935 | 75,973,935 |
| Total | $ 215,835,000 | $ 96,262,751 | $ 312,097,751 |

### Virginia Resources Authority

The Virginia Resources Authority (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.2 percent to 6.3 percent and the issuance dates range from July 31, 2002, to May 23, 2023. The following schedule details the annual funding requirements necessary to amortize these bonds.

**9(d) VIRGINIA RESOURCES AUTHORITY BONDS**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 192,080,000 | $ 110,585,251 | $ 302,665,251 |
| 2025 | 202,045,000 | 102,278,063 | 304,323,063 |
| 2026 | 208,515,000 | 93,531,084 | 302,046,084 |
| 2027 | 206,725,000 | 84,721,930 | 291,446,930 |
| 2028 | 207,725,000 | 76,281,467 | 284,006,467 |
| 2029-2033 | 870,915,000 | 269,800,240 | 1,140,715,240 |
| 2034-2038 | 587,230,000 | 139,813,587 | 727,043,587 |
| 2039-2043 | 377,820,000 | 57,320,249 | 435,140,249 |
| 2044-2048 | 115,470,000 | 16,413,689 | 131,883,689 |
| 2049-2053 | 38,900,000 | 3,046,803 | 41,946,803 |
| 2054-2058 | 760,000 | 15,441 | 775,441 |
| Less: Unaccreted Capital Appreciation Bonds | (2,921,817) | — | (2,921,817) |
| Add: Unamortized Premium | 189,240,370 | — | 189,240,370 |
| Total | $ 3,194,503,553 | $ 953,807,804 | $ 4,148,311,357 |

**9(d) VIRGINIA RESOURCES AUTHORITY BONDS DIRECT PLACEMENT BONDS**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 8,000,000 | $ 2,955,200 | $ 10,955,200 |
| 2025 | 3,520,000 | 2,806,032 | 6,326,032 |
| 2026 | 3,635,000 | 2,692,268 | 6,327,268 |
| 2027 | 3,750,000 | 2,574,846 | 6,324,846 |
| 2028 | 3,870,000 | 2,453,688 | 6,323,688 |
| 2029-2033 | 21,270,000 | 10,312,263 | 31,582,263 |
| 2034-2038 | 24,875,000 | 6,650,732 | 31,525,732 |
| 2039-2043 | 29,080,000 | 2,369,577 | 31,449,577 |
| Total | $ 98,000,000 | $ 32,814,606 | $ 130,814,606 |

### Virginia Public School Authority

The Virginia Public School Authority (major) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.0 percent to 5.5 percent, and the issuance dates range from November 13, 2009, to May 16, 2023. The following schedules detail the annual funding requirements necessary to amortize these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth expects to receive an interest subsidy to reimburse interest payments of $78.9 million for Qualified School Construction Bonds (QSCBs) issued. The QSCBs are applicable to Series 2010-1, 2011-1, 2011-2, and 2012-1 Revenue Bonds. VPSA's 2014-1 QZAB Bond Series shall bear interest at the default rate, payable on demand by the owner of the Bonds.

**9(d) VIRGINIA PUBLIC SCHOOL AUTHORITY BONDS**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 270,575,000 | $ 141,770,142 | $ 412,345,142 |
| 2025 | 270,350,000 | 130,758,122 | 401,108,122 |
| 2026 | 266,695,000 | 119,384,695 | 386,079,695 |
| 2027 | 456,305,000 | 108,333,489 | 564,638,489 |
| 2028 | 241,835,000 | 90,900,745 | 332,735,745 |
| 2029-2033 | 1,115,900,000 | 311,138,571 | 1,427,038,571 |
| 2034-2038 | 717,085,000 | 147,290,317 | 864,375,317 |
| 2039-2043 | 376,760,000 | 58,328,782 | 435,088,782 |
| 2044-2048 | 92,640,000 | 20,866,984 | 113,506,984 |
| 2049-2053 | 62,670,000 | 5,434,100 | 68,104,100 |
| Add: | | | |
| Unamortized Premium | 90,493,255 | — | 90,493,255 |
| Total | $ 3,961,308,255 | $ 1,134,205,947 | $ 5,095,514,202 |

**9(d) VIRGINIA PUBLIC SCHOOL AUTHORITY DIRECT PLACEMENT BONDS**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 4,010,000 | $ 2,254,778 | $ 6,264,778 |
| 2025 | 7,871,000 | 2,139,851 | 10,010,851 |
| 2026 | 4,105,000 | 2,023,571 | 6,128,571 |
| 2027 | 4,160,000 | 1,905,795 | 6,065,795 |
| 2028 | 4,215,000 | 1,786,451 | 6,001,451 |
| 2029-2033 | 24,300,000 | 7,085,100 | 31,385,100 |
| 2034-2038 | 23,585,000 | 3,843,439 | 27,428,439 |
| 2039-2043 | 15,040,000 | 647,520 | 15,687,520 |
| Total | $ 87,286,000 | $ 21,686,505 | $ 108,972,505 |

### Hampton Roads Sanitation District Commission

The Hampton Roads Sanitation District Commission (nonmajor) issues revenue bonds for various capital improvements including, but not limited to, wastewater treatment plants and interceptor system improvements. Bond issue dates range from November 12, 2009 to June 11, 2020. The interest cost for these bonds range from 1.0 percent to 5.9 percent. The following schedule details the annual funding requirements necessary to amortize these bonds. The fiscal year 2023 principal amount includes $50.0 million for demand bonds, which are also classified as “due within one year” in the accompanying financial statements.

**HAMPTON ROADS SANITATION DISTRICT COMMISSION**
**Debt Service Requirements to Maturity**

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 93,198,000 | $ 29,402,000 | $ 122,600,000 |
| 2025 | 50,540,000 | 27,286,000 | 77,826,000 |
| 2026 | 51,812,000 | 26,710,000 | 78,522,000 |
| 2027 | 53,056,000 | 25,287,000 | 78,343,000 |
| 2028 | 51,042,000 | 23,853,000 | 74,895,000 |
| 2029-2033 | 263,638,000 | 96,224,000 | 359,862,000 |
| 2034-2038 | 223,550,000 | 55,552,000 | 279,102,000 |
| 2039-2043 | 88,292,000 | 28,235,000 | 116,527,000 |
| 2044-2048 | 16,136,000 | 19,679,000 | 35,815,000 |
| 2049-2053 | 74,759,000 | 14,085,000 | 88,844,000 |
| Add: | | | |
| Unamortized Premium | 13,719,000 | — | 13,719,000 |
| Total | $ 979,742,000 | $ 346,313,000 | $ 1,326,055,000 |

Total principal outstanding as of June 30, 2023, on all component unit bonds amounted to $25.7 billion.

The following schedule summarizes the changes in long-term liabilities:

*(Dollars in Thousands)*

**Schedule of Changes in Long-term Debt and Obligations (1) (2)**

| | Balance July 1, as restated (3) | Issuances and Other Increases | Retirements and Other Decreases | Subtotal June 30 |
|---|---|---|---|---|
| **Primary Government** | | | | |
| **Governmental Activities:** | | | | |
| **Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:** | | | | |
| General Obligation Bonds - 9(b) and 9(c): | | | | |
| Public Facilities Bonds | $ 201,415 | $ — | $ (46,950) | $ 154,465 |
| Parking Facilities Bonds | 5,004 | — | (906) | 4,098 |
| Add: Unamortized Premium | 24,845 | — | (5,640) | 19,205 |
| Total General Obligation Bonds | 231,264 | — | (53,496) | 177,768 |
| **Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:** | | | | |
| Transportation Facilities Bonds | 3,399,495 | 217,510 | (236,410) | 3,380,595 |
| Virginia Public Building Authority Bonds | 3,339,940 | — | (220,755) | 3,119,185 |
| Hampton Roads Transportation Accountability Commission | 2,490,826 | 1,157,887 | (1,232,334) | 2,416,379 |
| Add: Unamortized Premium | 1,133,606 | 19,885 | (228,753) | 924,738 |
| Accretion on Capital Appreciation Bonds | 22,113 | 1,700 | (5,146) | 18,667 |
| Less: Unamortized Discount | (62) | 5 | — | (57) |
| Installment Purchase Obligations from Direct Borrowings | 107,224 | 7,450 | (26,099) | 88,575 |
| Compensated Absences | 333,763 | 225,660 | (188,725) | 370,698 |
| Long-term Lease Liabilities | 396,390 | 74,899 | (49,114) | 422,175 |
| Long-term Subscription-Based Information Technology Arrangements | 144,782 | 81,702 | (81,383) | 145,101 |
| Net Pension Liability* | 2,728,430 | 702,003 | — | 3,430,433 |
| Net OPEB Liability* (5) | 784,210 | — | (39,207) | 745,003 |
| Total OPEB Liability* (5) | 247,471 | — | (48,606) | 198,865 |
| Pollution Remediation Obligations | 8,685 | 55 | (569) | 8,171 |
| Other | 28,411 | 2,453 | (7,761) | 23,103 |
| Total Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth | 15,165,284 | 2,491,209 | (2,364,862) | 15,291,631 |
| **Total Governmental Activities** | 15,396,548 | 2,491,209 | (2,418,358) | 15,469,399 |
| **Business-type Activities:** | | | | |
| **Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:** | | | | |
| Compensated Absences | 13,699 | 4,470 | (2,925) | 15,244 |
| Long-term Lease Liabilities | 193,959 | 34,433 | (25,729) | 202,663 |
| Long-term Subscription-Based Information Technology Arrangements | 22,267 | 202,281 | (17,309) | 207,239 |
| Net Pension Liability* | 95,141 | 37,674 | — | 132,815 |
| Net OPEB Liability* (5) | 21,595 | 1,664 | — | 23,259 |
| Total OPEB Liability* (5) | 9,854 | — | (1,281) | 8,573 |
| Installment Purchase Obligations from Direct Borrowings | 572 | — | (572) | — |
| Lottery Prizes Payable | 112,828 | 91,446 | (6,146) | 198,128 |
| Educational Benefits Payable | 1,613,747 | — | (229,048) | 1,384,699 |
| **Total Business-type Activities** | 2,083,662 | 371,968 | (283,010) | 2,172,620 |
| **Total Primary Government** | $ 17,480,210 | $ 2,863,177 | $ (2,701,368) | $ 17,642,019 |

*Net increase/decrease is shown.

| Foundations (4) | Balance June 30 | Due Within One Year |
|---|---|---|
| | | |
| $ — | $ 154,465 | $ 44,390 |
| — | 4,098 | 953 |
| — | 19,205 | — |
| — | 177,768 | 45,343 |
| | | |
| — | 3,380,595 | 224,701 |
| — | 3,119,185 | 223,880 |
| — | 2,416,379 | — |
| — | 924,738 | — |
| — | 18,667 | — |
| — | (57) | — |
| — | 88,575 | 14,056 |
| — | 370,698 | 198,968 |
| — | 422,175 | 41,942 |
| — | 145,101 | 62,543 |
| — | 3,430,433 | — |
| — | 745,003 | 4,649 |
| — | 198,865 | 21,819 |
| — | 8,171 | 6,074 |
| — | 23,103 | 2,499 |
| — | 15,291,631 | 801,131 |
| — | 15,469,399 | 846,474 |
| | | |
| — | 15,244 | 11,775 |
| — | 202,663 | 25,392 |
| — | 207,239 | 11,158 |
| — | 132,815 | — |
| — | 23,259 | 42 |
| — | 8,573 | 863 |
| — | — | — |
| — | 198,128 | 13,562 |
| — | 1,384,699 | 184,019 |
| — | 2,172,620 | 246,811 |
| $ — | $ 17,642,019 | $ 1,093,285 |

*Continued on next page*

| (Dollars in Thousands) | Schedule of Changes in Long-term Debt and Obligations (1) (2) (Continued from previous page) | | | |
|---|---|---|---|---|
| | **Balance July 1, as restated (3)** | **Issuances and Other Increases** | **Retirements and Other Decreases** | **Subtotal June 30** |
| **Component Units** | | | | |
| **Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:** | | | | |
| General Obligation Bonds - Higher Education 9(c) (6) | $ 912,817 | $ 100,424 | $ (72,392) | $ 940,849 |
| **Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:** | | | | |
| Bonds (7) | 22,664,732 | 2,173,820 | (1,735,541) | 23,103,011 |
| Bonds from Direct Placements (7) | 525,561 | 157,469 | (11,375) | 671,655 |
| Installment Purchase Obligations from Direct Borrowings (4) | 232,324 | 6,161 | (13,236) | 225,249 |
| Long-term Lease Liabilities | 4,782,342 | 243,297 | (108,930) | 4,916,709 |
| Long-term Subscription-Based Information Technology Arrangements (3) | 168,370 | 130,471 | (88,986) | 209,855 |
| Notes Payable | 1,711,155 | 236,613 | (133,502) | 1,814,266 |
| Notes Payable from Direct Borrowings | 171,297 | 3,629 | (7,367) | 167,559 |
| Compensated Absences | 379,422 | 476,547 | (436,568) | 419,401 |
| Net Pension Liability* | 1,646,852 | 418,998 | — | 2,065,850 |
| Net OPEB Liability* (6) | 707,957 | — | (16,226) | 691,731 |
| Total OPEB Liability* (6) | 258,308 | — | (81,841) | 176,467 |
| Trust and Annuity Obligations | 96,431 | 6,365 | (9,322) | 93,474 |
| Other | 430,234 | 67,869 | (260,864) | 237,239 |
| **Total Component Units** | $ 34,687,802 | $ 4,021,663 | $ (2,976,150) | $ 35,733,315 |

*Net increase/decrease is shown.

Note (1): Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.

Note (2): Payments on bonded debt that pertain to the Commonwealth's governmental activities are made through the debt service funds. Payments for installment purchases, compensated absences, long-term leases, long-term SBITAs, pension, other post-employment benefits, and other obligations that pertain to the Commonwealth's governmental activities are made through the general and all special revenue funds, excluding the Literary Fund (major). Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the total for governmental activities. Enterprise funds, or business-type activities, are self-supporting funds. Accordingly, long-term liabilities are paid from each respective fund.

Note (3): As a result of the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, the beginning balances associated with the implementation have been restated/reclassified by $57.0 million due to a restatement amount of $80.3 million in assets offset by a $23.3 million reclassification of liabilities for governmental activities. Additionally, $182.7 million has been restated for component units.

Note (4): Component Unit Installment Purchase Obligations from Direct Borrowing has been restated by $1,218 (dollars in thousands) as a result of prior year error corrections.

Note (5): Foundations represent FASB reporting entities defined in Note 1.B.

Note (6): The Net OPEB Liability amount reported as due within one year pertains to the Commonwealth's Line of Duty (LODA) OPEB plan because the ending fiduciary net position is less than the benefit payments expected to be paid within one year. The Total OPEB Liability amount reported as due within one year represents the benefit payments expected to be paid within one year from the Pre-Medicare Retiree Healthcare (PMRH) OPEB plan. This plan does not have a trust.

Note (7): Amounts are net of any unamortized discounts and premiums.

| Foundations (5) | Balance June 30 | Due Within One Year |
|---|---|---|
| $ — | $ 940,849 | $ 70,877 |
| 999,422 | 24,102,433 | 1,142,547 |
| — | 671,655 | 30,321 |
| — | 225,249 | 9,693 |
| — | 4,916,709 | 90,076 |
| — | 209,855 | 81,874 |
| 372,964 | 2,187,230 | 285,366 |
| — | 167,559 | 4,823 |
| 30,875 | 450,276 | 334,292 |
| — | 2,065,850 | — |
| — | 691,731 | 245 |
| — | 176,467 | 17,053 |
| 83,650 | 177,124 | 2,488 |
| 569,464 | 806,703 | 195,910 |
| $ 2,056,375 | $ 37,789,690 | $ 2,265,565 |

### Bond and Note Defeasance

GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2023, there were $936.2 million in bonds from the primary government that have been refunded and defeased in-substance from the governmental activities column by placing existing assets and the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. In addition, there were $1.2 billion in bonds and notes outstanding considered defeased from the component units.

### Primary Government

In 2022, the Commonwealth Transportation Board of the Commonwealth of Virginia did an in-substance defeasance of $25.4 million of Northern Virginia Transportation District Program Revenue Bonds Series 2012A and Route 28 Project Transportation Revenue Refunding Bonds Series 2012 along with $4.7 million of the unamortized bond premium. VDOT used current resources for the defeasance and no new debt was issued. VDOT recognized an economic gain of $1.1 million. None of these defeased bonds are outstanding at year end.

In November 2022, the Virginia Public Building Authority (VPBA) used General Fund appropriations to defease $22.1 million of Public Facilities Revenue and Revenue Refunding Bonds Series 2010B-2, 2013A, 2014A, 2014C, 2015A, 2016A, 2016B, 2017A, 2018A, 2019A, 2020A, and 2020B. The funds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the defeased bonds to their next available redemption date. VPBA recognized an economic gain of $1.3 million.

In 2023, the Hampton Roads Transportation Accountability Commission (HRTAC) did an in-substance defeasance of $818.0 million of the Series 2021A Senior Lien Bond Anticipation Notes, along with $50.9 million of the unamortized bond premium. HRTAC issued new debt in the form of a TIFIA Loan for the majority of the defeasance, along with current resources. Funds were placed in escrow to pay the bonds as they mature. HRTAC recognized a gain on the defeasance of $84.7 million and the balance of the defeased bonds is $817.9 million as of June 30, 2023.

On July 1, 2022, HRTAC paid in full $414.3 million the Intermediate Lien Bond Anticipation Notes (BAN), Series 2019A, using the remaining balance of the BAN project fund held at the trustee, general funds and the proceeds from the new TIFIA loan.

### Component Units

In February 2023, Virginia Commonwealth University (nonmajor) issued $22.8 million of General Revenue Pledge Refunding Bonds, Series 2023A. These bonds were used to forward refund $3.1 million of General Revenue Pledge Refunding Bonds, Series 2013A, and $19.3 million of General Revenue Pledge Bonds, Series 2014A. For additional information, see the University's separately issued financial statements, which can be found at the University's website at www.vcu.edu.

In May 2023, the Virginia Port Authority (VPA) (nonmajor) issued $52.7 million of Commonwealth Port Fund Revenue Refunding Bonds, Series 2023B (Non-AMT) to advance refund $59.3 million in principal amount of the Authority's Commonwealth Port Fund Revenue Bonds, Series 2018 (Taxable) issued in the original par amounts of $60.3 million. The net proceeds from the issuance, along with other funds available from the Authority, were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are to be called. At June 30, 2023, $59.3 million of these defeased bonds are still outstanding. The result of the refunding saved the Authority $4.3 million in future debt service and resulted in $3.2 million economic gain. For additional information, please see the Authority's website at www.portofvirginia.com.

In June 2023, the Virginia College Building Authority (VCBA) (major) issued $341.8 million of Series 2023B 21st Century Program refunding bonds. The bonds were issued to refund $401.9 million of its 2010B-2, 2014A, 2015A, 2015D, 2016A and 2020B bonds (selected maturities only). The net proceeds from the sale of the refunding bonds of $397.5 million were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the defeased bonds. This defeasance resulted in an accounting gain of $27.1 million. Total debt service payments over the next 12 years will be reduced by $27.7 million resulting in a present value savings of $20.6 million discounted at the rate of 3.0 percent.

**Arbitrage Rebate**

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt calculate and rebate arbitrage earnings to the Federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. Governmental issuers must comply with the rebate regulations in order for their bonds to maintain tax-exempt status. The regulations require earnings on investments purchased with bond proceeds in excess of the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, be subject to rebate to the Federal government. Income earned on excess earnings is also subject to rebate. Rebate liability, if any, must be paid every five years over the life of the bonds. Governmental issuers may at the time of issuance elect to pay a penalty in lieu of rebate. Bonds may be exempt from the rebate requirements if they qualify for certain exceptions under the regulations. If the issuer meets one of the exceptions, the issuer retains any arbitrage earnings. Rebate and penalty payments are calculated and paid as required by law on bond issues that do not qualify for an exception.

Rebate liability on bonds of the VPSA (major component unit) issued under its Pooled Bond Programs is payable from earnings on related bond funds and from local issuers whose local school bonds were purchased by the VPSA. During fiscal year 2023, no rebate payments were owed on VPSA bonds issued under its Pooled Bonds Programs. Rebate liability on notes of the VPSA issued under its School Technology and Security Notes Program is payable from earnings on related note funds and funds of the Commonwealth. During fiscal year 2023, a final arbitrage rebate calculation for VPSA's School Technology and Security Notes, Series VI identified an arbitrage rebate liability payment of $48,422 due to the Federal government in fiscal year 2023. The liability was paid in fiscal year 2023 by the VPSA. The Virginia Department of Education reimbursed the VPSA in fiscal year 2023.

Rebatable arbitrage need only be calculated for tax purposes every fifth year that debt is outstanding. Consistent with the modified accrual basis of accounting, it is not recognized as a liability in governmental funds until amounts actually become due and payable; however, a liability is recognized in accrual basis government-wide statements as soon as the underlying event has occurred.

Amounts remitted to the Federal government for rebate liability are generally paid from earnings derived from the issue. However, if all proceeds have been expended and depending on the type of issue, it may be necessary to use project revenues or general or non-general fund appropriations to satisfy any rebate liability. During fiscal year 2023, no rebate payments were owed on the Commonwealth's General Obligation Bonds, Virginia Public Building Authority, Commonwealth Transportation Board, the Virginia College Building Authority 21st Century or Pooled Bond Programs, or the Virginia Port Authority.

**Long-term Leases**

The Commonwealth leases buildings, equipment, and land under various agreements that are accounted for as long-term leases under GASB Statement No. 87, *Leases*. The lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly. The Commonwealth has recorded $26.1 million of variable payments for leases. These amounts are recognized as an expense in the period in which the obligation for those payments is incurred.

Presented in the following tables are repayment schedules for long-term lease liabilities as of June 30, 2023.

**Long-term Lease Liabilities**
**Governmental Funds**
June 30, 2023

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 41,942,411 | $ 30,595,038 | $ 72,537,449 |
| 2025 | 36,489,012 | 27,995,527 | 64,484,539 |
| 2026 | 30,914,361 | 25,608,428 | 56,522,789 |
| 2027 | 25,431,126 | 23,577,062 | 49,008,188 |
| 2028 | 24,431,526 | 21,651,112 | 46,082,638 |
| 2029-2033 | 109,846,632 | 82,301,173 | 192,147,805 |
| 2034-2038 | 98,176,948 | 39,923,901 | 138,100,849 |
| 2039-2043 | 42,599,021 | 10,891,814 | 53,490,835 |
| 2044-2048 | 6,291,998 | 2,566,753 | 8,858,751 |
| 2049-2053 | 4,052,550 | 855,416 | 4,907,966 |
| 2054-2058 | 927,994 | 252,863 | 1,180,857 |
| 2059-2063 | 882,273 | 105,188 | 987,461 |
| 2064-2068 | 189,539 | 3,353 | 192,892 |
| Total | $ 422,175,391 | $266,327,628 | $ 688,503,019 |

**Long-term Lease Liabilities**
**Business-type Activities**
June 30, 2023

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 25,391,500 | $ 7,151,536 | $ 32,543,036 |
| 2025 | 20,373,389 | 6,338,041 | 26,711,430 |
| 2026 | 18,998,219 | 5,641,512 | 24,639,731 |
| 2027 | 16,750,799 | 4,993,440 | 21,744,239 |
| 2028 | 14,713,768 | 4,421,418 | 19,135,186 |
| 2029-2033 | 59,037,913 | 14,873,846 | 73,911,759 |
| 2034-2038 | 35,683,830 | 5,706,355 | 41,390,185 |
| 2039-2043 | 11,563,525 | 964,910 | 12,528,435 |
| 2044-2048 | 149,970 | 4,500 | 154,470 |
| Total | $ 202,662,913 | $ 50,095,558 | $ 252,758,471 |

**Long-term Lease Liabilities**
**Component Units**
June 30, 2023

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 90,075,581 | $ 175,471,431 | $ 265,547,012 |
| 2025 | (9,435,143) | 174,121,201 | 164,686,058 |
| 2026 | 34,227,154 | 172,901,745 | 207,128,899 |
| 2027 | 33,649,706 | 171,695,632 | 205,345,338 |
| 2028 | 36,546,759 | 170,760,985 | 207,307,744 |
| 2029-2033 | 82,082,359 | 835,775,260 | 917,857,619 |
| 2034-2038 | 2,442,914 | 824,374,635 | 826,817,549 |
| 2039-2043 | 144,730,789 | 809,978,010 | 954,708,799 |
| 2044-2048 | 365,261,732 | 763,044,835 | 1,128,306,567 |
| 2049-2053 | 636,253,132 | 671,398,108 | 1,307,651,240 |
| 2054-2058 | 985,572,157 | 527,204,208 | 1,512,776,365 |
| 2059-2063 | 1,469,942,702 | 317,909,134 | 1,787,851,836 |
| 2064-2068 | 1,045,354,540 | 51,118,515 | 1,096,473,055 |
| 2069-2073 | 4,841 | 159 | 5,000 |
| Total | $ 4,916,709,223 | $ 5,665,753,858 | $10,582,463,081 |

## Long-term Subscription-Based Information Technology Arrangements

The Commonwealth implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, for the fiscal year ended June 30, 2023. The Commonwealth has entered into contractual agreements with various vendors that convey control of the right-to-use another entity's IT asset, alone, or in conjunction with a tangible capital asset in an exchange or exchange-like transaction under GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The Commonwealth has a variety of variable payment clauses within its SBITAs, including variable payments based on future performance, usage of the underlying asset, number of software licenses, or hours of access necessary. Such amounts are recognized as an expense in the period in which the obligation for those payments is incurred. During the year, the Commonwealth recorded $19.9 million for variable payments related to a SBITA.

Presented in the following tables are repayment schedules for long-term SBITA liabilities as of June 30, 2023.

**Long-term Subscription-Based Information Technology Arrangements**
**Governmental Funds**
June 30, 2023

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 62,543,113 | $ 7,441,626 | $ 69,984,739 |
| 2025 | 26,903,532 | 3,719,917 | 30,623,449 |
| 2026 | 15,302,093 | 2,642,320 | 17,944,413 |
| 2027 | 13,306,978 | 1,928,921 | 15,235,899 |
| 2028 | 6,828,471 | 1,249,343 | 8,077,814 |
| 2029-2033 | 19,897,748 | 2,421,957 | 22,319,705 |
| 2034-2038 | 319,512 | 25,576 | 345,088 |
| Total | $ 145,101,447 | $ 19,429,660 | $ 164,531,107 |

**Long-term Subscription-Based Information Technology Arrangements**
**Business-type Activities**
June 30, 2023

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | 11,158,279 | 6,740,955 | 17,899,234 |
| 2025 | 10,395,453 | 6,415,088 | 16,810,541 |
| 2026 | 10,182,282 | 6,102,290 | 16,284,572 |
| 2027 | 9,876,891 | 5,591,151 | 15,468,042 |
| 2028 | 9,218,295 | 5,200,833 | 14,419,128 |
| 2029-2033 | 45,685,831 | 21,306,482 | 66,992,313 |
| 2034-2038 | 53,199,414 | 13,495,103 | 66,694,517 |
| 2039-2043 | 57,523,046 | 4,096,954 | 61,620,000 |
| Total | $ 207,239,491 | $ 68,948,856 | $ 276,188,347 |

**Long-term Subscription-Based Information Technology Arrangements**
**Component Units**
June 30, 2023

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | 81,873,713 | 4,931,388 | 86,805,101 |
| 2025 | 52,628,577 | 3,568,806 | 56,197,383 |
| 2026 | 33,426,168 | 2,418,016 | 35,844,184 |
| 2027 | 19,902,288 | 1,253,967 | 21,156,255 |
| 2028 | 10,085,920 | 720,239 | 10,806,159 |
| 2029-2033 | 11,619,168 | 695,362 | 12,314,530 |
| 2034-2038 | 319,355 | 9,968 | 329,323 |
| Total | $ 209,855,189 | $ 13,597,746 | $ 223,452,935 |

## Notes Payable

Notes Payable consist of several items as shown in the following schedule (dollars in thousands):

| | | |
|---|---|---|
| **Primary Government** | | |
| Installment Notes from Direct Borrowings | $ | 88,575 |
| **Total Primary Government** | | 88,575 |
| **Component Units** | | |
| Virginia Public School Authority | | 191,765 |
| Nonmajor Component Units | | 1,622,501 |
| Nonmajor Component Units from Direct Borrowings | | 167,559 |
| Installment Notes from Direct Borrowings | | 225,249 |
| Subtotal (excluding Foundations) | | 2,207,074 |
| Foundations: | | |
| Notes Payable | | 372,964 |
| Subtotal - Foundations | | 372,964 |
| **Total Component Units** | | 2,580,038 |
| **Total Notes Payable** | $ | 2,668,613 |

The Virginia Public School Authority (major component unit) notes of $191.8 million are for the School Technology and Security Notes Program. The note proceeds were used to finance technology equipment purchases and to make grants to school divisions for the purchase of security equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (major special revenue).

An additional amount of $1.6 billion is comprised primarily of higher education institutions' (nonmajor component units) promissory notes with the Virginia College Building Authority (VCBA) (major component unit) to finance the construction of various higher education facilities pursuant to the Pooled Bond Program. Interest rates range from 0.5 percent to 5.6 percent and shall be paid semi-annually and the planned interest payments total $427.0 million. Additionally, in accordance with the American Recovery and Reinvestment Act, the Commonwealth expects to receive a Build America Bonds (BABs) interest subsidy to reimburse interest payments of $13.7 million. The final principal payment is due in fiscal year 2053.

University of Virginia (nonmajor) and Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – nonmajor component unit) reported notes payable of $6.2 million and $161.3 million, respectively. For additional information pertaining to these direct borrowings, refer to the separately issued financial statements. In addition, the Hampton Roads Sanitation District Commission (nonmajor component unit) reported notes payable of $68.6 million.

Various foundations (nonmajor component units) have notes outstanding as of year-end. The purpose of a majority of these notes is for property acquisition, working capital, and construction. Future principal payments as of June 30, 2023, are shown in the following table (dollars in thousands).

**Foundations' Notes Payable (Component Units) (1)**

| Maturity | Principal |
|---|---|
| 2024 | $ 41,591 |
| 2025 | 67,701 |
| 2026 | 21,440 |
| 2027 | 13,925 |
| 2028 | 20,673 |
| Thereafter | 207,634 |
| Total | $ 372,964 |

Installment purchase obligations have been entered into by agencies and institutions of the Commonwealth. These agreements, other than those in the component units and certain institutions of higher education, contain nonappropriation clauses indicating that continuation of the installment purchase obligations is subject to funding by the General Assembly. Installment purchase obligations represent $313.8 million of the total outstanding debt of the Commonwealth. Presented in the following tables are repayment schedules for installment purchase obligations as of June 30, 2023.

**Installment Purchase Obligations from Direct Borrowings**
**Governmental Funds**
June 30, 2023

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 14,056,250 | $ 1,896,447 | $ 15,952,697 |
| 2025 | 14,016,011 | 1,594,577 | 15,610,588 |
| 2026 | 13,157,266 | 1,290,290 | 14,447,556 |
| 2027 | 12,224,595 | 1,122,429 | 13,347,024 |
| 2028 | 11,893,388 | 925,790 | 12,819,178 |
| 2029-2033 | 17,930,752 | 1,767,382 | 19,698,134 |
| 2034-2038 | 5,296,759 | 191,429 | 5,488,188 |
| Total | $ 88,575,021 | $ 8,788,344 | $ 97,363,365 |

**Installment Purchase Obligations from Direct Borrowings**
**Component Units**
June 30, 2023

| Maturity | Principal | Interest | Total |
|---|---|---|---|
| 2024 | $ 9,694,097 | $ 10,280,428 | $ 19,974,525 |
| 2025 | 645,376 | 10,317,819 | 10,963,195 |
| 2026 | 3,796,840 | 10,375,578 | 14,172,418 |
| 2027 | 4,465,033 | 10,428,341 | 14,893,374 |
| 2028 | 5,032,841 | 10,424,323 | 15,457,164 |
| 2029-2033 | 15,780,208 | 52,222,495 | 68,002,703 |
| 2034-2038 | (4,108,643) | 53,842,012 | 49,733,369 |
| 2039-2043 | (3,664,682) | 56,155,051 | 52,490,369 |
| 2044-2048 | 4,829,321 | 56,436,654 | 61,265,975 |
| 2049-2053 | 18,983,568 | 53,218,083 | 72,201,651 |
| 2054-2058 | 41,340,754 | 44,619,492 | 85,960,246 |
| 2059-2063 | 74,351,998 | 27,988,650 | 102,340,648 |
| 2064-2068 | 54,102,467 | 4,269,078 | 58,371,545 |
| Total | $ 225,249,178 | $ 400,578,004 | $ 625,827,182 |

The foundations (nonmajor component units) had no installment purchase obligations as of June 30, 2023.

On May 23, 2016, the Virginia Department of Transportation (VDOT) (primary government) and Chesterfield County (County) signed a memorandum of understanding concerning payment of interest relating to the County's contribution to VDOT for the construction of the Powhite Parkway Extension Project. The parties agreed that the interest to be paid by VDOT on the County's contribution to the construction of the Powhite Parkway Extension is $18.5 million. The interest requirement paid during fiscal year 2023 totaled $1.2 million. The outstanding interest amount of $99,185 is payable in annual installments on September 1 in the fiscal year 2024. This interest is applicable to a note payable that VDOT repaid to the County in fiscal year 2014.

**Lottery Prizes Payable**

Lottery prizes are paid in 20, 25, 26, or 30 installments. The first installment is paid on the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury STRIPS purchased by the Virginia Lottery. For Life prizes payable represent estimated prizes payable monthly, quarterly or annually for the life of the winner based on life expectancy tables from the Virginia Bureau of Insurance, and funded with a pool of U.S. Treasury STRIPS.

Lottery prizes payable represent the future annual prize payments valued at cost plus accrued interest (current value of securities held to maturity) of the assets funding the payments.

Lottery prizes payable for the fiscal year ended June 30, 2023, are shown in the following table:

| | Jackpot | Win For Life | Total |
|---|---|---|---|
| Due within one year | $ 7,586,524 | $ 5,975,589 | $ 13,562,113 |
| Due in subsequent years | 106,351,497 | 78,214,658 | 184,566,155 |
| Total (current value) | 113,938,021 | 84,190,247 | 198,128,268 |
| Add: Interest to Maturity | 81,028,979 | 34,295,753 | 115,324,732 |
| Lottery Prizes Payable at Maturity | $ 194,967,000 | $ 118,486,000 | $ 313,453,000 |

**Educational Benefits Payable**

The Virginia College Savings Plan administers the Defined Benefit 529 Program, which consists of two savings options: Prepaid529 and Tuition Track Portfolio. Prepaid529 services contracts that provide for full future tuition and mandatory fee payments at Virginia's higher education institutions and differing payouts at private or out-of-state institutions using actuarially determined amounts. Prepaid529 is closed to new contracts. The Tuition Track Portfolio allows for the purchase of units to be redeemed for future tuition costs. The value of a unit is tied to the average tuition inflation rate of Virginia four year institutions.

As of June 30, 2023, educational benefits payable of $1.4 billion have been recorded for the Defined Benefit 529 program on the statement of net position for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the Defined Benefit 529 program. In addition, a receivable in the amount of $69.5 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

## 29. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2023.

| | Assessments and Receipts for Support of Special Services | Fines, Forfeitures, Court Fees, Penalties, and Escheats | Receipts from Cities, Counties, and Towns | Private Gifts, Grants, and Contracts | Sales of Property |
|---|---|---|---|---|---|
| **Primary Government:** | | | | | |
| General | $ 5,685 | $ 257,934 | $ 7,659 | $ 392 | $ 28,752 |
| Major Special Revenue Funds: | | | | | |
| Commonwealth Transportation | 19,630 | 28,280 | 475,699 | 7,275 | 662 |
| Federal Trust | — | 31,516 | 250 | 52 | — |
| Literary | — | 35,882 | — | — | — |
| Nonmajor Governmental Funds | 174,983 | 50,670 | 86,168 | 6,840 | 284,451 |
| Major Enterprise Funds: | | | | | |
| Virginia College Savings Plan | — | — | — | — | — |
| Nonmajor Enterprise Funds | — | 18,452 | — | — | — |
| Internal Service Funds | — | — | — | — | — |
| Private Purpose Trust Funds | — | — | — | — | — |
| Pension and Other Employee Benefit Trust Funds | — | — | — | — | — |
| Custodial Funds - Other | — | — | — | — | — |
| Total Primary Government | $ 200,298 | $ 422,734 | $ 569,776 | $ 14,559 | $ 313,865 |

| | Tobacco Master Settlement | Taxes | Other (1) (2) | Total Other Revenue |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| General | $ 56,987 | $ — | $ 276,001 | $ 633,410 |
| Major Special Revenue Funds: | | | | |
| Commonwealth Transportation | — | — | 67,332 | 598,878 |
| Federal Trust | — | — | 624,185 | 656,003 |
| Literary | — | — | — | 35,882 |
| Nonmajor Governmental Funds | — | — | 499,746 | 1,102,858 |
| Major Enterprise Funds: | | | | |
| Virginia College Savings Plan | — | — | 208,602 | 208,602 |
| Nonmajor Enterprise Funds | — | 4,680 | 10,531 | 33,663 |
| Internal Service Funds | — | — | 77,784 | 77,784 |
| Private Purpose Trust Funds | — | — | 10 | 10 |
| Pension and Other Employee Benefit Trust Funds | — | — | 4,232 | 4,232 |
| Custodial Funds - Other | — | — | 14,903 | 14,903 |
| Total Primary Government | $ 56,987 | $ 4,680 | $ 1,783,326 | $ 3,366,225 |

Note (1): $229,212 (dollars in thousands) and $574,855 (dollars in thousands) are related to prior year expenditures refunded in the current fiscal year for the General Fund and Federal Trust (major special revenue), respectively, and $27,120 (dollars in thousands) is related to localities' share of capital funding for the Washington Metropolitan Area Transit Authority in the Commonwealth Transportation Fund (major special revenue). $195,645 (dollars in thousands) is related to proceeds from unclaimed property in the Unclaimed Property Fund (nonmajor governmental), $91,650 (dollars in thousands) is related to indirect costs, reimbursable employee benefits, law enforcement services and court collection fees in the Other Special Revenue Fund, $26,090 (dollars in thousands) is related to welfare activity receipts in the Health and Social Services Special Revenue Fund, and the remaining $186,361 (dollars in thousands) is related to other miscellaneous activities in the nonmajor governmental funds.

Note (2): Of this amount, $77,784 (dollars in thousands) represents a decline in the actuarial estimate of long-term claims payable liabilities for the Risk Management internal service fund.

## 30. TAX ABATEMENTS

GASB Statement No. 77, *Tax Abatements*, requires disclosures to be made for tax abatements. These arise from agreements between the Commonwealth and taxpayers and result in reduced tax revenue when the taxpayer promises to provide economic benefits to the Commonwealth. As of June 30, 2023, the Commonwealth participates in the following tax abatement programs in excess of $1.0 million. There are no provisions for recapturing abated taxes since the requirements must be met prior to receiving the abatement.

- The Retail Sales and Use Tax Data Center Exemptions are intended to attract data centers to the Commonwealth pursuant to Section 58.1-609.3(18) of the *Code of Virginia*. Qualifying entities may purchase or lease certain computer equipment, enabling software and other enabling hardware for use in the data center exempt from the retail sales and use tax. Each recipient's retail sales and use taxes are reduced by being able to purchase qualifying items for use in the data center without having to pay the retail sales and use tax on the purchase price. The amount of the abatement for each recipient is determined by multiplying the purchase price of the qualifying computer equipment, enabling software and other enabling hardware purchased by the recipient by the rate of the retail sales and use tax that would be imposed on the purchase if the exemption was not available. The rate of the retail sales and use tax is 6.0 percent in the Northern Virginia, Hampton Roads, and Central Virginia regions; 7.0 percent in the Historic Triangle region; 6.3 percent in the city of Danville and the counties of Charlotte, Gloucester, Halifax, Henry, Northampton, Patrick, and Pittsylvania; and 5.3 percent in the remainder of the state. The exemption is available for data centers that (i) are located in a Virginia locality; (ii) result in a new capital investment on or after January 1, 2009, of at least $150.0 million; and (iii) result in the creation on or after July 1, 2009, of at least 50 new jobs by the data center operator and the tenants of the data center, collectively, associated with the operation or maintenance of the data center provided that such jobs pay at least one and one-half times the prevailing average wage in that locality. The requirement of at least 50 new jobs is reduced to 10 new jobs if the data center is located in a distressed locality at the time of the execution of a memorandum of understanding with the Virginia Economic Development Partnership Authority (nonmajor component unit). Additionally, the requirement of a $150.0 million capital investment is reduced to $70.0 million for data centers that qualify for the reduced jobs requirement. Effective July 1, 2012, the exemption was extended to purchases and leases made by tenants of a data center that meet the requirements of the data center exemption.

  In order to qualify for the exemption, the data center operator must enter into a memorandum of understanding with the Virginia Economic Development Partnership Authority. The exemption is scheduled to sunset June 30, 2035. The amount of abated taxes for fiscal year 2023 is estimated to be $750.4 million.

- The Motion Picture Production Tax Credit is intended to encourage the filming of motion picture productions in the Commonwealth. Pursuant to Section 58.1-439.12:03 of the *Code of Virginia*, a motion picture production company with qualifying expenses of at least $250,000 may abate its individual income tax or corporate income tax liability by the amount of the Motion Picture Production Tax Credit. The amount of the tax credit is equal to (i) 15.0 percent of the production company's qualifying expenses or (ii) 20.0 percent of such expenses if the production is filmed in an economically distressed area of the Commonwealth. In addition to the credit for the qualifying expenses incurred by a motion picture production company, such company may receive an Additional Virginia Resident Credit and an Additional Virginia Resident First-Time Industry Employee Credit. The Additional Virginia Resident Credit equals (i) 10.0 percent of the total aggregate payroll for Virginia residents employed in connection with the production of a film in Virginia when total production costs in Virginia are at least $250,000, but not more than $1.0 million or (ii) 20.0 percent of the total aggregate payroll of such residents when total production costs in Virginia exceed $1.0 million. The Additional Virginia Resident First-Time Industry Employee Credit is equal to 10.0 percent of the total aggregate payroll for Virginia residents employed for the first time as actors or members of a production crew in connection with the production of a film in Virginia.

  The Motion Picture Production Tax Credit is a refundable tax credit. Therefore, if the amount of credit that a company is allowed to claim exceeds the company's tax liability for the taxable year, the excess amount of credit will be refunded to the company. Companies must have a memorandum of understanding with the Virginia Tourism Authority (nonmajor component unit) in order to participate in this program.

  The credit is scheduled to sunset January 1, 2027. The annual cap on the amount of credits granted for a fiscal year is $6.5 million, and this amount is expected to be claimed annually. While a motion picture production company may receive approval within a given year, the credits may not be claimed by the taxpayer until at the earliest, the filing of a return. The filing of a return often occurs in a fiscal year subsequent to the year during which a credit is granted. In addition, the Virginia Tourism Authority is allowed to issue credits and a taxpayer can claim credits in future fiscal years subject to certain conditions. Because of these timing differences between when tax credits are granted and when they are claimed, the credits claimed in a fiscal year may fluctuate compared to the $6.5

million annual cap. For fiscal year 2023, $6.5 million of income tax was abated.

- The Retail Sales and Use Tax Entitlement to Tax Revenues from Tourism Projects is intended to encourage the development of certain tourism projects by assisting the developer in (i) obtaining gap financing needed to meet a shortfall in project funding between the expected costs of the project and the debt and equity capital provided by the developer and (ii) making payments of principal and interest on the gap financing.

  If the project qualifies for the entitlement, the developer is entitled to an amount equivalent to a one percent state sales tax on transactions taking place on the premises of the tourism project. The entitled sales tax revenues must be applied to payments of principal and interest on the gap financing. The entitlement continues until the gap financing is paid in full.

  Section 58.1-3851.1 of the *Code of Virginia* imposes requirements on both the local government and the developer in order for the project to qualify for the entitlement. The locality must have (i) established a tourism zone pursuant to Section 58.1-3851 of the *Code of Virginia*; (ii) established a tourism plan under the guidelines of the Virginia Tourism Authority; (iii) authorized a tourism project that meets a deficiency identified in the tourism plan; and (iv) dedicated an amount equivalent to a one percent sales tax on transactions taking place on the premises of the tourism project to the payment of principal and interest on the gap financing. The developer must have (i) secured a minimum of 70.0 percent of funding for the project in place through debt or equity; and (ii) entered into a performance agreement with the local economic development authority to pay an access fee equivalent to a one percent sales tax on transactions taking place on the premises of the tourism project to the payment of principal and interest on the gap financing. In order for the project to qualify for the entitlement, the project must be certified by the State Comptroller. The amount of abated taxes for fiscal year 2023 was $1.2 million.

## 31. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2023.

*(Dollars in Thousands)*

| | Insurance Claims | Lottery Prize Expense | Total Prizes and Claims |
|---|---|---|---|
| **Proprietary Funds:** | | | |
| Major Enterprise Funds: | | | |
| Virginia Lottery | $ — | $ 3,405,341 | $ 3,405,341 |
| Unemployment Compensation | 191,441 | — | 191,441 |
| Nonmajor Enterprise Funds | 522,665 | — | 522,665 |
| Total Enterprise Funds | $ 714,106 | $ 3,405,341 | $ 4,119,447 |
| Internal Service Funds | $ 1,696,762 | $ — | $ 1,696,762 |

## 32. DEPRECIATION AND AMORTIZATION

The following table summarizes Depreciation and Amortization Expense as of June 30, 2023.

*(Dollars in Thousands)*

| | Depreciation | Amortization | Total Depreciation and Amortization |
|---|---|---|---|
| **Proprietary Funds:** | | | |
| Major Enterprise Funds: | | | |
| Virginia Lottery | $ 4,647 | $ 5,424 | $ 10,071 |
| Virginia College Savings Plan | 222 | 840 | 1,062 |
| Nonmajor Enterprise Funds | 13,075 | 35,528 | 48,603 |
| Total Enterprise Funds | $ 17,944 | $ 41,792 | $ 59,736 |
| Internal Service Funds | $ 26,311 | $ 70,898 | $ 97,209 |

## 33. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2023.

*(Dollars in Thousands)*

| | Grants and Distributions To Localities | Expendable Equipment/ Improvements | Other (1) | Total Other Expenses |
|---|---|---|---|---|
| **Proprietary Funds:** | | | | |
| Major Enterprise Funds: | | | | |
| Virginia College Savings Plan | $ — | $ 416 | $ 2,282 | $ 2,698 |
| Nonmajor Enterprise Funds | 53 | 6,717 | 4,062 | 10,832 |
| Total Enterprise Funds | $ 53 | $ 7,133 | $ 6,344 | $ 13,530 |
| Internal Service Funds | $ 1,773 | $ 2,670 | $ 22,784 | $ 27,227 |
| **Fiduciary Funds:** | | | | |
| Pension and Other Employee Benefit Trust Funds (2) | $ — | $ — | $ 4,259 | $ 4,259 |
| Custodial Funds - Other (2) | $ — | $ — | $ 112 | $ 112 |

Note (1): $2,282 (dollars in thousands) can be attributed to the Defined Benefit 529 Program for the SOAR scholarship program, Access and Affordability program, and other promotional scholarships. $21,956 (dollars in thousands) can be attributed to expenses related to insurance program expenses in the Risk Management internal service fund.

Note (2): Fiduciary expenses of $4,371 (dollars in thousands) are not included in the Government-wide Statement of Activities.

## 34. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2023.

*(Dollars in Thousands)*

| | Gain/(Loss) on Sale of Capital Assets | Securities Lending | Interest Expense | Other (1) | Total Other Non-Operating Revenue/ (Expenses) |
|---|---|---|---|---|---|
| **Proprietary Funds:** | | | | | |
| Major Enterprise Funds: | | | | | |
| Virginia Lottery | $ 11 | $ (937) | $ (553) | $ 1,611 | $ 132 |
| Virginia College Savings Plan | — | (34) | (73) | 544 | 437 |
| Nonmajor Enterprise Funds | (17) | (1,415) | (11,065) | 13,911 | 1,414 |
| Total Enterprise Funds | $ (6) | $ (2,386) | $ (11,691) | $ 16,066 | $ 1,983 |
| Internal Service Funds | $ 4,923 | $ (3,498) | $ (34,056) | $ 3,530 | $ (29,101) |

Note (1): Other Non-Operating Revenue/Expenses of the nonmajor enterprise funds are primarily comprised of amounts reported by Alcoholic Beverage Control.

## 35. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2023 (dollars in thousands).

| | Transfers In (Reported In): | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Transfers Out (Reported In):** | **General** | **Commonwealth Transportation** | **Federal Trust** | **Literary** | **Nonmajor Governmental Funds** | **Unemployment Compensation** | **Nonmajor Enterprise Funds** | **Internal Service Funds** | **Total Primary Government** |
| **Primary Government** | | | | | | | | | |
| General | $ — | $ 38,020 | $ — | $ — | $ 455,890 | $ — | $ — | $ — | $ 493,910 |
| Major Special Revenue Funds: | | | | | | | | | |
| Commonwealth Transportation | 28,657 | — | — | — | 542,346 | — | — | 388 | 571,391 |
| Federal Trust | 54 | 7,965 | — | — | 4,509 | 3,845 | 1,865 | — | 18,238 |
| Literary | 50,000 | — | — | — | — | — | — | — | 50,000 |
| Nonmajor Governmental Funds | 61,677 | 330 | 6,404 | 240,000 | 530,215 | — | — | — | 838,626 |
| Major Enterprise Funds: | | | | | | | | | |
| Virginia Lottery | 867,352 | — | — | 11,032 | — | — | — | — | 878,384 |
| Virginia College Savings Plan | 292 | — | — | — | — | — | — | — | 292 |
| Unemployment Compensation | — | — | 3,776 | — | — | — | — | — | 3,776 |
| Nonmajor Enterprise Funds | 230,230 | — | — | — | 15,184 | — | — | — | 245,414 |
| Internal Service Funds | — | — | — | — | 23,734 | — | — | — | 23,734 |
| **Total Primary Government** | $ 1,238,262 | $ 46,315 | $ 10,180 | $ 251,032 | $ 1,571,878 | $ 3,845 | $ 1,865 | $ 388 | $ 3,123,765 |

Transfers are used to (1) move revenues from the fund that the *Code of Virginia* or budget requires to collect them to the fund that the *Code of Virginia* or budget requires to expend them; (2) move receipts restricted for debt service from the funds holding the resources to the debt service fund as principal and interest payments become due; and (3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

As of June 30, 2023, the transfers executed pursuant to statutory or budgetary requirements are predominantly comprised of transfers of $867.4 million from Virginia Lottery (major enterprise) to the General Fund, a transfer of $229.7 million from the Alcoholic Beverage Control Fund (nonmajor enterprise) to the General Fund, and a transfer of $240.0 million from the Unclaimed Property Fund (nonmajor governmental) to the Literary Fund (major special revenue).

As discussed previously, transfers to move receipts restricted for debt service included a transfer from the General Fund of $411.7 million, a transfer from the Commonwealth Transportation Fund (major special revenue) of $533.0 million, and a transfer from Capital Project Funds (nonmajor governmental) of $527.7 million.

Transfers from the General Fund of $38.0 million to the Commonwealth Transportation Fund (major special revenue) for transportation related activities.

## 36. ENDOWMENTS

Donor-restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is $2.2 billion as of June 30, 2023. Of this amount, $1.9 million is reported as unrestricted net position and the remainder is reported as restricted net position. The *Code of Virginia* authorizes acceptance of donations. The governing boards of these entities and the donor agreements determine whether net appreciation can be spent and the accepted spending rate. These policies are entity specific and vary with each institution.

## 37. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (dollars in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2023.

| | Virginia Lottery | Virginia College Savings Plan | Unemployment Compensation | Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|---|---|---|---|---|---|---|
| Cash Flows Resulting from: | | | | | | |
| Payments for Prizes, Claims, and Loss Control: | | | | | | |
| Lottery Prizes | $ (3,320,290) | $ — | $ — | $ — | $ (3,320,290) | $ — |
| Claims and Loss Control | — | — | (205,893) | (525,585) | (731,478) | (1,687,695) |
| Total | $ (3,320,290) | $ — | $ (205,893) | $ (525,585) | $ (4,051,768) | $ (1,687,695) |
| Other Operating Revenue: | | | | | | |
| Other Operating Revenue | $ — | $ 1 | $ — | $ 10,575 | $ 10,576 | $ 24 |
| Total | $ — | $ 1 | $ — | $ 10,575 | $ 10,576 | $ 24 |
| Other Operating Expense: | | | | | | |
| Other Operating Expenses (1) | $ — | $ (2,282) | $ — | $ (68,913) | $ (71,195) | $ (24,407) |
| Total | $ — | $ (2,282) | $ — | $ (68,913) | $ (71,195) | $ (24,407) |
| Other Noncapital Financing Receipt Activities: | | | | | | |
| Advances/Contributions from the Commonwealth | $ — | $ 2,000 | $ — | $ 52,507 | $ 54,507 | $ 13,354 |
| Receipts from Taxes | — | — | — | 348,603 | 348,603 | — |
| Games of Skill Proceeds, Retail Applications, and Rents | 515 | — | — | 279 | 794 | — |
| Interest | — | — | — | — | — | 110 |
| Total | $ 515 | $ 2,000 | $ — | $ 401,389 | $ 403,904 | $ 13,464 |
| Other Noncapital Financing Disbursement Activities: | | | | | | |
| Repayments of Advances/Contributions from the Commonwealth | $ — | $ — | $ — | $ (45,189) | $ (45,189) | $ (21,543) |
| Other Noncapital Financing Disbursement Activities | — | — | — | (200) | (200) | — |
| Total | $ — | $ — | $ — | $ (45,389) | $ (45,389) | $ (21,543) |
| Other Capital and Related Financing Receipt Activities: | | | | | | |
| Interest | $ — | $ — | $ — | $ 1,258 | $ 1,258 | $ — |
| Total | $ — | $ — | $ — | $ 1,258 | $ 1,258 | $ — |
| Other Capital and Related Financing Disbursement Activities: | | | | | | |
| Other Capital and Related Financing Disbursement Activities | $ — | $ — | $ — | $ (5,222) | $ (5,222) | $ — |
| Total | $ — | $ — | $ — | $ (5,222) | $ (5,222) | $ — |

Note (1): $2,282 (dollars in thousands) can be attributed to SOAR scholarship expenses, Access and Affordability program, and other scholarships and awards. Also, $21,956 (dollars in thousands) can be attributed to expenses related to insurance program expenses in the Risk Management internal service fund and $509,422 can be attributed to Affordable Care Act related fees in the Health Care Fund internal service fund.

## 38. TOBACCO SETTLEMENT AND SECURITIZATION

On November 23, 1998, 46 states' Attorneys General and the major tobacco companies signed a proposed settlement that reimburses states for smoking-related medical expenses paid through Medicaid and other healthcare programs. At the time of the settlement, it was estimated that the Commonwealth could receive approximately $4.1 billion over the duration of the settlement. The settlement was approved in a Consent Decree in December 1998. On March 29, 1999, the General Assembly enacted a law approving the establishment of the Tobacco Region Revitalization Commission (Commission) (nonmajor component unit), in compliance with the Consent Decree, to help communities in Virginia hurt by the decline of tobacco.

The Commission was established for the purposes of determining the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund. The monies are to be used to provide payments to tobacco farmers as compensation for the tobacco equipment and barns and lost tobacco production opportunities associated with a decline in quota. The monies are also to be used to revitalize tobacco dependent communities.

The General Assembly also created the Virginia Foundation for Healthy Youth (Foundation) (nonmajor component unit). The purpose of the Foundation is to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund. The Foundation will also be responsible for distributing monies for the purposes provided in the legislation. Disbursements can be made to assist in financing efforts to restrict the use of tobacco products by minors, through educational and awareness programs describing the health effects of tobacco use on minors, and laws restricting the distribution of tobacco products to minors. Monies from the fund can also be used to assist in financing efforts to reduce childhood obesity through such means as educational and awareness programs, implementing evidence based practices, and assisting schools and communities with policies and programs.

Additionally, the General Assembly created two special non-reverting funds. The Tobacco Settlement monies were accounted for in these funds and in the General Fund. Of the Settlement monies, 50.0 percent was deposited into the Tobacco Indemnification and Community Revitalization Fund at the Commission and 8.5 percent is deposited into the Virginia Tobacco Settlement Fund at the Foundation. The remaining 41.5 percent is reported in the General Fund.

Pursuant to Purchase and Sale Agreements executed in 2005 and 2007, the Commonwealth, acting as an agent on behalf of the Commission, sold the Commission's future right, title and interest in the Tobacco Settlement Revenues (TSRs) to the Tobacco Settlement Financing Corporation (Corporation) (related organization).

Consideration paid by the Corporation to the Commission for TSRs consisted of a cash amount deposited into an endowment to fund the long-term spending plan approved by the Commission. Bonds issued by the Corporation to finance the purchase price are asset-backed instruments secured solely by the Corporation's right to receive TSRs. At the time of issuance these revenues were expected to produce sufficient funds to repay the bond obligations issued by the Corporation.

The Commission is a nonmajor component unit of the Commonwealth, and the Corporation is disclosed as a related organization.

## 39. PUBLIC-PRIVATE AND PUBLIC-PUBLIC PARTNERSHIP ARRANGEMENTS (PPPs)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, supersedes GASB Statement No. 60, *Service Concession Arrangements*, and describes a PPP as an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset for a period of time in an exchange or exchange-like transaction.

### SERVICE CONCESSION ARRANGEMENTS (SCAs)

GASB Statement No. 94 describes the criteria for when an arrangement is classified as an SCA. The basic criteria are as follows: the operator of the capital asset owned by the transferor has the right to provide services in exchange for significant consideration; the operator's revenue must come from a third party; the transferor has the ability to modify or approve which services the operator is to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; the transferor is entitled to significant residual interest in the service utility of the underlying asset at the end of the arrangement.

#### Primary Government

The Commonwealth of Virginia has five SCAs as of June 30, 2023: Pocahontas 895, the 495 Express Lanes, Elizabeth River – Midtown Tunnel, the 95 Express Lanes, and the I-66 Outside the Beltway Express Lanes. They are all related to highway construction and operation and were established per the Public-Private Transportation Act of 1995, as amended (PPTA). PPTA project goals are to provide highway projects to the public in a timely and cost effective manner with private funding and support.

#### Pocahontas 895

On June 21, 2006, the Pocahontas Parkway Association (Association – previously reported as a blended component unit of the Virginia Department of Transportation (VDOT), part of primary government) signed an agreement with Transurban (895) LLC (Transurban). Under the terms of the agreement, all assets and rights of the Association under the Comprehensive Agreement with VDOT were transferred to Transurban. In exchange for the existing toll road and other assets, Transurban transferred sufficient funds and securities to pay or defease all outstanding bonds of the Association and pay all other outstanding obligations owed to VDOT. Additionally, Transurban agreed to construct an enhancement to the original toll road, and this enhancement was completed and placed in service in 2011.

During the 99-year agreement term, VDOT will have fee title or good and valid interest in the asset. VDOT retains the right of inspection of the asset and has outlined maximum toll charges and increases in the terms of the agreement. Capital assets of $337.2 million and deferred inflows of $472.0 million are included in the government-wide financial statements. No contractual liabilities exist for this arrangement as of June 30.

During fiscal year 2014, the Transurban Board approved the transfer of Pocahontas 895 to the lenders of the asset due to lower revenues than anticipated. On May 15, 2014, DBi Services assumed control of Pocahontas 895. In December 2016, the majority owner of toll rights, Macquarie and other rights owners closed on the sale of 100.0 percent of the tolling rights to Globalvia. Macquarie CAF Management LLC, Pocahontas Holdings LLC and Meeko LLC entered into a Sale and Purchase Agreement with Pocahontas Parkway Holdings LLC and Magnolia Operations LLC (Globalvia Inversiones SAU Subsidiaries) (as the buyers) in September 2016. The acquisition was effective on December 20, 2016 after VDOT's approval.

VDOT approved Globalvia Operations USA LLC as the new O&M contractor (as defined in the Concession Agreement) and the O&M agreement between Globalvia Operations USA LLC and Pocahontas Parkway Operations LLC (company the concession agreement with VDOT was transferred to after the acquisition in December 2016) in December 2017. Globalvia Operations USA LLC replaced DBi as the new O&M contractor in February 2018.

Globalvia acquired the company that had, at that time, the agreement with VDOT to develop, finance, operate, manage the tolls and maintain Route 895-Pocahontas Parkway. The concession agreement period will end in 2105.

**495 Express Lanes**

On December 19, 2007, VDOT signed an 80-year public-private partnership agreement with Capital Beltway Express, LLC. The purpose of this agreement is to build new express lanes to provide users with a faster and more reliable travel option. The construction of the express lanes was completed in November 2012.

During the 80-year agreement, VDOT maintains regulatory control and jurisdiction of the express lanes. VDOT will have fee title or good and valid interest in the express lanes. The lanes will remain open for the public as long as the applicable tolls are paid. Capital assets of $676.8 million and deferred inflows of $911.3 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

On September 30, 2021, the second amended and restated Comprehensive Agreement (ARCA) was signed between VDOT and Capital Beltway Express, LLC to add the scope of project work related to the northern extension of the 495 Express Lanes (495 NEXT), which is the approximately 2-mile extension of the existing express lanes from Route 738 to the vicinity of George Washington Memorial Parkway. As of June 2023, 495 NEXT is undergoing construction.

**Elizabeth River – Midtown Tunnel**

On December 5, 2011, VDOT signed a 58-year public-private partnership agreement with Elizabeth River Crossings OPCO, LLC. The purposes of this agreement are to design, build, finance, operate, and maintain a new Midtown Tunnel, adjacent to the existing Midtown Tunnel, provide improvements to the existing Midtown Tunnel and the Downtown Tunnel, and to provide various extensions and improvements of the Martin Luther King Jr. (MLK) Freeway and I-264. As of September 1, 2017, all project components of this agreement have reached substantial completion and are in service.

During the agreement, Elizabeth River Crossings OPCO, LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections, excluding the MLK Freeway, which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 58-year term, control of and the rights to operate the facilities will revert back to VDOT. Capital assets of $844.9 million and deferred inflows of $814.1 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement. In July 2017, VDOT issued a Department Project Enhancement directive for Elizabeth River Crossings OPCO LLC, to design and build noise barrier walls on I-264. After the Preliminary Field Inspection Plans were developed, VDOT took over to complete the project due to lower costs. The project was initially advertised on September 12, 2022. The results of the bids were above the Department's estimates due to nationwide inflationary conditions. The current funds allocated to the project equal $24.4 million with an additional $9.1 million funding to be allocated to account for inflationary adjustments. The project was readvertised on August 8, 2023, based on the increase in funding allocation. The receipt and opening of the bids are scheduled for early 2024. In addition to these project enhancements, the Federal Highway Administration (FHWA) has also required an annual traffic study for the Value Pricing Pilot Program (VPPP) to monitor driver behavior, traffic volume, transit ridership, air quality, and availability of funds for transportation programs. VDOT has completed Years one to seven of the ten year VPPP study.

**95 Express Lanes**

On July 31, 2012, VDOT signed a 73-year public-private partnership agreement with 95 Express Lanes, LLC. This project will create approximately 29 miles of Express Lanes on I-95 in Northern Virginia. The project will also add capacity to the existing high occupancy vehicle (HOV) lanes. The construction of the express lanes was completed in December 2014.

During the agreement, 95 Express Lanes LLC will operate and maintain the road. The revenue source for the concessionaire will be toll collections which will be used for maintenance, operating and return on investment for constructing the project. At the end of the 73-year term, control of and the rights to operate the facilities will revert back to VDOT. The lanes will remain open for the public as long as the applicable tolls are paid. Capital assets of $470.6 million and deferred inflows of $556.6 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

During fiscal year 2016, the Commonwealth Transportation Board awarded a contract to design and construct a reversible extension of the 95 Express Lanes at the southern terminus in Stafford County. The approximately 2.5-mile extension will carry traffic beyond the location where the 95 Express Lanes currently end. The construction began in fiscal year 2017 and lanes opened to traffic on October 31, 2017. This 2.5-mile extension resulted in an increased value of $25.7 million to the 95 Express Lanes SCA.

On June 8, 2017, an amended and restated Comprehensive Agreement was signed between VDOT and 95 Express Lanes LLC to include the scope of the project work for the I-395 northern extension. The Comprehensive Agreement was updated to include this addition to the project and payments to VDOT for transit improvements. VDOT reached commercial close with 95 Express Lanes LLC on June 8, 2017, and financial close was completed on July 25, 2017, for this project. Construction on the 8-mile I-395 extension began in summer of 2017 and opened to traffic on November 17, 2019. In consideration for the rights granted by VDOT to 95 Express Lanes LLC, solely in respect of the I-395 Project, 95 Express Lanes LLC made an up-front payment to VDOT of $15.0 million on the I-395 Project Service Commencement date. Deferred inflows of $14.2 million relating to the 395 Express Lanes are included in the fund financial statements. Additionally, as part of the up-front consideration, VDOT will receive an annual payment that escalates at a rate of 2.5 percent per annum set forth in the Amended and Restated Comprehensive Agreement (ARCA). Accordingly, accounts receivable of $975.0 million and deferred inflows of $975.0 million, relating to the present value of the annual installment payments discounted at 2.5 percent are included in the fund financial statements. Capital assets of $258.9 million and deferred inflows of $284.7 million are included in the government-wide financial statements. Liabilities are contingent on specific events occurring pursuant to the agreement.

In fiscal year 2017, planning was initiated on the additional extension of the Express Lanes from Garrisonville Road to Route 17 in Stafford County, which is about 10 miles. It will have direct connection with both the northbound and southbound Rappahannock River crossing projects, access points and operational improvements.

On April 18, 2019, a second amended and restated Comprehensive Agreement was signed between VDOT and 95 Express Lanes LLC to add the scope of the project work for the Fredericksburg Extension. The Comprehensive Agreement was updated to include payments to VDOT. At financial close on April 30, 2019, 95 Express Lanes LLC made a $45.0 million Initial Permit Fee Buyout Payment. The Concessionaire also provided a right of way cost deposit of $2.5 million and $4.0 million for southbound Rappahannock River Crossing work overlap funding. Deferred inflows of $48.2 million are included in the fund financial statements. VDOT received an additional $65.9 million from 95 Express Lanes LLC at the additional financial close in July 2019, which is a sum of $11.5 million Private Activity Bonds (PABs) payment and $54.4 million design-build price protection benefits. Deferred inflows of $62.0 million are included in the fund financial statements. The concessionaire will make $232.0 million Final Permit Fee Buyout Payments in installments as set forth in the Amended and Restated Comprehensive Agreement. Accounts Receivable of $232.0 million and deferred inflows of $217.7 million are included in the fund financial statements. As of June 2023, the Fredericksburg Extension project is under construction.

**I-66 Outside the Beltway Express Lanes**

On December 8, 2016, a 50-year Public Private Partnership Agreement (the Agreement) between VDOT, the Department of Rail and Public Transportation (DRPT), and private partner, I-66 Express Mobility Partners LLC, was signed.

The $2.4 billion I-66 Outside the Beltway Project with Express Mobility Partners is to build express lanes on I-66 outside the I-495 Capital Beltway. During the 50-year Agreement, VDOT maintains regulatory control and jurisdiction of the express lanes. VDOT will have fee title or good and valid interest in the express lanes. The purpose of this Agreement is to build new express lanes to provide users with a faster and more reliable travel option.

The I-66 Outside the Beltway Project will include 22.5 miles of new express lanes alongside three regular lanes from I-495 to University Boulevard in Gainesville, Virginia. The project will also provide new and improved bus service and transit routes, new and improved park and ride lots, and interchange improvements to enhance safety and reduce congestion.

Express Mobility Partners will be responsible for all costs to design, build, operate and maintain the I-66

Express Lanes, without any upfront public contribution. Financial close on the project occurred on November 9, 2017. Nine miles of the express lanes opened September 10, 2022 and the remaining 13 miles opened November 22, 2022. These lanes will remain open for the public as long as the applicable tolls are paid. Liabilities for VDOT from the Agreement are contingent on specific events occurring pursuant to the Agreement. Capital assets of $2.3 billion and deferred inflows of $2.3 billion are included in the government-wide financial statements.

Express Mobility Partners provided $578.9 million during fiscal 2018, as an up-front concession payment to VDOT. Pending approval by the Commonwealth Transportation Board, these funds will be used for project oversight by VDOT, contingency risk during construction that is released during the construction period, and projects in the corridor as selected by the Commonwealth Transportation Board. Deferred inflows of $513.3 million are included in the fund financial statements.

Additional consideration to be provided by Express Mobility Partners includes several components of the permit fee established in the Agreement. A description of these components and the stipulations around receiving is provided below.

Express Mobility Partners is required to pay VDOT a permit fee that consists of transit funding payments, support for corridor improvements, and revenue sharing as further described below.

The transit funding payment portion of the permit fee that becomes due during the operating period will be payable after debt service and required reserve accounts, and will be subject to the lock-up provisions required in the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Agreement, but prior to support for corridor improvements and distributions. If funds are insufficient to make scheduled transit funding payments at the time due, such payments or any unpaid portion thereof will be considered past due and will remain due and payable without interest charges. In both fiscal years 2021 and 2022, VDOT received up-front payments of $21.3 million to be used for transit investments, and deferred inflows of $41.0 million are included in the fund financial statements. VDOT will receive annual transit investment payments as set forth in the Amended and Restated Comprehensive Agreement (ARCA). Accordingly, accounts receivable of $514.0 million and deferred inflows of $512.5 million, relating to the present value of the annual installment payments are included in the fund financial statements. The annual installment payments are discounted at a rate of 4.9 percent per annum.

The support for corridor improvements is to be paid as indicated in the Agreement. Amounts to be paid annually are contingent on actual toll revenues. At the end of the term of the Agreement, any unpaid balance of these payments is to be forgiven or cancelled.

Express Mobility Partners will make revenue sharing payments in amounts calculated based on actual cumulative net present value of gross revenue at the end of each year of the Agreement. The percentage of gross revenue to be paid by Express Mobility Partners to VDOT increases in accordance with a five-tier revenue sharing scale. Revenue sharing payments do not have to be made if transit funding payments or support for corridor improvements are past due or unpaid.

Additional information on these payments can be found in the Agreement executed between VDOT, DRPT, and Express Mobility Partners.

**Component Units**

**Aramark – Dining Services**

During the year ended June 30, 2015, the University of Virginia (nonmajor) entered into an agreement with Aramark Educational Services, LLC (Aramark) for Aramark to provide dining services to the University. In return for use of University facilities, Aramark is required to make certain payments to the University and the University is required to provide certain repair and maintenance services related to the facilities during the term of the agreement. The University also receives a yearly minimum guarantee on dining and vending commissions and has a minimum guaranteed profit split on residential and athletics services regardless of gross sales. As of June 30, 2023, the University has accrued $99.7 million in current and noncurrent receivables and a $154.3 million deferred inflow of resources related to the service concession arrangement.

**OTHER PPPs**

Other PPPs that do not meet the criteria to be reported as a SCA or a lease are discussed in this section.

The University of Virginia (nonmajor component unit) is a party to a limited number of other PPPs which primarily consists of the PPP to operate the John Paul Jones Arena for concerts and sporting events. Variable payments and other inflows of resources under PPPs are not included in the measurement of the related assets and deferred inflows of resources. Variable inflows amount to $7.7 million for the period ended June 30, 2023. Radford University (nonmajor component unit) has PPPs for dining services and bookstore services. As of June 30, 2023, the University recorded $1.0 million in noncurrent receivables and $781,543 in deferred inflow of resources. George Mason University (nonmajor component unit) has a PPP for arena management services. As of June 30, 2023, the University recorded $2.7 million in current and noncurrent receivables and $1.5 million in deferred inflow of resources. Additional information regarding PPPs can be found in the separately issued financial statements of the institutions.

## 40. INFORMATION TECHNOLOGY INFRASTRUCTURE

With the exception of NTT DATA (NTT), the Commonwealth is into its fifth or sixth contract year, depending on when services commenced, with all of its current IT infrastructure service providers. This includes SAIC for Multi-Services Integrator (MSI) services, Atos for managed security services, Xerox for managed print services, Iron Bow for end-user services, Unisys for server and data center services, and Verizon for voice and data network services. With a multi-services integrator (MSI) model in effect, the Commonwealth will continuously pursue new and additional IT service providers to ensure that the Commonwealth has a competitive portfolio of IT suppliers that deliver modern cost-effective technology services. The contract terms range from three years to six years, with additional renewal options on each.

Expenses in fiscal year 2023 associated with the service providers were $219.5 million, exclusive of amounts reported as lease payments and interest expense related to GASB Statement No. 87, *Leases* and GASB Statement No. 96*, Subscription-Based Information Technology Arrangements.* The Commonwealth expects to spend an additional $387.8 million over the remaining life of these contracts with the current portfolio of suppliers, exclusive of long-term lease and long-term SBITA liabilities related to GASBS No. 87 and GASBS No. 96. The remaining life calculation does not include any unexecuted renewals that are listed in the contract.

## 41. CONTINGENCIES

### A. Grants and Contracts

The Commonwealth has received federal grants for specific purposes that are subject to review and audit by the grantor agencies or their auditors. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Commonwealth. The increased federal funding related to the COVID-19 pandemic could impact future liabilities.

Institutions of higher education (component units) and other state agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

The U.S. Department of Health and Human Services (DHHS) Office of the Inspector General conducted a review and indicated that the Commonwealth's Statewide Indirect Cost Allocation Plan rates have allowed over-recoveries and transfers in the internal service funds and portions of selected rebates. The Commonwealth payback schedules computed for 2022, 2021, and 2020 which are based on fiscal years 2021, 2020, and 2019 data, respectively, of $42.0 million has been paid subsequent to June 30 and is reported in the fund statements. The Commonwealth computed a liability of $31.2 million in fiscal year 2023 which is based on fiscal years 2022 and 2021 representing the amounts owed to the federal government for internal service fund over-recoveries and transfers, as well as the federal share of various rebates received. This amount has been reflected in the accompanying government-wide financial statements.

The Virginia Tourism Authority (nonmajor component unit) had unclaimed awards totaling $5.5 million payable to awardees upon submission of proper claims for reimbursement for the Marketing Leverage Program, the DMO Marketing Program and the Special Events & Festivals Program. Additionally, property at the Virginia/ Maryland border to be used for the Gateway Welcome Center was donated to the Authority in July 2008. The deed to the property includes a covenant requiring any or all land to revert to the U.S. Government should it become needed for national defense. The net book value of the property as of June 30, 2023 was $808,050.

The Virginia Innovation Partnership Authority (nonmajor component unit) had 24 open nonbinding term sheets totaling $6.0 million.

### B. Litigation

The Commonwealth is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits or investigations will not have a material, adverse effect on the financial condition of the Commonwealth.

### C. Subject to Appropriation

Both the primary government and the discretely presented component units enter into agreements and issue debt secured solely by future appropriations from the General Fund of the Commonwealth. The primary government has leases and other agreements of such debt of $4.0 billion. The discretely presented component units have such debt of $5.6 billion.

**D. Bailment Inventory**

The Virginia Alcoholic Beverage Control Authority (ABC) houses and controls bailment inventory in the warehouse and is therefore responsible for the exercise of reasonable care to preserve the inventory until it is purchased by ABC or returned to the supplier. ABC uses the bailment system for payment of merchandise for resale. ABC initiates payments to the vendors based on shipments from the ABC warehouse to the retail stores, rather than receipt of invoice from the vendor. As of June 30, 2023, the bailment inventory was valued at $82.6 million.

**E. Loan Guarantees**

The Virginia Small Business Financing Authority (VSBFA) (nonmajor component unit) has a loan guaranty program which provides guarantees up to the lesser of $1.0 million, or 75.0 percent, of a bank loan for lines of credit and short-term working capital loans for small businesses as defined by Section 2.2-2285 of the *Code of Virginia*. The relationship of the Commonwealth to the issuer or issuers of the obligations are private banks that contact VSBFA to obtain guarantees if they deem it necessary to approve the loan. The VSBFA staff underwrites the request for guarantees and approves applications of $1.0 million or less with subsequent ratification by the Board of Directors. The Board of Directors approves applications in excess of $1.0 million. The maximum term of support for guarantees is up to five years for lines of credit and seven years for term loans. In the event the small business borrower fails to repay a loan guaranteed through the program, the originating bank lender exercises its rights against the collateral and the guarantors of the loan and proceeds from the sale of the collateral are applied to the loan. In the event the originating bank lender incurs a deficiency principal balance, the bank submits a claim to VSBFA under the program. If a claim payment is subsequently paid under the program, VSBFA retains the right to pursue collection from the borrower or the guarantor to the extent possible and provided that neither the borrower nor the guarantor has been adjudicated bankrupt. VSBFA submits collections to the Office of the Attorney General, Division of Debt Collection for legal action and collection of debt. As of June 30, 2023, the loan guaranty program has guarantees outstanding of $4.5 million. There are additional commitments to guarantees of $2.0 million.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* requires that certain information be disclosed regarding selected nonexchange financial guarantees. As of June 30, 2023, the VSBFA recognized a nonexchange financial guarantee liability of $89,141. This is an decrease of $17,896 from the beginning balance of $107,037. There were no required payments made during fiscal year 2023. Additionally, there have been no cumulative amounts paid on these outstanding loan guarantees nor are there any expected recoveries.

**F. Regional Wet Weather Management Plan**

Hampton Roads Sanitation District (HRSD) (nonmajor component unit) is party to a federal consent decree with the federal and state governments (the Consent Decree), which requires the HRSD to evaluate the wet weather capacity of the regional sewer system, including collection systems owned by 14 of the localities which the HRSD serves in the Hampton Roads area. Based upon that evaluation, the HRSD, in consultation with the localities, is required to develop a regional wet weather management plan (RWWMP) for submittal to the federal and state environmental agencies for their approval.

The HRSD and the localities believe that addressing wet weather capacity issues from a regional perspective will result in the most affordable and cost-effective approach for rate payers throughout the region. Toward that end, the HRSD and the localities entered into a legally binding Memorandum of Agreement in 2014 (the MOA). The MOA commits HRSD to (1) develop the RWWMP in consultation with the localities, (2) fund the approved plan through a regional rate imposed on all regional ratepayers, (3) design and construct the necessary improvements, and (4) assume responsibility for wet weather capacity throughout the region in each area once the RWWMP is implemented. In exchange, the localities have agreed to (1) cooperate with the HRSD, (2) facilitate the construction of and accept ownership of any improvements which the HRSD may need to construct in the localities' systems, and (3) maintain the integrity of their systems to industry standards.

The Consent Decree and MOA also contemplate that the localities' obligation to maintain the integrity of their sewer systems to industry standards was embodied in a State administrative order. While the HRSD is preparing the RWWMP, the Consent Decree also requires the HRSD to implement approximately $200.0 million in high priority capital system upgrade projects over the 10-year period between 2020 and 2030, and then another $200.0 million in high priority sewer overflow control projects between 2030 and 2040, which are included in the capital improvement and expansion program. These two sets of projects reflect further priority system improvements that HRSD is to implement along with the SWIFT project. The Amended Consent Decree gives HRSD until 2032 to invest $1.1 billion in the SWIFT program. Finally, the Amended Consent Decree provides that if HRSD will not make the full $1.1 billion investment in the SWIFT Project by 2032 then EPA can require HRSD to accelerate some or all of the second group ($200.0 million worth) of high priority sewer overflow control projects to offset the avoided investment in the SWIFT program. The HRSD is on schedule to complete these projects.

The HRSD has a major capital improvement and expansion program funded through the issuance of debt and its own resources. As of June 30, 2023, the HRSD has outstanding commitments for contracts in progress of approximately $1.3 billion.

## 42. SUBSEQUENT EVENTS

### Primary Government

**Debt**

On August 17, 2023, the Virginia Department of Transportation (VDOT) and Transurban North America partially opened a 10-mile extension of the I-95 Express Lanes to reduce congestion on the Interstate 95 corridor through Stafford County and Fredericksburg. The 10-mile extension will continue the 95 Express Lanes from the current terminus just south of Route 610 (Garrisonville Road) to near Route 17 (Warrenton Road) in Stafford County.

On September 20, 2023, the Commonwealth Transportation Board authorized the Commissioner of Highways to execute a comprehensive agreement amendment to the Hampton Roads Bridge-Tunnel (HRBT) Project Agreement for Funding and Administration (PAFA) for the HRBT Expansion Project between VDOT and the Hampton Roads Transportation Accountability Commission (HRTAC). The amendment modified the existing terms in the HRBT PAFA and established a $373.1 million cap on the aggregate amount of increases to the contract price. Also, the amendment set forth a commitment from VDOT to provide $53.8 million in matching supplemental contingency funds.

On October 18, 2023, the Commonwealth Transportation Board redeemed $6.4 million of its Commonwealth of Virginia Transportation Contract Revenue Refunding Bonds, Series 2012 (Route 28 Project).

On November 16, 2023, the Hampton Roads Transportation Accountability Commission (HRTAC) (nonmajor governmental fund) issued Series 2023A Intermediate Lien Bond Anticipation Notes in the amount of $141.0 million. The related TIFIA Loan closed on November 14, 2023.

### Component Units

**Debt**

On July 11, 2023, the Virginia Housing Development Authority (VHDA) (major) issued Rental Housing Bond 2023 Series D Non-AMT in the amount of $110.9 million.

On July 12, 2023, the Virginia College Building Authority (major), at the request of the College of William & Mary (nonmajor), defeased $1.5 million of its Public Higher Education Financing Program Bonds related to William and Mary's Barksdale Dormitory Project, consisting of $1.1 million of its Series 2014B bonds and $375,000 of its Series 2016A bonds.

On August 8, 2023, the Virginia Resources Authority (VRA) (major) used uncommitted equity in the Clean Water program to defease and redeem $38.0 million of the Series 2013 CWSRF bonds. The defeasance will result in debt service savings and provide additional program capacity.

On August 31, 2023, the Hampton Roads Sanitation District (nonmajor) had an increase to $200.0 million on the maximum outstanding authorization on their line of credit. As of June 30, 2023 there was $68.6 million outstanding on this credit facility.

On October 2, 2023, the VHDA redeemed Rental Housing Bond 2020 Series B Non-AMT in the amount of $1.7 million.

On November 9, 2023, the Virginia Public School Authority (VPSA) (major) issued its $79.7 million School Financing Bonds (1997 Resolution), Series 2023B to purchase certain general obligation local school bonds to finance capital projects for schools.

On November 9, 2023, the VPSA issued its $135.8 million Special Obligation School Financing Bonds, Prince William County, Series 2023 to purchase certain general obligation local school bonds to finance capital projects for schools.

On November 15, 2023, the VRA issued revenue bonds in the amount of $11.4 million through the Virginia Pooled Financing Program. Interest rates range from 4.0 percent to 6.1 percent.

**Other**

On May 4, 2023, George Mason University (nonmajor) Board of Visitors approved the acquisition of Vernon Smith Hall in Arlington (consisting of land, buildings, improvements, furniture, fixtures, and equipment) from GMU Foundation for a purchase price of $107.0 million. GMU Foundation will use the proceeds from the acquisition to pay off the outstanding long-term debt on the property including any accrued interest on the long-term debt. This transaction is scheduled to close in November 2023. In December 2023, the University is scheduled to close another capital acquisition in Arlington from a third party for a purchase price of $7.4 million.

In July 2023, to make it easier for residents of eastern Virginia to access innovative care for complex medical conditions as well as the latest clinical trials, Riverside Health System and UVA Medical Center (a division of University of Virginia - nonmajor) announced a strategic alliance to expand patient access to innovative care for complex medical conditions, transplantation, and the latest clinical trials. Under the agreement, Riverside and UVA Medical Center will collaborate in multiple areas including clinical program development, research, and medical education. To ensure a long-term, mutually beneficial alliance, the agreement provides UVA Medical Center with 5.0 percent ownership in Riverside, and in turn, UVA Medical Center has committed to financial and clinical resources to assist in growing local services in Eastern Virginia. UVA Medical Center and Riverside will each retain their existing governance and administrative structures. In exchange for the 5.0 percent minority ownership, UVA Medical Center made an investment totaling $55.0 million, which consisted of a $33.0 million cash investment at the time of closing and will make $22.0 million of strategic investments linked to performance deliverables, and staffing recruitment. The investment will be accounted for using the equity method of accounting.

In September 2023, UVA Community Health (blended component unit of UVA Medical Center) sold an assisted living facility, Caton Merchant House for $4.3 million.

# Required Supplementary Information

## Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | General Fund | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Final/Actual Variance Positive (Negative) |
| **Revenues:** | | | | |
| Taxes: | | | | |
| Individual and Fiduciary Income | $ 16,732,600 | $ 16,732,435 | $ 18,983,556 | $ 2,251,121 |
| Sales and Use | 5,004,713 | 5,004,713 | 5,291,545 | 286,832 |
| Corporation Income | 1,737,000 | 1,737,000 | 2,031,120 | 294,120 |
| Motor Fuel | — | — | — | — |
| Motor Vehicle Sales and Use | — | — | — | — |
| Communications Sales and Use | 335,000 | 335,000 | 292,848 | (42,152) |
| Deeds, Contracts, Wills, and Suits | 608,700 | 608,700 | 437,137 | (171,563) |
| Premiums of Insurance Companies | 406,100 | 406,100 | 450,877 | 44,777 |
| Alcoholic Beverage Sales | 303,600 | 303,600 | 307,412 | 3,812 |
| Tobacco Products | 292,300 | 292,300 | 246,132 | (46,168) |
| Estate | — | — | — | — |
| Public Service Corporations | 103,500 | 103,500 | 104,449 | 949 |
| Other Taxes | 70,201 | 70,201 | 100,080 | 29,879 |
| Rights and Privileges | 100,385 | 100,385 | 126,834 | 26,449 |
| Sales of Property and Commodities | 11,772 | 15,772 | 28,879 | 13,107 |
| Assessments and Receipts for Support of Special Services | 6,321 | 6,321 | 5,514 | (807) |
| Institutional Revenue | 57,791 | 57,791 | 32,955 | (24,836) |
| Interest, Dividends, and Rents | 101,798 | 101,798 | 442,145 | 340,347 |
| Fines, Forfeitures, Court Fees, Penalties, and Escheats | 230,221 | 230,221 | 258,492 | 28,271 |
| Federal Grants and Contracts | 10,642 | 10,642 | 11,259 | 617 |
| Receipts from Cities, Counties, and Towns | 7,800 | 7,800 | 7,659 | (141) |
| Private Donations, Gifts and Contracts | 284 | 284 | 431 | 147 |
| Tobacco Master Settlement | 47,500 | 47,500 | 56,987 | 9,487 |
| Other | 322,186 | 322,141 | 466,650 | 144,509 |
| Total Revenues | 26,490,414 | 26,494,204 | 29,682,961 | 3,188,757 |
| **Expenditures:** | | | | |
| Current: | | | | |
| General Government | 3,173,670 | 3,082,613 | 2,715,673 | 366,940 |
| Education | 12,981,404 | 13,733,020 | 12,708,311 | 1,024,709 |
| Transportation | 41,534 | 235,962 | 6,349 | 229,613 |
| Resources and Economic Development | 1,213,811 | 1,396,977 | 770,440 | 626,537 |
| Individual and Family Services | 8,870,145 | 9,196,115 | 8,809,425 | 386,690 |
| Administration of Justice | 3,467,469 | 3,694,067 | 3,447,349 | 246,718 |
| Capital Outlay | 123,547 | 849,464 | 144,107 | 705,357 |
| Debt Service: | | | | |
| Principal Retirement | 35,256 | 35,256 | 35,256 | — |
| Interest and Charges | 2,834 | 2,834 | 2,834 | — |
| Total Expenditures | 29,909,670 | 32,226,308 | 28,639,744 | 3,586,564 |
| Revenues Over (Under) Expenditures | (3,419,256) | (5,732,104) | 1,043,217 | 6,775,321 |
| **Other Financing Sources (Uses):** | | | | |
| Transfers: | | | | |
| Transfers In | 1,075,378 | 1,075,380 | 1,168,403 | 93,023 |
| Transfers Out | (468,273) | (468,273) | (493,910) | (25,637) |
| Bonds Issued | — | — | — | — |
| Premium on Debt Issuance | — | — | — | — |
| Total Other Financing Sources (Uses) | 607,105 | 607,107 | 674,493 | 67,386 |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | (2,812,151) | (5,124,997) | 1,717,710 | 6,842,707 |
| **Fund Balance, July 1** | 13,375,034 | 13,375,034 | 13,375,034 | — |
| **Fund Balance, June 30** | $ 10,562,883 | $ 8,250,037 | $ 15,092,744 | $ 6,842,707 |

See notes on page 209 in this section.

Special Revenue Funds

Commonwealth Transportation Fund

| Original Budget | Final Budget | Actual | Final/Actual Variance Positive (Negative) |
|---|---|---|---|
| | | | |
| $ — | $ — | $ — | $ — |
| 1,930,371 | 1,974,182 | 2,109,417 | 135,235 |
| — | — | — | — |
| 1,839,300 | 1,839,300 | 1,851,281 | 11,981 |
| 1,157,300 | 1,157,300 | 1,217,551 | 60,251 |
| — | — | — | — |
| 129,000 | 129,000 | 86,264 | (42,736) |
| 202,496 | 202,496 | 202,496 | — |
| — | — | — | — |
| — | — | — | — |
| — | — | — | — |
| — | — | — | — |
| 146,147 | 146,147 | 220,101 | 73,954 |
| 770,653 | 770,653 | 787,807 | 17,154 |
| 424 | 424 | 1,108 | 684 |
| 18,000 | 18,000 | 19,607 | 1,607 |
| — | — | — | — |
| 37,505 | 37,505 | 113,092 | 75,587 |
| 15,312 | 15,312 | 26,718 | 11,406 |
| 1,746,997 | 1,746,997 | 1,390,835 | (356,162) |
| 1,003,483 | 1,003,483 | 474,812 | (528,671) |
| 25 | 25 | 3,935 | 3,910 |
| — | — | — | — |
| 40,961 | 40,961 | 67,802 | 26,841 |
| 9,037,974 | 9,081,785 | 8,572,826 | (508,959) |
| | | | |
| | | | |
| | | | |
| 61,087 | 75,087 | 71,003 | 4,084 |
| 1,643 | 1,643 | 1,631 | 12 |
| 9,219,176 | 9,333,314 | 7,329,189 | 2,004,125 |
| 29,122 | 26,869 | 22,650 | 4,219 |
| — | — | — | — |
| 10,779 | 10,779 | 10,775 | 4 |
| 110,869 | 113,070 | 22,584 | 90,486 |
| | | | |
| 20,646 | 20,646 | 20,646 | — |
| 1,088 | 1,088 | 1,088 | — |
| 9,454,410 | 9,582,496 | 7,479,566 | 2,102,930 |
| (416,436) | (500,711) | 1,093,260 | 1,593,971 |
| | | | |
| | | | |
| | | | |
| 32,788 | 32,788 | 46,315 | 13,527 |
| (557,543) | (585,052) | (571,598) | 13,454 |
| 217,510 | 217,510 | 217,510 | — |
| 19,884 | 19,885 | 19,885 | — |
| (287,361) | (314,869) | (287,888) | 26,981 |
| | | | |
| (703,797) | (815,580) | 805,372 | 1,620,952 |
| 5,256,419 | 5,256,419 | 5,256,419 | — |
| $ 4,552,622 | $ 4,440,839 | $ 6,061,791 | $ 1,620,952 |

*Continued on next page*

Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

| | Special Revenue Funds | | | |
|---|---|---|---|---|
| | Federal Trust | | | |
| | Original Budget | Final Budget | Actual | Final/Actual Variance Positive (Negative) |
| **Revenues:** | | | | |
| Taxes: | | | | |
| Individual and Fiduciary Income | $ — | $ — | $ — | $ — |
| Sales and Use | — | — | — | — |
| Corporation Income | — | — | — | — |
| Motor Fuel | — | — | — | — |
| Motor Vehicle Sales and Use | — | — | — | — |
| Communications Sales and Use | — | — | — | — |
| Deeds, Contracts, Wills, and Suits | — | — | — | — |
| Premiums of Insurance Companies | — | — | — | — |
| Alcoholic Beverage Sales | — | — | — | — |
| Tobacco Products | — | — | — | — |
| Estate | — | — | — | — |
| Public Service Corporations | — | — | — | — |
| Other Taxes | — | — | — | — |
| Rights and Privileges | — | — | 30 | 30 |
| Sales of Property and Commodities | — | — | — | — |
| Assessments and Receipts for Support of Special Services | — | — | — | — |
| Institutional Revenue | — | — | 69 | 69 |
| Interest, Dividends, and Rents | 561 | 562 | 2,466 | 1,904 |
| Fines, Forfeitures, Court Fees, Penalties, and Escheats | 687 | 2,187 | 31,516 | 29,329 |
| Federal Grants and Contracts | 18,124,356 | 25,377,820 | 23,753,387 | (1,624,433) |
| Receipts from Cities, Counties, and Towns | — | — | 250 | 250 |
| Private Donations, Gifts and Contracts | — | — | 52 | 52 |
| Tobacco Master Settlement | — | — | — | — |
| Other | 510,303 | 510,303 | 1,133,654 | 623,351 |
| Total Revenues | 18,635,907 | 25,890,872 | 24,921,424 | (969,448) |
| **Expenditures:** | | | | |
| Current: | | | | |
| General Government | 1,231,920 | 1,210,406 | 600,936 | 609,470 |
| Education | 1,419,039 | 3,602,294 | 2,638,799 | 963,495 |
| Transportation | 35,150 | 30,648 | 26,353 | 4,295 |
| Resources and Economic Development | 200,537 | 1,002,556 | 444,204 | 558,352 |
| Individual and Family Services | 15,538,293 | 19,716,146 | 21,045,537 | (1,329,391) |
| Administration of Justice | 112,573 | 181,786 | 111,632 | 70,154 |
| Capital Outlay | 79,642 | 128,283 | 28,819 | 99,464 |
| Debt Service: | | | | |
| Principal Retirement | 17,942 | 17,942 | 17,942 | — |
| Interest and Charges | 811 | 811 | 811 | — |
| Total Expenditures | 18,635,907 | 25,890,872 | 24,915,033 | 975,839 |
| Revenues Over (Under) Expenditures | — | — | 6,391 | 6,391 |
| **Other Financing Sources (Uses):** | | | | |
| Transfers: | | | | |
| Transfers In | — | — | 10,248 | 10,248 |
| Transfers Out | — | — | (16,639) | (16,639) |
| Bonds Issued | — | — | — | — |
| Premium on Debt Issuance | — | — | — | — |
| Total Other Financing Sources (Uses) | — | — | (6,391) | (6,391) |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | — | — | — | — |
| **Fund Balance, July 1** | — | — | — | — |
| **Fund Balance, June 30** | $ — | $ — | $ — | $ — |

See notes on page 209 in this section.

## 1. Basis of Budgeting vs. Modified Accrual Basis Fund Balance (1)

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2023, to the fund balance on a modified accrual basis follows.

**Fund Balance Comparison**

**Budgetary Basis to GAAP Basis**

*(Dollars in Thousands)*

| | General Fund | Commonwealth Transportation Fund | Federal Trust Fund |
|---|---|---|---|
| Fund Balance, Basis of Budgeting | $ 15,092,744 | $ 6,061,791 | $ — |
| Adjustments from Budget to Modified Accrual: | | | |
| Net Accrued Revenues: | | | |
| Taxes | 1,293,854 | 354,304 | — |
| Tax Refunds | (2,539,295) | — | — |
| Other Revenue/Other Sources | (376,662) | 190,634 | 1,496,949 |
| Deferral of Up-front SCA payment | — | — | — |
| Medicaid Payable | (112,323) | — | (1,249,320) |
| Net Accrued Expenditures/Other Uses | (840,603) | (588,576) | (39,095) |
| Fund Reclassification - Budget to Modified Accrual | — | (693,394) | — |
| Fund Balance, Modified Accrual Basis | $ 12,517,715 | $ 5,324,759 | $ 208,534 |

1. As discussed in Note 1.E., the Literary Fund has no approved budget.

## 2. Appropriations

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the General Fund and Major Special Revenue Funds, at June 30, 2023, except the Literary Fund which has no approved budget.

| *(Dollars in Thousands)* | General Fund (8) | Commonwealth Transportation Fund | Federal Trust Fund (9) |
|---|---|---|---|
| Appropriations (1) | $ 29,909,670 | $ 9,454,410 | $ 18,635,907 |
| Supplemental Appropriations: | | | |
| Reappropriations (2) | 1,384,142 | 119,370 | 249,174 |
| Subsequent Executive (3) | 413,927 | 171,400 | 7,280,877 |
| Subsequent Legislative (4) | 491,995 | — | — |
| Capital Outlay and Operating Reversions (5) | (472) | (1,000) | (1,112) |
| Transfers (6) | (22,924) | (43,395) | (58,401) |
| Capital Outlay Adjustment (7) | 49,970 | (118,289) | (215,573) |
| Appropriations, as adjusted | $ 32,226,308 | $ 9,582,496 | $ 25,890,872 |

1. Represents the budget appropriated through Chapter 2, 2022 Acts of Assembly Special Session I as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay and operating balances.
6. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately $2.6 billion (General Fund) and $72.1 million (Commonwealth Transportation Fund) for transfers to component units and fiduciary funds that have been reclassified as expenditures in accordance with GASB Statement No. 34.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
8. Budgetary reductions totaling $10.0 million are excluded since they were not available for disbursement during the current fiscal year.
9. Appropriations do not include food stamp issuances of $2.9 billion since this is a noncash item; however, this amount is included in actual expenditures.

## Schedule of Changes in Employers' Net Pension Liability (1) (2)

Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

| Change in the Net Pension Liability | VRS State 2023 | VRS State 2022 | VRS State 2021 | VRS State 2020 | VRS State 2019 |
|---|---|---|---|---|---|
| **Total pension liability:** | | | | | |
| Service cost | $ 413,902 | $ 404,703 | $ 406,776 | $ 379,359 | $ 375,965 |
| Interest | 1,779,933 | 1,704,842 | 1,666,047 | 1,627,637 | 1,606,772 |
| Benefit changes | — | — | — | — | — |
| Difference between actual and expected experience | (247,391) | (281,382) | (12,440) | 181,189 | (327,289) |
| Assumption changes | — | 412,575 | — | 663,566 | — |
| Benefit payments | (1,536,665) | (1,486,951) | (1,427,873) | (1,360,833) | (1,296,803) |
| Refunds of contributions | (31,680) | (29,065) | (27,427) | (26,897) | (30,236) |
| Net change in total pension liability | 378,099 | 724,722 | 605,083 | 1,464,021 | 328,409 |
| **Total pension liability - beginning** | 26,739,647 | 26,014,925 | 25,409,842 | 23,945,821 | 23,617,412 |
| **Total pension liability - ending (a)** | $ 27,117,746 | $ 26,739,647 | $ 26,014,925 | $ 25,409,842 | $ 23,945,821 |
| **Plan fiduciary net position:** | | | | | |
| Contributions - employer | $ 852,894 | $ 609,778 | $ 576,443 | $ 545,584 | $ 548,158 |
| Contributions - member | 217,945 | 207,065 | 210,896 | 201,481 | 201,920 |
| Net investment income | (21,579) | 5,055,163 | 361,061 | 1,211,722 | 1,302,241 |
| Benefit payments | (1,536,665) | (1,486,951) | (1,427,873) | (1,360,833) | (1,296,803) |
| Refunds of contributions | (31,680) | (29,065) | (27,427) | (26,897) | (30,236) |
| Administrative expense | (14,302) | (12,904) | (12,603) | (12,374) | (11,481) |
| Other | 296 | (737) | (539) | (762) | 28,502 |
| Net change in plan fiduciary net position | (533,091) | 4,342,349 | (320,042) | 557,921 | 742,301 |
| **Plan fiduciary net position - beginning** | 23,112,417 | 18,770,068 | 19,090,110 | 18,532,189 | 17,789,888 |
| **Plan fiduciary net position - ending (b)** | 22,579,326 | 23,112,417 | 18,770,068 | 19,090,110 | 18,532,189 |
| **Net pension liability - ending (a-b)** | $ 4,538,420 | $ 3,627,230 | $ 7,244,857 | $ 6,319,732 | $ 5,413,632 |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 83.3 % | 86.4 % | 72.2 % | 75.1 % | 77.4 % |
| Covered payroll (c) | $ 4,661,991 | $ 4,399,969 | $ 4,440,135 | $ 4,197,484 | $ 4,152,368 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 97.3 % | 82.4 % | 163.2 % | 150.6 % | 130.4 % |

(1) The Commonwealth implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* effective for the fiscal year ended June 30, 2015, therefore, ten years of data is unavailable.

(2) The Commonwealth's fiscal year 2023 net pension liability measurement date is June 30, 2022, as reported in Note 17.

See notes on page 224 in this section.

| 2018 | | 2017 | | 2016 | | 2015 | |
|---|---|---|---|---|---|---|---|
| $ | 370,235 | $ | 369,779 | $ | 375,149 | $ | 369,120 |
| | 1,562,819 | | 1,533,764 | | 1,482,951 | | 1,436,064 |
| | — | | — | | — | | — |
| | (85,975) | | (245,642) | | 59,923 | | — |
| | 76,965 | | — | | — | | — |
| | (1,234,388) | | (1,195,198) | | (1,136,102) | | (1,081,866) |
| | (30,837) | | (25,240) | | (27,724) | | (25,036) |
| | 658,819 | | 437,463 | | 754,197 | | 698,282 |
| | 22,958,593 | | 22,521,130 | | 21,766,933 | | 21,068,651 |
| $ | 23,617,412 | $ | 22,958,593 | $ | 22,521,130 | $ | 21,766,933 |
| | | | | | | | |
| $ | 535,424 | $ | 722,617 | $ | 480,657 | $ | 343,259 |
| | 201,391 | | 200,184 | | 195,582 | | 198,035 |
| | 1,963,811 | | 277,166 | | 728,083 | | 2,243,999 |
| | (1,234,388) | | (1,195,198) | | (1,136,102) | | (1,081,866) |
| | (30,837) | | (25,240) | | (27,724) | | (25,036) |
| | (11,612) | | (10,140) | | (10,302) | | (12,341) |
| | (1,743) | | (122) | | (154) | | 123 |
| | 1,422,046 | | (30,733) | | 230,040 | | 1,666,173 |
| | 16,367,842 | | 16,398,575 | | 16,168,535 | | 14,502,362 |
| | 17,789,888 | | 16,367,842 | | 16,398,575 | | 16,168,535 |
| $ | 5,827,524 | $ | 6,590,751 | $ | 6,122,555 | $ | 5,598,398 |
| | 75.3 % | | 71.3 % | | 72.8 % | | 74.3 % |
| $ | 4,020,893 | $ | 3,977,759 | $ | 3,878,632 | $ | 3,861,712 |
| | 144.9 % | | 165.7 % | | 157.9 % | | 145.0 % |

*Continued on next page*

## Schedule of Changes in Employers' Net Pension Liability (1) (2) *(Continued from previous page)*

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | VRS Teacher | | | | |
|---|---|---|---|---|---|
| **Change in the Net Pension Liability** | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Total pension liability:** | | | | | |
| Service cost | $ 823,885 | $ 948,915 | $ 938,143 | $ 889,003 | $ 885,510 |
| Interest | 3,568,410 | 3,355,158 | 3,269,776 | 3,184,697 | 3,099,338 |
| Benefit changes | — | — | — | — | — |
| Difference between actual and expected experience | (361,725) | (178,349) | (404,985) | (174,815) | (440,308) |
| Assumption changes | — | 845,179 | — | 1,472,649 | — |
| Benefit payments | (2,635,945) | (2,553,153) | (2,448,204) | (2,331,038) | (2,241,927) |
| Refunds of contributions | (43,437) | (38,464) | (36,211) | (36,715) | (40,578) |
| Net change in total pension liability | 1,351,188 | 2,379,286 | 1,318,519 | 3,003,781 | 1,262,035 |
| **Total pension liability - beginning** | 53,381,141 | 51,001,855 | 49,683,336 | 46,679,555 | 45,417,520 |
| **Total pension liability - ending (a)** | $ 54,732,329 | $ 53,381,141 | $ 51,001,855 | $ 49,683,336 | $ 46,679,555 |
| **Plan fiduciary net position:** | | | | | |
| Contributions - employer | $ 1,485,307 | $ 1,416,135 | $ 1,327,774 | $ 1,280,964 | $ 1,292,988 |
| Contributions - member | 439,139 | 419,415 | 418,909 | 403,258 | 391,490 |
| Contributions - non-employer | 442,371 | 61,344 | — | — | — |
| Net investment income | (66,609) | 9,887,249 | 689,010 | 2,311,028 | 2,421,157 |
| Benefit payments | (2,635,945) | (2,553,153) | (2,448,204) | (2,331,038) | (2,241,927) |
| Refunds of contributions | (43,437) | (38,464) | (36,211) | (36,715) | (40,578) |
| Administrative expense | (27,876) | (24,543) | (23,649) | (22,843) | (20,945) |
| Other | 737 | 832 | (1,169) | (1,448) | (2,167) |
| Net change in plan fiduciary net position | (406,313) | 9,168,815 | (73,540) | 1,603,206 | 1,800,018 |
| **Plan fiduciary net position - beginning** | 45,618,044 | 36,449,229 | 36,522,769 | 34,919,563 | 33,119,545 |
| **Plan fiduciary net position - ending (b)** | 45,211,731 | 45,618,044 | 36,449,229 | 36,522,769 | 34,919,563 |
| **Net pension liability - ending (a-b)** | $ 9,520,598 | $ 7,763,097 | $ 14,552,626 | $ 13,160,567 | $ 11,759,992 |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 82.6 % | 85.5 % | 71.5 % | 73.5 % | 74.8 % |
| Covered payroll (c) | $ 9,319,260 | $ 8,843,887 | $ 8,766,667 | $ 8,387,503 | $ 8,086,986 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 102.2 % | 87.8 % | 166.0 % | 156.9 % | 145.4 % |

See notes on page 224 in this section.

| 2018 | | 2017 | | 2016 | | 2015 | |
|---|---|---|---|---|---|---|---|
| $ | 830,475 | $ | 828,856 | $ | 828,901 | $ | 831,501 |
| | 3,016,207 | | 2,931,065 | | 2,834,138 | | 2,722,788 |
| | — | | — | | — | | — |
| | (642,745) | | (391,881) | | (212,089) | | — |
| | 218,559 | | — | | — | | — |
| | (2,147,781) | | (2,081,069) | | (1,980,353) | | (1,874,636) |
| | (39,521) | | (35,067) | | (36,058) | | (36,103) |
| | 1,235,194 | | 1,251,904 | | 1,434,539 | | 1,643,550 |
| | 44,182,326 | | 42,930,422 | | 41,495,883 | | 39,852,333 |
| $ | 45,417,520 | $ | 44,182,326 | $ | 42,930,422 | $ | 41,495,883 |
| | | | | | | | |
| $ | 1,137,976 | $ | 1,062,338 | $ | 1,074,366 | $ | 853,634 |
| | 392,730 | | 380,314 | | 373,525 | | 371,241 |
| | — | | — | | 192,884 | | — |
| | 3,632,291 | | 516,704 | | 1,327,047 | | 4,042,441 |
| | (2,147,781) | | (2,081,069) | | (1,980,353) | | (1,874,636) |
| | (39,521) | | (35,067) | | (36,058) | | (36,103) |
| | (21,123) | | (18,859) | | (18,238) | | (22,036) |
| | (3,238) | | (222) | | (284) | | 217 |
| | 2,951,334 | | (175,861) | | 932,889 | | 3,334,758 |
| | 30,168,211 | | 30,344,072 | | 29,411,183 | | 26,076,425 |
| | 33,119,545 | | 30,168,211 | | 30,344,072 | | 29,411,183 |
| $ | 12,297,975 | $ | 14,014,115 | $ | 12,586,350 | $ | 12,084,700 |
| | 72.9 % | | 68.3 % | | 70.7 % | | 70.9 % |
| $ | 7,891,783 | $ | 7,624,612 | $ | 7,434,932 | $ | 7,313,025 |
| | 155.8 % | | 183.8 % | | 169.3 % | | 165.2 % |

*Continued on next page*

## Schedule of Changes in Employers' Net Pension Liability (1) (2) *(Continued from previous page)*

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | VRS Political Subdivisions | | | | |
|---|---|---|---|---|---|
| **Change in the Net Pension Liability** | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Total pension liability:** | | | | | |
| Service cost | $ 640,327 | $ 613,227 | $ 603,766 | $ 556,149 | $ 544,762 |
| Interest | 1,840,834 | 1,674,640 | 1,593,594 | 1,535,532 | 1,472,680 |
| Benefit changes | 9,042 | 13,157 | 19,657 | 3,948 | 10,811 |
| Difference between actual and expected experience | (294,247) | (164,895) | 221,364 | 45,032 | (43,177) |
| Assumption changes | (15) | 1,003,382 | — | 691,407 | — |
| Benefit payments | (1,307,581) | (1,237,074) | (1,157,505) | (1,082,791) | (1,010,021) |
| Refunds of contributions | (48,297) | (42,460) | (38,323) | (40,249) | (41,324) |
| Net change in total pension liability | 840,063 | 1,859,977 | 1,242,553 | 1,709,028 | 933,731 |
| **Total pension liability - beginning** | 27,309,293 | 25,449,316 | 24,206,763 | 22,497,735 | 21,564,004 |
| **Total pension liability - ending (a)** | $ 28,149,356 | $ 27,309,293 | $ 25,449,316 | $ 24,206,763 | $ 22,497,735 |
| **Plan fiduciary net position:** | | | | | |
| Contributions - employer | $ 608,879 | $ 579,989 | $ 521,543 | $ 499,293 | $ 490,286 |
| Contributions - member | 276,350 | 258,562 | 258,408 | 248,421 | 241,339 |
| Net investment income | (26,243) | 5,779,327 | 405,051 | 1,345,759 | 1,415,454 |
| Benefit payments | (1,307,581) | (1,237,074) | (1,157,505) | (1,082,791) | (1,010,021) |
| Refunds of contributions | (48,297) | (42,460) | (38,323) | (40,249) | (41,324) |
| Administrative expense | (16,525) | (14,411) | (13,842) | (13,369) | (12,236) |
| Other | 264 | 161 | (274) | (853) | (30,924) |
| Net change in plan fiduciary net position | (513,153) | 5,324,094 | (24,942) | 956,211 | 1,052,574 |
| **Plan fiduciary net position - beginning** | 26,558,184 | 21,234,090 | 21,259,032 | 20,302,821 | 19,250,247 |
| **Plan fiduciary net position - ending (b)** | 26,045,031 | 26,558,184 | 21,234,090 | 21,259,032 | 20,302,821 |
| **Net pension liability - ending (a-b)** | $ 2,104,325 | $ 751,109 | $ 4,215,226 | $ 2,947,731 | $ 2,194,914 |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 92.5 % | 97.2 % | 83.4 % | 87.8 % | 90.2 % |
| Covered payroll (c) | $ 5,699,596 | $ 5,403,267 | $ 5,368,250 | $ 5,118,622 | $ 4,932,344 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 36.9 % | 13.9 % | 78.5 % | 57.6 % | 44.5 % |

See notes on page 224 in this section.

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| | $ 541,594 | $ 535,322 | $ 530,945 | $ 524,758 |
| | 1,422,753 | 1,362,892 | 1,309,484 | 1,243,386 |
| | 36,652 | 2,053 | 1,135 | — |
| | (205,649) | (87,268) | (185,419) | — |
| | (64,510) | — | — | — |
| | (941,856) | (893,585) | (819,201) | (754,706) |
| | (42,068) | (37,380) | (36,898) | (36,876) |
| | 746,916 | 882,034 | 800,046 | 976,562 |
| | 20,817,088 | 19,935,054 | 19,135,008 | 18,158,446 |
| | $ 21,564,004 | $ 20,817,088 | $ 19,935,054 | $ 19,135,008 |
| | $ 477,563 | $ 543,947 | $ 533,877 | $ 539,366 |
| | 238,636 | 231,934 | 227,060 | 225,555 |
| | 2,113,973 | 300,995 | 761,164 | 2,272,284 |
| | (941,856) | (893,585) | (819,201) | (754,706) |
| | (42,068) | (37,380) | (36,898) | (36,876) |
| | (12,220) | (10,696) | (10,358) | (12,153) |
| | (1,887) | (130) | (162) | 120 |
| | 1,832,141 | 135,085 | 655,482 | 2,233,590 |
| | 17,418,106 | 17,283,021 | 16,627,539 | 14,393,949 |
| | 19,250,247 | 17,418,106 | 17,283,021 | 16,627,539 |
| | $ 2,313,757 | $ 3,398,982 | $ 2,652,033 | $ 2,507,469 |
| | 89.3 % | 83.7 % | 86.7 % | 86.9 % |
| | $ 4,765,842 | $ 4,628,806 | $ 4,513,335 | $ 4,434,764 |
| | 48.5 % | 73.4 % | 58.8 % | 56.5 % |

*Continued on next page*

## **Schedule of Changes in Employers' Net Pension Liability (1) (2)** *(Continued from previous page)*

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | SPORS | | | | |
|---|---|---|---|---|---|
| **Change in the Net Pension Liability** | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Total pension liability:** | | | | | |
| Service cost | $ 23,688 | $ 22,042 | $ 22,167 | $ 20,079 | $ 18,187 |
| Interest | 86,396 | 79,549 | 77,231 | 72,715 | 71,251 |
| Benefit changes | — | — | — | — | — |
| Difference between actual and expected experience | 25,538 | (9,431) | 4,466 | 45,330 | (7,248) |
| Assumption changes | — | 58,257 | — | 31,773 | — |
| Benefit payments | (71,466) | (73,227) | (64,991) | (62,683) | (58,197) |
| Refunds of contributions | (378) | (271) | (552) | (805) | (867) |
| Net change in total pension liability | 63,778 | 76,919 | 38,321 | 106,409 | 23,126 |
| **Total pension liability - beginning** | 1,292,177 | 1,215,258 | 1,176,937 | 1,070,528 | 1,047,402 |
| **Total pension liability - ending (a)** | $ 1,355,955 | $ 1,292,177 | $ 1,215,258 | $ 1,176,937 | $ 1,070,528 |
| **Plan fiduciary net position:** | | | | | |
| Contributions - employer | $ 47,452 | $ 33,788 | $ 32,497 | $ 31,437 | $ 35,806 |
| Contributions - member | 7,131 | 6,489 | 6,600 | 6,379 | 6,311 |
| Net investment income | (902) | 229,138 | 16,333 | 54,792 | 58,148 |
| Benefit payments | (71,466) | (73,227) | (64,991) | (62,683) | (58,197) |
| Refunds of contributions | (378) | (271) | (552) | (805) | (867) |
| Administrative expense | (602) | (531) | (360) | (488) | (509) |
| Other | — | — | (38) | (61) | (63) |
| Net change in plan fiduciary net position | (18,765) | 195,386 | (10,511) | 28,571 | 40,629 |
| **Plan fiduciary net position - beginning** | 1,050,148 | 854,762 | 865,273 | 836,702 | 796,073 |
| **Plan fiduciary net position - ending (b)** | 1,031,383 | 1,050,148 | 854,762 | 865,273 | 836,702 |
| **Net pension liability - ending (a-b)** | $ 324,572 | $ 242,029 | $ 360,496 | $ 311,664 | $ 233,826 |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 76.1 % | 81.3 % | 70.3 % | 73.5 % | 78.2 % |
| Covered payroll (c) | $ 138,644 | $ 128,252 | $ 130,759 | $ 126,483 | $ 124,003 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 234.1 % | 188.7 % | 275.7 % | 246.4 % | 188.6 % |

See notes on page 224 in this section.

| 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|
| | | | |
| $ 18,880 | $ 18,700 | $ 18,847 | $ 18,341 |
| 74,042 | 72,618 | 70,350 | 67,978 |
| — | — | — | — |
| | | | |
| (5,327) | (14,711) | (2,890) | — |
| (68,707) | — | — | — |
| (57,814) | (53,515) | (53,338) | (50,467) |
| (630) | (584) | (375) | (685) |
| (39,556) | 22,508 | 32,594 | 35,167 |
| 1,086,958 | 1,064,450 | 1,031,856 | 996,689 |
| $ 1,047,402 | $ 1,086,958 | $ 1,064,450 | $ 1,031,856 |
| | | | |
| $ 31,888 | $ 33,655 | $ 28,427 | $ 42,683 |
| 5,701 | 5,759 | 5,680 | 5,646 |
| 87,265 | 12,634 | 32,466 | 98,682 |
| (57,814) | (53,515) | (53,338) | (50,467) |
| (630) | (584) | (375) | (685) |
| (926) | (590) | (471) | (431) |
| (99) | (23) | (27) | — |
| 65,385 | (2,664) | 12,362 | 95,428 |
| 730,688 | 733,352 | 720,990 | 625,562 |
| 796,073 | 730,688 | 733,352 | 720,990 |
| $ 251,329 | $ 356,270 | $ 331,098 | $ 310,866 |
| | | | |
| 76.0 % | 67.2 % | 68.9 % | 69.9 % |
| | | | |
| $ 111,395 | $ 114,395 | $ 110,059 | $ 112,010 |
| | | | |
| 225.6 % | 311.4 % | 300.8 % | 277.5 % |

*Continued on next page*

## **Schedule of Changes in Employers' Net Pension Liability (1) (2)** *(Continued from previous page)*

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | VaLORS | | | | |
|---|---|---|---|---|---|
| **Change in the Net Pension Liability** | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Total pension liability:** | | | | | |
| Service cost | $ 44,326 | $ 47,606 | $ 48,003 | $ 44,526 | $ 45,179 |
| Interest | 159,759 | 149,677 | 143,708 | 139,307 | 136,289 |
| Benefit changes | — | — | — | — | — |
| Difference between actual and expected experience | 15,632 | (25,405) | 22,645 | 11,067 | (26,111) |
| Assumption changes | — | 66,216 | — | 62,090 | — |
| Benefit payments | (129,974) | (124,045) | (117,137) | (109,193) | (104,776) |
| Refunds of contributions | (6,284) | (5,791) | (4,893) | (4,933) | (5,604) |
| Net change in total pension liability | 83,459 | 108,258 | 92,326 | 142,864 | 44,977 |
| **Total pension liability - beginning** | 2,390,609 | 2,282,351 | 2,190,025 | 2,047,161 | 2,002,184 |
| **Total pension liability - ending (a)** | $ 2,474,068 | $ 2,390,609 | $ 2,282,351 | $ 2,190,025 | $ 2,047,161 |
| **Plan fiduciary net position:** | | | | | |
| Contributions - employer | $ 93,847 | $ 76,415 | $ 79,914 | $ 75,327 | $ 73,793 |
| Contributions - member | 17,276 | 17,602 | 18,712 | 17,871 | 17,496 |
| Net investment income | (1,666) | 405,217 | 28,579 | 93,872 | 98,292 |
| Benefit payments | (129,974) | (124,045) | (117,137) | (109,193) | (104,776) |
| Refunds of contributions | (6,284) | (5,791) | (4,893) | (4,933) | (5,604) |
| Administrative expense | (1,074) | (943) | (623) | (831) | (861) |
| Other | (8) | — | (73) | (103) | (247) |
| Net change in plan fiduciary net position | (27,883) | 368,455 | 4,479 | 72,010 | 78,093 |
| **Plan fiduciary net position - beginning** | 1,868,924 | 1,500,469 | 1,495,990 | 1,423,980 | 1,345,887 |
| **Plan fiduciary net position - ending (b)** | 1,841,041 | 1,868,924 | 1,500,469 | 1,495,990 | 1,423,980 |
| **Net pension liability - ending (a-b)** | $ 633,027 | $ 521,685 | $ 781,882 | $ 694,035 | $ 623,181 |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 74.4 % | 78.2 % | 65.7 % | 68.3 % | 69.6 % |
| Covered payroll (c) | $ 338,768 | $ 348,650 | $ 369,996 | $ 349,998 | $ 345,531 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 186.9 % | 149.6 % | 211.3 % | 198.3 % | 180.4 % |

See notes on page 224 in this section.

| 2018 | | 2017 | | 2016 | | 2015 | |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| $ | 47,189 | $ | 45,608 | $ | 47,531 | $ | 46,504 |
| | 135,453 | | 129,756 | | 124,579 | | 119,040 |
| | — | | — | | — | | — |
| | (1,457) | | 4,997 | | (4,849) | | — |
| | (63,457) | | — | | — | | — |
| | (96,224) | | (92,270) | | (84,990) | | (78,412) |
| | (4,938) | | (4,524) | | (4,797) | | (4,665) |
| | 16,566 | | 83,567 | | 77,474 | | 82,467 |
| | 1,985,618 | | 1,902,051 | | 1,824,577 | | 1,742,110 |
| $ | 2,002,184 | $ | 1,985,618 | $ | 1,902,051 | $ | 1,824,577 |
| | | | | | | | |
| $ | 73,816 | $ | 79,392 | $ | 62,084 | $ | 67,483 |
| | 17,598 | | 17,574 | | 17,081 | | 17,908 |
| | 146,039 | | 20,899 | | 52,312 | | 156,786 |
| | (96,224) | | (92,270) | | (84,990) | | (78,412) |
| | (4,938) | | (4,524) | | (4,797) | | (4,665) |
| | (1,540) | | (940) | | (743) | | (681) |
| | (310) | | (38) | | (44) | | — |
| | 134,441 | | 20,093 | | 40,903 | | 158,419 |
| | 1,211,446 | | 1,191,353 | | 1,150,450 | | 992,031 |
| | 1,345,887 | | 1,211,446 | | 1,191,353 | | 1,150,450 |
| $ | 656,297 | $ | 774,172 | $ | 710,698 | $ | 674,127 |
| | 67.2 % | | 61.0 % | | 62.6 % | | 63.1 % |
| $ | 344,468 | $ | 345,504 | $ | 338,562 | $ | 352,492 |
| | 190.5 % | | 224.1 % | | 209.9 % | | 191.2 % |

*Continued on next page*

## Schedule of Changes in Employers' Net Pension Liability (1) (2) *(Continued from previous page)*

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | JRS | | | | |
|---|---|---|---|---|---|
| **Change in the Net Pension Liability** | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Total pension liability:** | | | | | |
| Service cost | $ 18,630 | $ 19,335 | $ 20,650 | $ 18,767 | $ 19,228 |
| Interest | 50,036 | 44,788 | 44,234 | 44,139 | 43,799 |
| Benefit changes | — | — | — | — | — |
| Difference between actual and expected experience | (7,256) | (10,245) | (9,446) | (7,158) | (15,786) |
| Assumption changes | — | 53,040 | — | 14,077 | — |
| Benefit payments | (47,679) | (47,750) | (46,546) | (43,587) | (41,165) |
| Refunds of contributions | (41) | (135) | (12) | — | — |
| Net change in total pension liability | 13,690 | 59,033 | 8,880 | 26,238 | 6,076 |
| **Total pension liability - beginning** | 746,502 | 687,469 | 678,589 | 652,351 | 646,275 |
| **Total pension liability - ending (a)** | $ 760,192 | $ 746,502 | $ 687,469 | $ 678,589 | $ 652,351 |
| **Plan fiduciary net position:** | | | | | |
| Contributions - employer | $ 30,266 | $ 22,856 | $ 24,819 | $ 22,893 | $ 28,096 |
| Contributions - member | 2,033 | 1,868 | 3,436 | 3,208 | 3,231 |
| Net investment income | (477) | 147,200 | 10,491 | 35,372 | 37,466 |
| Benefit payments | (47,678) | (47,750) | (46,546) | (43,587) | (41,165) |
| Refunds of contributions | (41) | (135) | (12) | — | — |
| Administrative expense | (386) | (343) | (232) | (315) | (326) |
| Other | 97 | — | (42) | (39) | (42) |
| Net change in plan fiduciary net position | (16,186) | 123,696 | (8,086) | 17,532 | 27,260 |
| **Plan fiduciary net position - beginning** | 673,151 | 549,455 | 557,541 | 540,009 | 512,749 |
| **Plan fiduciary net position - ending (b)** | 656,965 | 673,151 | 549,455 | 557,541 | 540,009 |
| **Net pension liability - ending (a-b)** | $ 103,227 | $ 73,351 | $ 138,014 | $ 121,048 | $ 112,342 |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 86.4 % | 90.2 % | 79.9 % | 82.2 % | 82.8 % |
| Covered payroll (c) | $ 79,540 | $ 74,594 | $ 74,769 | $ 68,330 | $ 68,245 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 129.8 % | 98.3 % | 184.6 % | 177.2 % | 164.6 % |

See notes on page 224 in this section.

| 2018 | | 2017 | | 2016 | | 2015 | |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| $ | 22,144 | $ | 21,978 | $ | 23,254 | $ | 24,024 |
| | 42,081 | | 42,820 | | 41,759 | | 40,013 |
| | — | | (15,552) | | — | | — |
| | (14,774) | | (18,681) | | (9,107) | | — |
| | 16,114 | | — | | — | | — |
| | (40,895) | | (41,341) | | (40,205) | | (37,984) |
| | — | | — | | — | | — |
| | 24,670 | | (10,776) | | 15,701 | | 26,053 |
| | 621,605 | | 632,381 | | 616,680 | | 590,627 |
| $ | 646,275 | $ | 621,605 | $ | 632,381 | $ | 616,680 |
| | | | | | | | |
| $ | 27,612 | $ | 41,502 | $ | 31,503 | $ | 27,727 |
| | 3,272 | | 3,236 | | 3,015 | | 3,051 |
| | 56,029 | | 8,112 | | 20,051 | | 60,833 |
| | (40,895) | | (41,341) | | (40,205) | | (37,984) |
| | — | | — | | — | | — |
| | (594) | | (363) | | (283) | | (268) |
| | (64) | | (15) | | (17) | | — |
| | 45,360 | | 11,131 | | 14,064 | | 53,359 |
| | 467,389 | | 456,258 | | 442,194 | | 388,835 |
| | 512,749 | | 467,389 | | 456,258 | | 442,194 |
| $ | 133,526 | $ | 154,216 | $ | 176,123 | $ | 174,486 |
| | 79.3 % | | 75.2 % | | 72.1 % | | 71.7 % |
| $ | 66,826 | $ | 66,621 | $ | 61,092 | $ | 61,020 |
| | 199.8 % | | 231.5 % | | 288.3 % | | 285.9 % |

## Schedule of Employer Contributions – Pension Plans

(Dollars in Thousands)

| Year Ended June 30 | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contributions Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| **VIRGINIA RETIREMENT SYSTEM (VRS) - STATE** | | | | | |
| 2023 | $ 716,311 | $ 733,040 | $ (16,729) | $ 5,069,435 | 14.46% |
| 2022 | 674,124 | 674,124 | — | 4,661,991 | 14.46% |
| 2021 | 636,236 | 636,236 | — | 4,399,969 | 14.46% |
| 2020 | 600,306 | 600,306 | — | 4,440,135 | 13.52% |
| 2019 | 567,450 | 567,450 | — | 4,197,484 | 13.52% |
| 2018 | 560,154 | 560,154 | — | 4,152,368 | 13.49% |
| 2017 | 542,418 | 542,418 | — | 4,020,893 | 13.49% |
| 2016 | 628,486 | 557,160 | 71,326 | 3,977,759 | 14.01% |
| 2015 | 612,824 | 478,235 | 134,589 | 3,878,632 | 12.33% |
| 2014 | 504,726 | 338,286 | 166,440 | 3,861,712 | 8.76% |
| **VIRGINIA RETIREMENT SYSTEM (VRS) - TEACHER** | | | | | |
| 2023 | $ 1,471,664 | $ 1,657,118 | $ (185,454) | $ 9,970,623 | 16.62% |
| 2022 | 1,548,861 | 1,548,861 | — | 9,319,260 | 16.62% |
| 2021 | 1,469,854 | 1,469,854 | — | 8,843,887 | 16.62% |
| 2020 | 1,374,613 | 1,374,613 | — | 8,766,667 | 15.68% |
| 2019 | 1,315,160 | 1,315,160 | — | 8,387,503 | 15.68% |
| 2018 | 1,319,796 | 1,319,796 | — | 8,086,986 | 16.32% |
| 2017 | 1,287,939 | 1,156,935 | 131,004 | 7,891,783 | 14.66% |
| 2016 | 1,344,981 | 1,072,020 | 272,961 | 7,624,612 | 14.06% |
| 2015 | 1,353,158 | 1,078,065 | 275,093 | 7,434,932 | 14.50% |
| 2014 | 1,226,394 | 852,699 | 373,695 | 7,313,025 | 11.66% |
| **VIRGINIA RETIREMENT SYSTEM (VRS) - POLITICAL SUBDIVISIONS** | | | | | |
| 2023 | $ 780,020 | $ 780,020 | — | $ 6,337,774 | 12.31% |
| 2022 | 643,826 | 643,826 | — | 5,699,596 | 11.30% |
| 2021 | 610,434 | 610,473 | (39) | 5,403,267 | 11.30% |
| 2020 | 544,676 | 547,382 | (2,706) | 5,368,250 | 10.20% |
| 2019 | 515,904 | 518,513 | (2,609) | 5,118,622 | 10.13% |
| 2018 | 504,955 | 505,603 | (648) | 4,932,344 | 10.25% |
| 2017 | 487,067 | 487,702 | (635) | 4,765,842 | 10.23% |
| 2016 | 554,335 | 549,408 | 4,927 | 4,628,806 | 11.87% |
| 2015 | 540,859 | 535,919 | 4,940 | 4,513,335 | 11.87% |
| 2014 | 551,822 | 539,131 | 12,691 | 4,434,764 | 12.16% |

See notes on page 224 in this section.

| Year Ended June 30 | | Actuarially Determined Contribution | | Contributions in Relation to the Actuarially Determined Contribution | | Contributions Deficiency (Excess) | | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|---|---|---|
| **STATE POLICE OFFICERS' RETIREMENT SYSTEM (SPORS)** | | | | | | | | | |
| 2023 | $ | 46,981 | $ | 46,981 | $ | — | $ | 156,707 | 29.98% |
| 2022 | | 36,505 | | 36,505 | | — | | 138,644 | 26.33% |
| 2021 | | 33,769 | | 33,769 | | — | | 128,252 | 26.33% |
| 2020 | | 32,533 | | 32,533 | | — | | 130,759 | 24.88% |
| 2019 | | 31,469 | | 31,469 | | — | | 126,483 | 24.88% |
| 2018 | | 35,391 | | 35,391 | | — | | 124,003 | 28.54% |
| 2017 | | 31,792 | | 31,792 | | — | | 111,395 | 28.54% |
| 2016 | | 35,211 | | 31,561 | | 3,650 | | 114,395 | 27.59% |
| 2015 | | 33,876 | | 28,417 | | 5,459 | | 110,059 | 25.82% |
| 2014 | | 36,538 | | 27,711 | | 8,827 | | 112,010 | 24.74% |
| **VIRGINIA LAW OFFICERS' RETIREMENT SYSTEM (VaLORS)** | | | | | | | | | |
| 2023 | $ | 90,809 | $ | 90,809 | $ | — | $ | 369,142 | 24.60% |
| 2022 | | 74,190 | | 74,190 | | — | | 338,768 | 21.90% |
| 2021 | | 76,354 | | 76,354 | | — | | 348,650 | 21.90% |
| 2020 | | 79,956 | | 79,956 | | — | | 369,996 | 21.61% |
| 2019 | | 75,635 | | 75,635 | | — | | 349,998 | 21.61% |
| 2018 | | 72,734 | | 72,734 | | — | | 345,531 | 21.05% |
| 2017 | | 72,511 | | 72,511 | | — | | 344,468 | 21.05% |
| 2016 | | 72,763 | | 65,101 | | 7,662 | | 345,504 | 18.84% |
| 2015 | | 71,301 | | 59,824 | | 11,477 | | 338,562 | 17.67% |
| 2014 | | 68,806 | | 52,169 | | 16,637 | | 352,492 | 14.80% |
| **JUDICIAL RETIREMENT SYSTEM (JRS)** | | | | | | | | | |
| 2023 | $ | 25,781 | $ | 25,781 | $ | — | $ | 84,059 | 30.67% |
| 2022 | | 23,735 | | 23,735 | | — | | 79,540 | 29.84% |
| 2021 | | 22,259 | | 22,259 | | — | | 74,594 | 29.84% |
| 2020 | | 25,713 | | 25,713 | | — | | 74,769 | 34.39% |
| 2019 | | 23,498 | | 23,498 | | — | | 68,330 | 34.39% |
| 2018 | | 28,642 | | 28,642 | | — | | 68,245 | 41.97% |
| 2017 | | 28,047 | | 28,047 | | — | | 66,826 | 41.97% |
| 2016 | | 37,008 | | 33,291 | | 3,717 | | 66,621 | 49.97% |
| 2015 | | 35,336 | | 31,560 | | 3,776 | | 61,092 | 51.66% |
| 2014 | | 33,018 | | 27,728 | | 5,290 | | 61,020 | 45.44% |

| | VRS | | | | | |
|---|---|---|---|---|---|---|
| | **State** | **Teacher** | **Political Subdivisions** | **SPORS** | **VaLORS** | **JRS** |
| **Valuation Date** | June 30, 2021 | June 30, 2021 | June 30, 2021 | June 30, 2021 | June 30, 2021 | June 30, 2021 |
| **Actuarial Cost Method** | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| **Actuarial Assumptions:** | | | | | | |
| Investment Rate of Return* | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% |
| Projected Salary Increases:* | | | | | | |
| State Employees/Teachers | 3.50% to 5.35% | 3.50% to 5.95% | N/A | 3.50% to 4.75% | 3.50% to 4.75% | 4.00% |
| Political Subdivision - | | | | | | |
| Non-Hazardous Duty Employees | N/A | N/A | 3.50% to 5.35% | N/A | N/A | N/A |
| Political Subdivision - | | | | | | |
| Hazardous Duty Employees | N/A | N/A | 3.50% to 4.75% | N/A | N/A | N/A |
| Post-Retirement Benefits Increases** | | | | | | |
| Plan 1 | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Plan 2 | 2.25% | 2.25% | 2.25% | 2.25% | 2.25% | 2.25% |
| Hybrid | 2.25% | 2.25% | 2.25% | 2.25% | 2.25% | 2.25% |

** Includes inflation at 2.50%.*

*** Compounded annually.*

Actuarial assumptions and methods were based on an analysis of plan experience for the four-year period July 1, 2016, through June 30, 2020, and were used for the June 30, 2021, valuation. The mortality rates used are based on the PUB2010 table projected with a modified mortality improvement scale MP-2020.

As discussed in Note 17, visit the Virginia Retirement System's website at www.varetire.org to obtain a copy of the separately issued financial statements.

## Schedule of Changes in Employers' Net Other Postemployment Benefit Liability (Asset) (1) (2)

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | RHIC | | | | |
|---|---|---|---|---|---|
| **Change in the Net OPEB Liability** | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Total OPEB liability:** | | | | | |
| Service cost | $ 18,311 | $ 20,432 | $ 20,143 | $ 19,446 | $ 19,645 |
| Interest | 69,707 | 68,014 | 67,289 | 68,023 | 66,883 |
| Benefit changes | — | — | — | — | — |
| Difference between actual and expected experience | (34,169) | (20,219) | (5,703) | (13,402) | 745 |
| Assumption changes | 13,522 | 12,326 | — | 22,700 | — |
| Benefit payments | (76,023) | (71,536) | (70,440) | (72,857) | (69,117) |
| Refunds of contributions | — | — | — | — | — |
| Net change in total OPEB liability | (8,652) | 9,017 | 11,289 | 23,910 | 18,156 |
| **Total OPEB liability - beginning** | 1,052,400 | 1,043,383 | 1,032,094 | 1,008,184 | 990,028 |
| **Total OPEB liability - ending (a)** | $ 1,043,748 | $ 1,052,400 | $ 1,043,383 | $ 1,032,094 | $ 1,008,184 |
| **Plan fiduciary net position:** | | | | | |
| Contributions - employer | $ 93,847 | $ 119,847 | $ 84,849 | $ 79,926 | $ 79,416 |
| Contributions - member | — | — | — | — | — |
| Net investment income | (358) | 34,790 | 2,185 | 6,189 | 5,706 |
| Benefit payments | (76,023) | (71,536) | (70,440) | (72,857) | (69,117) |
| Third-party administrator charges | — | — | — | — | — |
| Administrative expense | (357) | (589) | (230) | (135) | (149) |
| Other | (394) | (30) | (9) | (8) | 536 |
| Net change in plan fiduciary net position | 16,715 | 82,482 | 16,355 | 13,115 | 16,392 |
| **Plan fiduciary net position - beginning** | 207,860 | 125,378 | 109,023 | 95,908 | 79,516 |
| **Plan fiduciary net position - ending (b)** | 224,575 | 207,860 | 125,378 | 109,023 | 95,908 |
| **Net OPEB liability (asset) - ending (a-b)** | $ 819,173 | $ 844,540 | $ 918,005 | $ 923,071 | $ 912,276 |
| Plan fiduciary net position as a percentage of the total OPEB liability (b/a) | 21.5 % | 19.8 % | 12.0 % | 10.6 % | 9.5 % |
| Covered payroll (c) | $ 7,612,495 | $ 7,239,781 | $ 7,237,090 | $ 6,844,807 | $ 6,762,917 |
| Net OPEB liability (asset) as a percentage of covered payroll ((a-b)/c) | 10.8 % | 11.7 % | 12.7 % | 13.5 % | 13.5 % |

(1) The Commonwealth implemented GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits*, as amended by GASB Statement No. 85, *Omnibus 2017*, effective for fiscal year 2018, therefore, ten years of data is unavailable.

(2) The Commonwealth's fiscal year 2023 net OPEB liability measurement date is June 30, 2022, as reported in Note 19.

See notes on page 236 in this section.

| 2018 |
| --- |
| |
| $ 19,231 |
| 66,641 |
| — |
| |
| — |
| (12,229) |
| (71,256) |
| — |
| 2,387 |
| 987,641 |
| $ 990,028 |
| |
| $ 75,058 |
| — |
| 7,706 |
| (71,256) |
| — |
| (131) |
| (546) |
| 10,831 |
| 68,685 |
| 79,516 |
| $ 910,512 |
| |
| 8.0 % |
| $ 6,489,069 |
| |
| 14.0 % |

*Continued on next page*

## Schedule of Changes in Employers' Net Other Postemployment Benefit Liability (Asset) (1) (2)

*(continued from previous page)*

| | VSDP | | | | |
|---|---|---|---|---|---|
| **Change in the Net OPEB Liability** | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Total OPEB liability:** | | | | | |
| Service cost | $ 30,802 | $ 32,679 | $ 32,988 | $ 29,232 | $ 27,527 |
| Interest | 19,115 | 17,222 | 18,774 | 15,788 | 15,503 |
| Benefit changes | — | — | — | — | — |
| Difference between actual and expected experience | 20,274 | (22,057) | (46,473) | 29,489 | (11,237) |
| Assumption changes | — | (1,387) | — | 4,180 | — |
| Benefit payments | (29,625) | (28,790) | (27,804) | (24,376) | (31,073) |
| Refunds of contributions | — | — | — | — | — |
| Net change in total OPEB liability | 40,566 | (2,333) | (22,515) | 54,313 | 720 |
| **Total OPEB liability - beginning** | 267,198 | 269,531 | 292,046 | 237,733 | 237,013 |
| **Total OPEB liability - ending (a)** | $ 307,764 | $ 267,198 | $ 269,531 | $ 292,046 | $ 237,733 |
| **Plan fiduciary net position:** | | | | | |
| Contributions - employer | $ 28,249 | $ 26,542 | $ 26,994 | $ 25,263 | $ 27,260 |
| Contributions - member | — | — | — | — | — |
| Net investment income | (507) | 131,373 | 9,445 | 30,494 | 32,073 |
| Benefit payments | (29,625) | (28,790) | (27,804) | (24,376) | (31,073) |
| Third-party administrator charges | (7,247) | (7,137) | (6,611) | (6,431) | (6,637) |
| Administrative expense | (483) | (600) | (631) | (787) | (961) |
| Other | 610 | 311 | 586 | 1,117 | (35) |
| Net change in plan fiduciary net position | (9,003) | 121,699 | 1,979 | 25,280 | 20,627 |
| **Plan fiduciary net position - beginning** | 611,919 | 490,220 | 488,241 | 462,961 | 442,334 |
| **Plan fiduciary net position - ending (b)** | 602,916 | 611,919 | 490,220 | 488,241 | 462,961 |
| **Net OPEB liability (asset) - ending (a-b)** | $ (295,152) | $ (344,721) | $ (220,689) | $ (196,195) | $ (225,228) |
| Plan fiduciary net position as a percentage of the total OPEB liability (b/a) | 195.9 % | 229.0 % | 181.9 % | 167.2 % | 194.7 % |
| Covered payroll (c) | $ 4,637,755 | $ 4,355,154 | $ 4,365,296 | $ 4,077,627 | $ 3,972,637 |
| Net OPEB liability (asset) as a percentage of covered payroll ((a-b)/c) | (6.4%) | (7.9%) | (5.1%) | (4.8%) | (5.7%) |

See notes on page 236 in this section.

| 2018 |
| ---: |
| $ 27,884 |
| 15,810 |
| — |
| — |
| (17,511) |
| (30,056) |
| — |
| (3,873) |
| 240,886 |
| $ 237,013 |
| $ 24,130 |
| — |
| 48,206 |
| (30,056) |
| (7,001) |
| (717) |
| (54) |
| 34,508 |
| 407,826 |
| 442,334 |
| $ (205,321) |
| 186.6 % |
| $ 3,799,590 |
| (5.4%) |

## Schedule of the Commonwealth’s Proportionate Share of the Net Other Postemployment Benefit Liability (1) (2)

Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

| | GLI | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| Commonwealth's proportion of the net OPEB liability | 30.1 % | 30.0 % | 30.4 % | 30.1 % | 30.5 % | 30.3 % |
| Commonwealth's proportionate share of the net OPEB liability | $362,146 | $349,518 | $507,458 | $490,250 | $463,787 | $456,387 |
| Commonwealth's covered payroll | $6,577,667 | $6,231,703 | $6,290,591 | $5,936,396 | $5,836,331 | $5,621,670 |
| Commonwealth's covered employee payroll | N/A | N/A | N/A | N/A | N/A | N/A |
| Commonwealth's proportionate share of the net OPEB liability as a percentage of its covered payroll / covered employee payroll | 5.5 % | 5.6 % | 8.1 % | 8.3 % | 7.9 % | 8.1 % |
| Plan fiduciary net position as a percentage of the total OPEB liability | 67.2 % | 67.5 % | 52.6 % | 52.0 % | 51.2 % | 48.9 % |

(1) The Commonwealth implemented GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits*, and GASB Statement No. 85, *Omnibus 2017*, effective for fiscal year 2018, therefore, ten years of data is unavailable.

(2) The Commonwealth's fiscal year 2023 net OPEB liability measurement date is June 30, 2022 as reported in Note 19.

(3) Since the Commonwealth is considered the governmental nonemployer contributing entity for the state-funded Retiree Health Insurance Credit for constitutional officers, social services employees and registrars (RHIC: Non-State), the covered payroll information is not applicable.

See notes on page 236 in this section.

| LODA | | | | | |
|---|---|---|---|---|---|
| **2023** | **2022** | **2021** | **2020** | **2019** | **2018** |
| 59.5 % | 59.4 % | 60.1 % | 59.9 % | 59.9 % | 60.9 % |
| $225,245 | $262,156 | $251,588 | $214,981 | $187,869 | $160,064 |
| N/A | N/A | N/A | N/A | N/A | N/A |
| $501,458 | $468,772 | $484,167 | $460,426 | $440,535 | $431,978 |
| 44.9 % | 55.9 % | 52.0 % | 46.7 % | 42.6 % | 37.1 % |
| 1.9 % | 1.7 % | 1.0 % | 0.8 % | 0.6 % | 1.3 % |

*Continued on next page*

**Schedule of the Commonwealth's Proportionate Share of the Net Other Postemployment Benefit Liability (1) (2)**

*(continued from previous page)*

| | RHIC: Non-State (3) | | | | | |
|---|---|---|---|---|---|---|
| | Constitutional Officers | | | | | |
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| Commonwealth's proportion of the net OPEB liability | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Commonwealth's proportionate share of the net OPEB liability | $26,285 | $26,910 | $27,293 | $26,877 | $26,351 | $25,766 |
| Commonwealth's covered payroll | N/A | N/A | N/A | N/A | N/A | N/A |
| Commonwealth's covered employee payroll | N/A | N/A | N/A | N/A | N/A | N/A |
| Commonwealth's proportionate share of the net OPEB liability as a percentage of its covered payroll / covered employee payroll | N/A | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total OPEB liability | 22.4 % | 19.9 % | 15.8 % | 14.3 % | 11.1 % | 8.6 % |

See notes on page 236 in this section.

| Social Service Employees | | | | | | Registrars | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| $12,341 | $12,631 | $12,880 | $12,457 | $12,903 | $12,725 | $353 | $435 | $469 | $503 | $499 | $486 |
| N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 17.2 % | 15.7 % | 13.1 % | 15.4 % | 9.3 % | 7.9 % | 36.5 % | 27.9 % | 21.2 % | 14.8 % | 10.4 % | 6.5 % |

## Schedule of Employer Contributions – Other Postemployment Benefit Plans

(Dollars in Thousands)

| Year Ended June 30 | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contributions Deficiency (Excess) | Covered Payroll | Covered Employee Payroll | Contributions as a Percentage of Covered Payroll / Covered Employee Payroll |
|---|---|---|---|---|---|---|
| | | | **RETIREE HEALTH INSURANCE CREDIT** | | | |
| 2023 | $ 85,709 | $ 92,302 | $ (6,593) | $ 8,241,227 | N/A | 1.1 % |
| 2022 | 85,260 | 85,260 | — | 7,612,495 | N/A | 1.1 % |
| 2021 | 81,086 | 81,086 | — | 7,239,781 | N/A | 1.1 % |
| 2020 | 84,674 | 84,674 | — | 7,237,090 | N/A | 1.2 % |
| 2019 | 80,084 | 80,084 | — | 6,844,807 | N/A | 1.2 % |
| 2018 | 79,802 | 79,802 | — | 6,762,917 | N/A | 1.2 % |
| 2017 | 76,571 | 76,571 | — | 6,489,069 | N/A | 1.2 % |
| 2016 | 73,961 | 66,375 | 7,586 | 6,321,454 | N/A | 1.0 % |
| 2015 | 71,522 | 64,186 | 7,336 | 6,112,951 | N/A | 1.1 % |
| 2014 | 63,385 | 60,367 | 3,018 | 6,036,629 | N/A | 1.0 % |
| | | | **VIRGINIA SICKNESS AND DISABILITY PROGRAM (Also referred to Disability Insurance Trust Fund)** | | | |
| 2023 | $ 28,581 | $ 31,133 | $ (2,552) | $ 5,103,828 | N/A | 0.6 % |
| 2022 | 28,290 | 28,290 | — | 4,637,755 | N/A | 0.6 % |
| 2021 | 26,566 | 26,566 | — | 4,355,154 | N/A | 0.6 % |
| 2020 | 27,065 | 27,065 | — | 4,365,296 | N/A | 0.6 % |
| 2019 | 25,281 | 25,281 | — | 4,077,627 | N/A | 0.6 % |
| 2018 | 26,219 | 26,219 | — | 3,972,637 | N/A | 0.7 % |
| 2017 | 25,077 | 25,077 | — | 3,799,590 | N/A | 0.7 % |
| 2016 | 27,187 | 24,580 | 2,607 | 3,724,248 | N/A | 0.7 % |
| 2015 | 26,244 | 23,728 | 2,516 | 3,595,080 | N/A | 0.7 % |
| 2014 | 20,610 | 16,701 | 3,909 | 3,553,444 | N/A | 0.5 % |
| | | | **GROUP LIFE INSURANCE (1)** | | | |
| 2023 | $ 34,206 | $ 38,481 | $ (4,275) | $ 7,126,166 | N/A | 0.5 % |
| 2022 | 35,519 | 35,519 | — | 6,577,667 | N/A | 0.5 % |
| 2021 | 33,651 | 33,651 | — | 6,231,703 | N/A | 0.5 % |
| 2020 | 32,711 | 32,711 | — | 6,290,591 | N/A | 0.5 % |
| 2019 | 30,869 | 30,869 | — | 5,936,396 | N/A | 0.5 % |
| 2018 | 30,349 | 30,349 | — | 5,836,331 | N/A | 0.5 % |
| 2017 | 29,089 | 29,089 | — | 5,621,670 | N/A | 0.5 % |
| 2016 | 29,358 | 26,588 | 2,770 | 5,539,210 | N/A | 0.5 % |
| 2015 | 28,487 | 25,799 | 2,688 | 5,374,853 | N/A | 0.5 % |
| 2014 | 28,248 | 25,583 | 2,665 | 5,329,884 | N/A | 0.5 % |

(1) The Group Life Insurance and the Line of Duty Trust Fund (Line of Duty Act) are cost-sharing plans and amounts in this schedule are only for the Commonwealth and does not include other employers.

(2) Covered employee payroll is provided since the contributions are not based on a measure of pay. Ten years of data is not available for this plan.

(3) Although the Retiree Health Insurance Credit program for constitutional officers, social services employees, and registrars existed prior to fiscal year 2016, the program was funded in a different manner and the results do not provide comparability with the current presentations. Since the Commonwealth is considered the governmental nonemployer contributing entity, the column regarding covered payroll is not applicable.

See notes on page 236 in this section.

| Year Ended June 30 | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contributions Deficiency (Excess) | Covered Payroll | Covered Employee Payroll | Contributions as a Percentage of Covered Payroll / Covered Employee Payroll |
|---|---|---|---|---|---|---|
| **LINE OF DUTY TRUST FUND (1) (2)** | | | | | | |
| 2023 | $ 20,374 | $ 8,144 | $ 12,230 | N/A | $ 561,883 | 1.4 % |
| 2022 | 14,734 | 8,197 | 6,537 | N/A | 501,458 | 1.6 % |
| 2021 | 14,820 | 8,184 | 6,636 | N/A | 468,772 | 1.7 % |
| 2020 | 14,706 | 8,164 | 6,542 | N/A | 484,167 | 1.7 % |
| 2019 | 14,486 | 8,042 | 6,444 | N/A | 460,426 | 1.7 % |
| 2018 | 13,870 | 6,364 | 7,506 | N/A | 440,535 | 1.4 % |
| 2017 | 14,275 | 6,550 | 7,725 | N/A | 431,978 | 1.5 % |
| **RETIREE HEALTH INSURANCE CREDIT: NON-STATE (3) For Constitutional Officers** | | | | | | |
| 2023 | $ 3,052 | $ 3,052 | $ — | N/A | N/A | N/A |
| 2022 | 2,786 | 2,786 | — | N/A | N/A | N/A |
| 2021 | 2,642 | 2,642 | — | N/A | N/A | N/A |
| 2020 | 2,734 | 2,734 | — | N/A | N/A | N/A |
| 2019 | 2,593 | 2,593 | — | N/A | N/A | N/A |
| 2018 | 2,362 | 2,362 | — | N/A | N/A | N/A |
| 2017 | 2,280 | 2,280 | — | N/A | N/A | N/A |
| 2016 | 1,950 | 1,830 | 120 | N/A | N/A | N/A |
| **RETIREE HEALTH INSURANCE CREDIT: NON-STATE (3) (For Social Services Employees)** | | | | | | |
| 2023 | $ 1,268 | $ 1,268 | $ — | N/A | N/A | N/A |
| 2022 | 1,196 | 1,196 | — | N/A | N/A | N/A |
| 2021 | 1,143 | 1,143 | — | N/A | N/A | N/A |
| 2020 | 1,283 | 1,283 | — | N/A | N/A | N/A |
| 2019 | 1,202 | 1,202 | — | N/A | N/A | N/A |
| 2018 | 1,106 | 1,106 | — | N/A | N/A | N/A |
| 2017 | 1,055 | 1,055 | — | N/A | N/A | N/A |
| 2016 | 961 | 824 | 137 | N/A | N/A | N/A |
| **RETIREE HEALTH INSURANCE CREDIT: NON-STATE (3) (For Registrars)** | | | | | | |
| 2023 | $ 61 | $ 61 | $ — | N/A | N/A | N/A |
| 2022 | 66 | 66 | — | N/A | N/A | N/A |
| 2021 | 52 | 52 | — | N/A | N/A | N/A |
| 2020 | 50 | 50 | — | N/A | N/A | N/A |
| 2019 | 46 | 46 | — | N/A | N/A | N/A |
| 2018 | 47 | 47 | — | N/A | N/A | N/A |
| 2017 | 45 | 45 | — | N/A | N/A | N/A |
| 2016 | 36 | 30 | 6 | N/A | N/A | N/A |

## Notes for Other Postemployment Benefit Schedules

| | Group Life Insurance Fund | Retiree Health Insurance Credit Fund | Disability Insurance Trust Fund | Line of Duty Act Trust Fund |
|---|---|---|---|---|
| **Valuation Date** | June 30, 2021 | June 30, 2021 | June 30, 2021 | June 30, 2021 |
| **Actuarial Cost Method** | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| **Amortization Method** | Level Percent of Pay, Closed | Level Percent of Pay, Closed | Level Percent of Pay, Closed | Level Percent of Pay, Open |
| **Payroll Growth Rate:** | | | | |
| State Employees | 3.0% | 3.0% | 3.0% | 3.0% |
| Teachers | 3.0% | 3.0% | N/A | N/A |
| Political Subdivision Employees | 3.0% | 3.0% | N/A | 3.0% |
| State Police / Virginia Law Officers | 3.0% | 3.0% | 3.0% | 3.0% |
| Judges | 3.0% | 3.0% | N/A | N/A |
| **Asset Valuation Method** | | | | |
| State Employees and Teachers | 5-Year, Smoothed Market | 5-Year, Smoothed Market | 5-Year, Smoothed Market | Market Value |
| Political Subdivision Employees and State-Funded Local Employees | 5-Year, Smoothed Market | Market Value | N/A | Market Value |
| **Actuarial Assumptions:** | | | | |
| Investment Rate of Return (1) | 6.8% | 6.8% | 6.8% | 6.8% |
| Projected Salary Increases (2) | | | | |
| State Employees | 3.5% to 5.4% | 3.5% to 5.4% | 3.5% to 5.4% | N/A |
| Teachers | 3.5% to 6.0% | 3.5% to 6.0% | N/A | N/A |
| Political Subdivision Employees (Non-Hazardous Duty Employees) | 3.5% to 5.4% | 3.5% to 5.4% | N/A | N/A |
| Political Subdivision Employees (Hazardous Duty Employees) | 3.5% to 4.8% | 3.5% to 4.8% | N/A | N/A |
| State Police / Virginia Law Officers | 3.5% to 4.8% | 3.5% to 4.8% | 3.5% to 4.8% | N/A |
| Judges | 4.0% | 4.0% | N/A | N/A |
| Medical Trend Assumptions (Under Age 65) | N/A | N/A | N/A | 7.0% to 4.8% |
| Medical Trend Assumptions (Ages 65 and Older) | N/A | N/A | N/A | 5.3% to 4.8% |
| Year of Ultimate Trend Rate (Under Age 65) | N/A | N/A | N/A | 2028 |
| Year of Ultimate Trend Rate (Ages 65 and Older) | N/A | N/A | N/A | 2023 |

(1) Includes inflation rate of 2.5 percent. The Line of Duty Act Program uses 4.8 percent for the investment rate of return.

(2) Projected salary increases for the Retiree Health Insurance Credit Fund are used in the application of the actuarial cost method. Projected salary increase factors are not applicable to the Line of Duty Act Program since neither the benefit nor the cost is salary-based.

Actuarial assumptions and methods were based on an analysis of plan experience for the four-year period July 1, 2016, through June 30, 2020, and were used for the June 30, 2021, valuation. The mortality rates used are based on the PUB2010 table projected with a modified mortality improvement scale MP-2020.

As discussed in Note 19, visit the Virginia Retirement System's website at www.varetire.org to obtain a copy of the separately issued financial statements.

## Schedule of Changes in Employers' Total Other Postemployment Benefit Liability (1) (2)

Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

| Change in the Total OPEB Liability | PMRH | | | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| **Total OPEB liability:** | | | | | |
| Service cost | $ 31,325 | $ 44,141 | $ 47,963 | $ 72,737 | $ 94,665 |
| Interest cost | 10,020 | 13,139 | 25,009 | 40,941 | 49,279 |
| Changes of benefit terms | — | — | — | — | — |
| Difference between expected and actual experience | (24,105) | (20,887) | (24,121) | (216,886) | (191,000) |
| Changes of assumptions | (69,896) | (119,285) | (130,004) | (182,206) | (211,762) |
| Benefit payments | (32,820) | (37,040) | (28,903) | (41,346) | (34,446) |
| Net change in total OPEB liability | (85,476) | (119,932) | (110,056) | (326,760) | (293,264) |
| **Total OPEB liability - beginning** | 448,892 | 568,824 | 678,880 | 1,005,640 | 1,298,904 |
| **Total OPEB liability - ending (a)** | $ 363,416 | $ 448,892 | $ 568,824 | $ 678,880 | $ 1,005,640 |
| Covered employee payroll (b) | $ 6,429,512 | $ 5,904,674 | $ 5,842,440 | $ 5,616,229 | $ 5,485,993 |
| Total OPEB liability as a percentage of covered employee payroll (a/b) | 5.7 % | 7.6 % | 9.7 % | 12.1 % | 18.3 % |

(1) The Commonwealth implemented GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits*, as amended by GASB Statement No. 85, *Omnibus 2017*, effective for fiscal year 2018, therefore, ten years of data is unavailable.

(2) The Commonwealth's fiscal year 2023 total OPEB liability measurement date is June 30, 2022, as reported in Note 19. 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 – The following actuarial assumptions were updated since the June 30, 2021 valuation based on recent experience:

- Retiree Participation - reduced the rate from 40.0 percent to 35.0 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, 2022. Additionally, the discount rate was increased from 2.2 percent to 3.5 percent based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date of June 30, 2022.

| 2018 |
|---|
| $ 116,627 |
| 47,346 |
| — |
| |
| (61,865) |
| (326,082) |
| (43,244) |
| (267,218) |
| 1,566,122 |
| |
| $ 1,298,904 |
| |
| $ 5,229,024 |
| |
| 24.8 % |

## Claims Development Information – Risk Management

(Dollars in Thousands)

**Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses**

| Fiscal and Policy Year Ended | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| 1. Required contribution and investment revenue: | | | | |
| Earned | $ 8,500 | $ 8,487 | $ 8,733 | $ 13,213 |
| Ceded (a) | — | — | — | — |
| Net earned | 8,500 | 8,487 | 8,733 | 13,213 |
| 2. Unallocated expenses | 1,435 | 1,331 | 1,357 | 1,460 |
| 3. Estimated incurred claims and expenses, end of policy year: | | | | |
| Incurred | 4,025 | 4,696 | 6,893 | 4,235 |
| Ceded (a) | — | — | — | — |
| Net incurred | 4,025 | 4,696 | 6,893 | 4,235 |
| 4. Net paid (cumulative) as of: | | | | |
| End of policy year | 367 | 922 | 1,206 | 836 |
| One year later | 3,210 | 3,270 | 4,680 | 3,195 |
| Two years later | 4,291 | 5,844 | 6,557 | 4,203 |
| Three years later | 5,002 | 8,280 | 8,841 | 4,434 |
| Four years later | 5,386 | 9,122 | 9,230 | 4,590 |
| Five years later | 6,509 | 9,270 | 9,274 | 4,734 |
| Six years later | 6,674 | 9,278 | 9,937 | 4,800 |
| Seven years later | 6,715 | 9,278 | 9,991 | |
| Eight years later | 6,894 | 9,278 | | |
| Nine years later | 6,926 | | | |
| 5. Reestimated ceded claims and expenses (a) | — | — | — | — |
| 6. Reestimated incurred claims and expenses: | | | | |
| End of policy year | 4,025 | 4,696 | 6,893 | 4,235 |
| One year later | 6,454 | 6,775 | 10,307 | 4,820 |
| Two years later | 6,979 | 8,961 | 9,908 | 5,031 |
| Three years later | 8,045 | 8,836 | 9,764 | 5,100 |
| Four years later | 6,771 | 9,312 | 9,979 | 4,963 |
| Five years later | 7,289 | 9,395 | 9,976 | 5,098 |
| Six years later | 7,377 | 9,341 | 10,280 | 5,018 |
| Seven years later | 7,111 | 9,296 | 10,123 | |
| Eight years later | 7,286 | 9,296 | | |
| Nine years later | 7,279 | | | |
| 7. Increase (decrease) in estimated net incurred claims and expense from end of policy year | 3,254 | 4,600 | 3,230 | 783 |

The Commonwealth, through the Department of the Treasury, Division of Risk Management, provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units, which went into effect in fiscal year 1987. Some prior year numbers have been revised to reflect the incorporation of newly available and revised source data.

See Notes on page 246 in this section.

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| $ 13,232 | $ 13,236 | $ 14,327 | $ 14,968 | $ 14,747 | $ 15,599 |
| — | — | — | — | — | — |
| 13,232 | 13,236 | 14,327 | 14,968 | 14,747 | 15,599 |
| 1,603 | 1,530 | 1,670 | 1,627 | 1,601 | 1,654 |
| 10,155 | 9,160 | 7,462 | 7,608 | 11,111 | 7,792 |
| — | — | — | — | — | — |
| 10,155 | 9,160 | 7,462 | 7,608 | 11,111 | 7,792 |
| 1,979 | 1,075 | 1,267 | 1,251 | 1,949 | 1,628 |
| 5,573 | 4,180 | 5,255 | 4,158 | 6,374 | |
| 8,027 | 6,140 | 6,703 | 5,479 | | |
| 8,854 | 10,019 | 7,307 | | | |
| 9,488 | 10,680 | | | | |
| 9,736 | | | | | |
| — | — | — | — | — | — |
| 10,155 | 9,160 | 7,462 | 7,608 | 11,111 | 7,792 |
| 11,598 | 10,725 | 9,348 | 8,687 | 12,658 | |
| 12,880 | 10,684 | 10,721 | 7,445 | | |
| 13,220 | 12,377 | 10,488 | | | |
| 11,118 | 12,123 | | | | |
| 10,459 | | | | | |
| 304 | 2,963 | 3,026 | (163) | 1,547 | — |

## Claims Development Information – Health Care

(Dollars in Thousands)

### Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

| Fiscal and Policy Year Ended | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| 1. Required contribution and investment revenue: | | | | |
| Earned | $ 320,678 | $ 343,470 | $ 392,778 | $ 430,247 |
| Ceded (a) | — | — | — | — |
| Net earned | 320,678 | 343,470 | 392,778 | 430,247 |
| 2. Unallocated expenses | 17,738 | 22,748 | 25,422 | 26,650 |
| 3. Estimated incurred claims and expenses, end of policy year: | | | | |
| Incurred | 290,557 | 327,154 | 386,227 | 419,841 |
| Ceded (a) | — | — | — | — |
| Net incurred | 290,557 | 327,154 | 386,227 | 419,841 |
| 4. Net paid (cumulative) as of: | | | | |
| End of policy year | 291,711 | 329,099 | 379,376 | 417,869 |
| One year later | N/A | N/A | N/A | N/A |
| Two years later | N/A | N/A | N/A | N/A |
| Three years later | N/A | N/A | N/A | N/A |
| Four years later | N/A | N/A | N/A | N/A |
| Five years later | N/A | N/A | N/A | N/A |
| Six years later | N/A | N/A | N/A | N/A |
| Seven years later | N/A | N/A | N/A | |
| Eight years later | N/A | N/A | | |
| Nine years later | N/A | | | |
| 5. Reestimated ceded claims and expenses (a) | — | — | — | — |
| 6. Reestimated incurred claims and expenses: | | | | |
| End of policy year | 290,557 | 327,154 | 386,227 | 419,841 |
| One year later | 290,557 | 327,154 | 386,227 | 419,841 |
| Two years later | N/A | N/A | N/A | N/A |
| Three years later | N/A | N/A | N/A | N/A |
| Four years later | N/A | N/A | N/A | N/A |
| Five years later | N/A | N/A | N/A | N/A |
| Six years later | N/A | N/A | N/A | N/A |
| Seven years later | N/A | N/A | N/A | |
| Eight years later | N/A | N/A | | |
| Nine years later | N/A | | | |
| 7. Increase (decrease) in estimated net incurred claims and expense from end of policy year | — | — | — | — |

The Commonwealth, through its Department of Human Resource Management, provides health care insurance for local governmental units, which went into effect in fiscal year 1987. Some prior year numbers have been revised to reflect the incorporation of newly available and revised source data.

See Notes on page 246 in this section.

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| $ 464,631 | $ 481,856 | $ 494,233 | $ 484,726 | $ 464,496 | $ 523,929 |
| — | — | — | — | — | — |
| 464,631 | 481,856 | 494,233 | 484,726 | 464,496 | 523,929 |
| 27,590 | 26,334 | 27,540 | 27,096 | 24,833 | 27,922 |
| 433,437 | 446,606 | 395,950 | 445,600 | 457,136 | 496,694 |
| — | — | — | — | — | — |
| 433,437 | 446,606 | 395,950 | 445,600 | 457,136 | 496,694 |
| 421,802 | 443,931 | 398,497 | 451,451 | 447,914 | 493,877 |
| N/A | N/A | N/A | N/A | N/A | |
| N/A | N/A | N/A | N/A | | |
| N/A | N/A | N/A | | | |
| N/A | N/A | | | | |
| N/A | | | | | |
| — | — | — | — | — | — |
| 433,437 | 446,606 | 395,950 | 445,600 | 457,136 | 496,694 |
| 433,437 | 446,606 | 395,950 | 445,600 | N/A | |
| N/A | N/A | N/A | N/A | | |
| N/A | N/A | N/A | | | |
| N/A | N/A | | | | |
| N/A | | | | | |
| — | — | — | — | — | — |

## Claims Development Information – Line of Duty

(Dollars in Thousands)

**Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses**

| **Fiscal and Policy Year Ended** | **2014** | **2015** | **2016** | **2017** |
|---|---|---|---|---|
| 1. Required contribution and investment revenue: | | | | |
| Earned | N/A | N/A | N/A | N/A |
| Ceded (a) | N/A | N/A | N/A | N/A |
| Net earned | N/A | N/A | N/A | N/A |
| 2. Unallocated expenses | N/A | N/A | N/A | N/A |
| 3. Estimated incurred claims and expenses, end of policy year: | | | | |
| Incurred | N/A | N/A | N/A | N/A |
| Ceded (a) | N/A | N/A | N/A | N/A |
| Net incurred | N/A | N/A | N/A | N/A |
| 4. Net paid (cumulative) as of: | | | | |
| End of policy year | N/A | N/A | N/A | N/A |
| One year later | N/A | N/A | N/A | N/A |
| Two years later | N/A | N/A | N/A | N/A |
| Three years later | N/A | N/A | N/A | N/A |
| Four years later | N/A | N/A | N/A | N/A |
| Five years later | N/A | N/A | N/A | N/A |
| Six years later | N/A | N/A | N/A | N/A |
| Seven years later | N/A | N/A | N/A | |
| Eight years later | N/A | N/A | | |
| Nine years later | N/A | | | |
| 5. Reestimated ceded claims and expenses (a) | — | — | — | — |
| 6. Reestimated incurred claims and expenses: | | | | |
| End of policy year | N/A | N/A | N/A | N/A |
| One year later | N/A | N/A | N/A | N/A |
| Two years later | N/A | N/A | N/A | N/A |
| Three years later | N/A | N/A | N/A | N/A |
| Four years later | N/A | N/A | N/A | N/A |
| Five years later | N/A | N/A | N/A | N/A |
| Six years later | N/A | N/A | N/A | N/A |
| Seven years later | N/A | N/A | N/A | |
| Eight years later | N/A | N/A | | |
| Nine years later | N/A | | | |
| 7. Increase (decrease) in estimated net incurred claims and expense from end of policy year | — | — | — | — |

The Commonwealth, through its Department of Human Resource Management, provides disability, death, and health benefits to eligible employees and their eligible family members. The Commonwealth began administering the insurance program for localities that do not participate in the State plan effective with fiscal year 2018.

See Notes on page 246 in this section.

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| $ 19,910 | $ 17,790 | $ 17,245 | $ 18,941 | $ 18,830 | $ 21,683 |
| — | — | — | — | — | — |
| 19,910 | 17,790 | 17,245 | 18,941 | 18,830 | 21,683 |
| 832 | 594 | 679 | 718 | 759 | 912 |
| 17,210 | 16,786 | 15,715 | 18,699 | 16,496 | 22,249 |
| — | — | — | — | — | — |
| 17,210 | 16,786 | 15,715 | 18,699 | 16,496 | 22,249 |
| 14,779 | 17,302 | 15,737 | 18,376 | 16,672 | 22,467 |
| N/A | N/A | N/A | N/A | N/A | |
| N/A | N/A | N/A | N/A | | |
| N/A | N/A | N/A | | | |
| N/A | N/A | | | | |
| N/A | | | | | |
| — | — | — | — | — | — |
| 17,210 | 16,786 | 15,715 | 18,699 | 16,496 | 22,249 |
| 17,210 | 16,786 | 15,715 | 18,699 | N/A | |
| N/A | N/A | N/A | N/A | | |
| N/A | N/A | N/A | | | |
| N/A | N/A | | | | |
| N/A | | | | | |
| — | — | — | — | — | — |

## Notes for Claims Development Information Tables

The tables on the previous pages illustrate how the Risk Management, Health Care, and Line of Duty Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

2. This line shows each fiscal year's other operating costs of the funds, including overhead and claims expense not allocable to individual claims.

3. This line shows the funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)

7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

**Notes:**

(a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.

# APPENDIX B

## COMMONWEALTH OF VIRGINIA
## FINANCIAL AND OTHER INFORMATION

*Report Date: January 30, 2024*

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## APPENDIX B TABLE OF CONTENTS

## INTRODUCTION

**This Appendix includes financial and other information provided by the Commonwealth of Virginia (the "Commonwealth"), its agencies, institutions and authorities from official records. The Department of Treasury has compiled, but not independently verified, such information; however, the Department of Treasury has no reason to believe that such data is not true and correct in all material respects. The information presented in this Appendix is historical and is not intended to predict future events or continuing trends. This Appendix is not intended to be exhaustive as to all information that an investor may deem necessary to evaluate any specific securities.**

**References in this Appendix to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Appendix.**

## GOVERNMENTAL ORGANIZATION

Under the Constitution of Virginia (the "Constitution"), the legislative, executive and judicial powers of the Commonwealth are divided into three separate and distinct departments.

### Legislative Department

The legislative power is vested in the General Assembly, the oldest representative lawmaking body in the United States. The General Assembly is bicameral, consisting of a Senate with 40 Senators elected for four-year terms and a House of Delegates with 100 Delegates elected for two-year terms. The General Assembly convenes annually each January. Regular sessions are 60 days in duration in even-numbered years and 30 days in odd-numbered years, but each can be extended for an additional 30 days by a two-thirds vote of each house.

The General Assembly is assisted in its legislative function by a full-time staff of over 200 persons and various commissions appointed by the General Assembly. The Joint Legislative Audit and Review Commission was established to carry out continuous legislative review and evaluation of Commonwealth programs from the standpoint of cost effectiveness.

The Auditor of Public Accounts is elected by the General Assembly. The Auditor and a staff of approximately 130 persons audit the accounts of all Commonwealth offices, departments, boards, commissions, institutions and other agencies handling Commonwealth funds and report their findings to the General Assembly.

### Executive Department

The Governor, Lieutenant Governor and Attorney General are constitutional officers, elected every four years. The present term of each office began January 15, 2022, and each expires January 17, 2026. The Constitution does not allow a Governor to serve successive terms.

The Governor is the Commonwealth's chief executive officer. The Governor advises the General Assembly on the condition of the Commonwealth and makes recommendations for legislation. The Governor is also charged with the responsibility for preparing and executing the Commonwealth's budget. The Governor's veto of legislation may be overridden only by a two-thirds vote of each house of the General Assembly. If deemed necessary for the welfare of the Commonwealth, the Governor may convene the General Assembly into special session at any time. With few exceptions, the Governor appoints the administrative heads and boards of all Commonwealth agencies. Commonwealth agencies report to the Governor through a cabinet of eleven Secretaries appointed by the Governor to supervise and manage the various functions of the Commonwealth's government.

The Lieutenant Governor is next in line in the event of the Governor's inability to serve. The Lieutenant Governor also serves as President of the Senate but may not vote except in the event of a tie vote of the Senate Members.

The Attorney General is the chief executive officer of the Department of Law. The Department of Law represents the Commonwealth in all civil cases to which the Commonwealth or any of its agencies is a party and in all criminal cases on appeal to the Supreme Court of Virginia. The Attorney General is also the legal advisor to the Governor, General Assembly and heads of Commonwealth agencies.

**Judicial Department**

The Supreme Court is the Commonwealth's highest court and consists of seven justices appointed by the General Assembly. Several agencies involved in legal administration operate under the control of the Supreme Court. These include the Judicial Inquiry and Review Commission, the Virginia State Bar and the State Board of Bar Examiners. The Commonwealth is divided into 31 Judicial Circuits over which Circuit Judges preside. The Circuit Courts are courts of record having original jurisdiction in cases involving a specified sum and felonies, and appellate jurisdiction over lower District Courts. A Court of Appeals stands between the Circuit Courts and the Supreme Court and has appellate jurisdiction in a range of cases.

## FINANCIAL FACTORS

**Budgetary Process**

The Governor is the chief planning and budget officer of the Commonwealth. The Secretary of Finance and the Department of Planning and Budget assist the Governor in the preparation of executive budget documents. The Governor's Secretaries advise the Governor and the Department of Planning and Budget on the relative priority of the budget requests from their respective agencies.

The Governor is required by statute to present a bill detailing his proposed budget for the next biennium (the "Budget Bill") and a narrative summary of the bill to the General Assembly by December 20th in the year immediately prior to each even-year session. The Budget Bill is introduced in both the House of Delegates and the Senate. It is referred to the House Appropriations and Senate Finance Committees, which hold joint meetings to hear from citizens, from other General Assembly members and from agency representatives. The Budget Bill is then approved by each Committee in an open session and reported to the respective floors for consideration, debate, amendment and passage. After the bill has passed both houses, differences between the House and Senate versions are reconciled by a conference committee from both houses.

Under constitutional provisions, the Governor retains the right in his review of legislative action on the Budget Bill, to suggest alterations to or to veto the appropriations made by the General Assembly. After enactment, the Budget Bill becomes law (the "Appropriation Act").

In the odd-year sessions of the General Assembly, amendments are considered to the Appropriation Act enacted in the previous year. The Governor submits a bill by December 20th, which includes his proposed amendments to the current biennial budget. It is then introduced in both houses and is considered in the same manner as the regular biennial Budget Bill. The Appropriation Act enacted in the odd-year session is effective upon passage, whereas the regular biennial Appropriation Act is effective July 1, the beginning of the new biennium.

An appropriation for a project or service is initially contained in the Appropriation Act enacted by the General Assembly. An agency request for an increase or other adjustments to its legislative appropriation must be reviewed and approved by the Department of Planning and Budget. Under the Constitution, no money may be paid out of the State Treasury except pursuant to appropriations made by law. No such appropriation may be made which is payable more than two years and six months after the end of the session of the General Assembly at which the appropriation was enacted.

Implementation and administration of the provisions of the Appropriation Act are functions of the Governor, assisted by the Secretary of Finance and the Department of Planning and Budget. This process also involves constant monitoring of revenue collections and expenditures to ensure that a balanced budget is maintained. The Appropriation Act requires that if projected revenue collections fall below amounts appropriated, the Governor must reduce expenditures and withhold allotments of appropriations, with the exception of amounts needed for debt service and specified other purposes, to the extent necessary to prevent any expenditure in excess of estimated revenues. The Appropriation Act provides that up to 15 percent of a General Fund appropriation to an agency may be withheld by the Governor, if required.

**Development of Revenue Estimates**

The development of the General Fund revenue estimate begins with the selection of a forecast of national economic activity for the state budget period prepared by independent economic forecasting firms based on the advice of the Joint Advisory Board of Economists and the Commonwealth's own staff. The national economic forecast is used to develop a forecast of similar indicators of in-state activity. The Governor's Advisory Council on Revenue Estimates also examines the economic assumptions with respect to the general economic climate of the Commonwealth.

After the development of forecasts of major Commonwealth economic indicators, revenue estimates are generated using revenue forecasting models developed and maintained by the Department of Taxation. Adjustments are made on a revenue source-by-source basis for any legislative, judicial or administrative changes that would affect the projected level of revenues but that cannot be forecast by models constructed using historical data. Finally, adjustments are made if revenues are substantially above or below the projected level.

**Financial Control Procedures**

The General Assembly appropriates funds for a particular program in the Appropriation Act. These funds must then be allotted by the Governor and the Department of Planning and Budget for specific purposes. The State Comptroller accounts for certain specific personnel and non-personnel transactions. Once the appropriation, allotment and accounting procedures have been completed, funds are disbursed by the State Treasurer upon a warrant of the State Comptroller drawn at the request of the responsible agency. The Auditor of Public Accounts audits such financial transactions to assure the reporting of such transactions is in compliance with generally accepted accounting principles.

The Director of the Department of Planning and Budget is appointed by the Governor subject to confirmation by the General Assembly. The Department of Planning and Budget monitors and evaluates the use of resources to ensure that agencies are delivering effective and efficient services. The Governor is empowered to withhold appropriations to agencies in the event that expenditures are no longer warranted or are not being made for the purposes for which the funds were initially appropriated.

The State Comptroller, who is appointed by the Governor subject to confirmation by the General Assembly, is the director of the Department of Accounts, the central accounting agency of the Commonwealth. The State Comptroller maintains a complete system of general accounts of every department, division, office, board, commission, institution and agency of the Commonwealth. In order to assure uniform accounting practices among the agencies and to avoid duplication, the State Comptroller also prescribes the accounts and control records that are to be kept by each state agency. The State Treasurer, who is also appointed by the Governor subject to confirmation by the General Assembly, is the director of the Department of the Treasury. This department receives, maintains custody of and disburses all funds of the Commonwealth.

Unlike the State Comptroller and the State Treasurer, the Auditor of Public Accounts is appointed by the General Assembly for a term of four years and is, therefore, part of the Legislative Department rather than the Executive Department. The principal function of the Auditor is to audit the accounts of all state departments, offices, boards, commissions, institutions and agencies handling state funds. In the event the Auditor discovers some irregularity or misuse of funds, it is his duty to inform the Governor, the Joint Legislative Audit and Review Commission and the State Comptroller.

**Investment of Public Funds**

It is the policy of the State Treasurer to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands and conforming to all statutes governing the investment of public funds. The General Account of the Commonwealth, which is comprised of funds collected and held for various fund groups including the General Fund, is divided into two major portfolios. Both portfolios are managed in accordance with guidelines promulgated by the Treasury Board. The Primary Liquidity Portfolio, representing approximately 75 percent of the General Account, provides for disbursements and operational needs. Safety of principal and liquidity are the investment objectives of this portfolio. The Extended Duration and Credit Portfolio, which can be up to 25 percent of the General Account, is structured to generate investment returns over the long term higher than the return on the Primary Liquidity Portfolio, while maintaining sound credit quality and providing secondary liquidity.

**Financial Statements**

The Commonwealth operates on a fiscal year basis beginning on July 1 and ending on June 30. The Commonwealth's financial statements, audited by the Auditor of Public Accounts, for the fiscal year ended June 30, 2023, are contained in the Commonwealth's Annual Comprehensive Financial Report (the "Annual Comprehensive Financial Report") available at www.doa.virginia.gov. The financial statements conform to GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The financial statements include government-wide statements using full accrual accounting, fund financial statements that use different accounting approaches based on the type of fund, and a reconciliation of the two types of statements. See the section in the Annual Comprehensive Financial Report entitled "Management's Discussion and Analysis" for a more detailed explanation of the types of financial statements prepared. The Commonwealth's annual budget is prepared principally on a cash basis and represents departmental appropriations as authorized by the General Assembly. Under the cash basis of accounting, revenues and other financial resources are recognized in the accounting period in which cash is received; expenditures and other financial uses are recognized when cash is disbursed. The section of the Annual Comprehensive Financial Report entitled "Required Supplementary Information" reconciles the budgetary (*i.e.*, cash) presentation to the financial statement

## Revenue Stabilization Fund

The Constitution requires the Governor to ensure that expenses do not exceed total revenues anticipated plus fund balances during the period of two years and six months following the end of the General Assembly session in which the appropriations are made. A Revenue Stabilization Fund (the "Stabilization Fund") was established by constitutional amendment effective January 1, 1993, and is available to offset, in part, anticipated shortfalls in revenues in years when revenues are forecasted to decline by more than two percent of the certified tax revenues collected in the most recently ended fiscal year. Deposits to the Stabilization Fund are made pursuant to the provisions of Article X, Section 8 of the Constitution of Virginia based on tax revenue collections as certified by the Auditor of Public Accounts. If in any year total revenues are forecast to decline by more than two percent of the certified tax revenues collected in the most recently ended fiscal year, the General Assembly may appropriate for transfer up to one-half of the Stabilization Fund balance to the General Fund to stabilize revenues. This transfer shall not exceed one-half of the forecasted shortfall. The maximum balance in the Stabilization Fund can consist of an amount not to exceed 15.0 percent of the Commonwealth's average annual tax revenues derived from income and retail sales taxes for the three immediately preceding fiscal years, as certified by the Auditor of Public Accounts. If any amounts accrue to the credit of the Stabilization Fund in excess of the 15.0 percent limitation, such as through interest or dividends, the Treasurer shall promptly transfer any such excess amounts to the General Fund.

Section 2.2-1829(b) of the Code of Virginia requires that if certain revenue criteria are met, then an additional deposit to the Stabilization Fund equal to at least one-half the mandatory deposit must be included in the Governor's budget. The Code further requires that any such additional deposits to the Stabilization Fund shall be included in the Governor's budget recommendations only if the estimate of General Fund revenues for the fiscal year in which the deposit is to be made is at least five percent greater than the actual General Fund revenues for the immediately preceding fiscal year.

On June 30, 2023, the Stabilization Fund has principal and interest on deposit of $1.8 billion restricted as a part of General Fund balance. As described above, the amount on deposit cannot exceed 15.0 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. As of June 30, 2023, the constitutional maximum is $3.9 billion.

See Note 5 in the "Notes to the Financial Statements" included in the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023, for additional information about the Stabilization Fund.

## Revenue Reserve Fund

Beginning in 2018, the Commonwealth established, by statute, a second reserve fund entitled the Revenue Reserve Fund (the "Reserve Fund"). The General Assembly may appropriate to the Reserve Fund any surplus revenues after making constitutionally mandated transfers. The monies in the Reserve Fund may be used to offset, in whole or in part, certain anticipated shortfalls in revenue when appropriations based on previous forecasts exceed expected revenues in subsequent forecasts. If a revenue shortfall is two percent or less of General Fund resources collected in the most recently ended fiscal year, the General Assembly may appropriate an amount for transfer from the Reserve Fund not to exceed 50 percent of the amount in the Reserve Fund.

Pursuant to Sections 2.2-1831.2 and 2.2-1831.3 of the Code of Virginia, whenever there is a fiscal year in which there is not a mandatory deposit to the Stabilization Fund (see above), a deposit is required to the Reserve Fund if the General Fund revenue exceeds the official estimate. Additionally, any required annual deposit cannot exceed 1.0 percent of the total General Fund revenues for the prior fiscal year. The total amounts on deposit in the Reserve Fund and the Stabilization Fund may not in the aggregate exceed twenty percent (20%) of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales as certified by the Auditor of Public Accounts for the three fiscal years immediately preceding. This maximum aggregate amount was increased from fifteen percent (15%) to twenty percent (20%) effective July 1, 2022, through language contained in Chapter 2 of the 2022 Special Session I and is in effect through June 30, 2024. As of June 30, 2023, the calculated maximum balance for the Stabilization Fund and the Reserve Fund (taking into account the limitations described in this paragraph) is $5.1 billion.

As of June 30, 2023, the Reserve Fund has principal and interest on deposit of $2.0 billion recorded in the Commonwealth's general ledger and reported as cash on the balance sheet. As of June 30, 2023, the combined stabilization fund and reserve fund balance is $3.8 billion.

See Note 6 in the "Notes to the Financial Statements" included in the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023, for additional information about the Reserve Fund.

**General Fund Highlights for Fiscal Year 2023**

The General Fund balance (presented on a cash basis), as shown on page B-6, increased by $1.7 billion in fiscal year 2023, an increase of 12.8 percent from fiscal year 2022. Overall, tax revenues decreased by 4.7 percent from fiscal year 2022 to fiscal year 2023 with 98 percent of the decrease in revenues resulting from a $1.4 billion decline in Individual and Fiduciary Income Tax Revenues which was primarily attributable to the decrease of realizations of capital gains reported within that revenue category. Categorically, year over year results included: Individual and Fiduciary Income tax revenues decreased by 7.0 percent, Corporation Income tax collections increased by 2.6 percent, State Sales and Use Tax increased by 4.2 percent, Other Taxes increased by 12.7 percent, Premiums of Insurance Companies increased by 5.6 percent and Public Service Corporations tax collections increased by 1.8 percent and Communications Sales and Use experienced a 3.0 percent decline in tax collections. While overall revenue decreased by 3.0 percent, non-tax revenues improved by 49.7 percent for the period. Expenditures also increased overall by 13.1 percent in fiscal year 2023, compared to a 9.7 percent increase in fiscal year 2022. Categorically, increases in expenditures included: Education 12.2 percent, Resources and Economic Development 24.5 percent, Capital Outlay 143.6 percent, and Individual and Family Services 19.5 percent.

Under the provisions of Article X, Section 8 of the Constitution of Virginia, a deposit of $904.7 million is required during fiscal year 2024 based on fiscal year 2022 revenue collections reduced by the estimated rebate provided to taxpayers as required by Chapter 1, Item 3-5.24. No deposit is required based on fiscal year 2023 revenue collections, adjusted to include the prior year estimated rebate to taxpayers.

In addition, Chapter 769, Item 267. D2, appropriates $498.7 million from the Revenue Reserve Fund to be deposited to the Revenue Stabilization Fund during fiscal year 2024. This amount was provided in Chapter 1, 2022 Acts of Assembly Special Session I, as an Advanced reservation for the fiscal year 2024 mandatory deposit. This amount is included as part of the 2024 restricted component of fund balance.

**Summary of General Fund Revenues, Expenditures and Changes in Fund Balance**

The following tables summarize the Commonwealth's General Fund revenues, expenditures and changes in fund balance for fiscal years 2019 through 2023. The chart below provides the information on a year-to-year comparison on a cash basis, while the chart on the next page compares the final budget numbers to actual audited numbers over the same five-year period.

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## SUMMARY OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS

(in thousands)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Taxes | | | | | |
| Individual and Fiduciary Income | $ 15,226,471 | $ 15,351,592 | $ 17,303,666 | $ 20,410,206 | $ 18,983,556 |
| State Sales and Use | 3,973,011 | 4,112,843 | 4,624,549 | 5,080,580 | 5,291,545 |
| Corporation Income | 943,391 | 1,011,650 | 1,515,692 | 1,978,697 | 2,031,120 |
| Communications Sales and Use | 361,023 | 347,101 | 314,768 | 301,446 | 292,848 |
| Deed, Contracts, Wills and Suits | 394,062 | 493,389 | 694,822 | 665,602 | 437,137 |
| Premiums of Insurance Companies | 382,018 | 360,588 | 363,105 | 426,830 | 450,877 |
| Alcoholic Beverage Sales | 240,776 | 267,214 | 296,059 | 300,153 | 307,412 |
| Tobacco Products | 151,289 | 153,638 | 286,632 | 278,626 | 246,132 |
| Estate | 191 | 80 | 810 | 27 | - |
| Public Service Corporations | 98,890 | 97,039 | 101,114 | 102,586 | 104,449 |
| Other Taxes | 47,197 | 35,873 | 46,116 | 88,835 | 100,080 |
| Total Taxes | $ 21,818,319 | $ 22,231,007 | $ 25,547,333 | $ 29,633,588 | $ 28,245,156 |
| Rights and Privileges | 93,225 | 94,695 | 95,255 | 113,371 | 126,834 |
| Sales of Property and Commodities | 25,021 | 39,463 | 19,507 | 20,185 | 28,879 |
| Assessments and Receipts for Support of Special Services | 5,808 | 5,813 | 5,960 | 5,897 | 5,514 |
| Institutional Revenue | 37,937 | 37,963 | 32,283 | 33,673 | 32,955 |
| Interest, Dividends, Rents | 103,670 | 136,821 | 94,461 | 82,207 | 442,145 |
| Fines, Forfeitures, Court Fees, Penalties, and Escheats | 224,783 | 214,750 | 225,120 | 220,132 | 258,492 |
| Federal Grants and Contracts | 10,573 | 8,029 | 9,693 | 11,725 | 11,259 |
| Receipts from Cities, Counties, and Towns | 11,216 | 8,469 | 6,597 | 7,122 | 7,659 |
| Private Donations, Gifts and Contracts | 965 | 904 | 481 | 336 | 431 |
| Tobacco Master Settlement | 56,487 | 54,134 | 100,515 | 62,813 | 56,987 |
| Other | 203,940 | 223,456 | 293,859 | 403,039 | 466,650 |
| Total Revenues | $ 22,591,944 | $ 23,055,504 | $ 26,431,064 | $ 30,594,088 | $ 29,682,961 |
| Expenditures: | | | | | |
| General Government | 2,446,484 | 2,872,703 | 2,532,665 | 2,783,669 | 2,715,673 |
| Education | 9,109,073 | 9,526,097 | 9,968,154 | 11,330,277 | 12,708,311 |
| Transportation | 203 | 140 | 147 | 164 | 6,349 |
| Resources and Economic Development | 432,029 | 530,365 | 532,353 | 616,873 | 770,440 |
| Individual and Family Services | 7,208,024 | 6,884,183 | 7,051,802 | 7,369,472 | 8,809,425 |
| Administration of Justice | 2,904,663 | 2,983,904 | 3,000,321 | 3,142,616 | 3,447,349 |
| Capital Outlay | 2,575 | 4,535 | 2,898 | 59,151 | 144,107 |
| Debt Service | | | | | |
| Principal Retirement | | | | 20,571 | 35,256 |
| Interest and Charges | | | | 2,904 | 2,834 |
| Total Expenditures | $ 22,103,051 | $ 22,801,927 | $ 23,088,340 | $ 25,325,697 | $ 28,639,744 |
| Revenues Over (Under) Expenditures | $ 488,893 | $ 253,577 | $ 3,342,724 | $ 5,268,391 | $ 1,043,217 |
| Other Financing Sources (Uses): | | | | | |
| Transfers In | 938,306 | 911,229 | 1,052,608 | 1,172,516 | 1,168,403 |
| Transfers Out | (414,827) | (439,543) | (414,818) | (570,986) | (493,910) |
| Total Other Financing Sources (Uses) | 523,479 | 471,686 | 637,790 | 601,530 | 674,493 |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | 1,012,372 | 725,263 | 3,980,514 | 5,869,921 | 1,717,710 |
| Fund Balance, July 1: | | | | | |
| Restricted | 557,023 | 638,838 | 650,540 | 1,783,359 | 2,690,501 |
| Committed | 789,056 | 1,473,273 | 1,355,193 | 2,469,243 | 5,692,557 |
| Assigned | 440,885 | 687,225 | 1,518,866 | 3,252,511 | 4,991,976 |
| Total Fund Balance, July 1 | $ 1,786,964 | $ 2,799,336 | $ 3,524,599 | $ 7,505,113 | $ 13,375,034 |
| Fund Balance, June 30: | | | | | |
| Restricted | 638,838 | 650,540 | 1,783,359 | 2,690,501 | 2,712,576 |
| Committed | 1,473,273 | 1,355,193 | 2,469,243 | 5,692,557 | 7,770,839 |
| Assigned | 687,225 | 1,518,866 | 3,252,511 | 4,991,976 | 4,609,329 |
| Total Fund Balance, June 30 | $ 2,799,336 | $ 3,524,599 | $ 7,505,113 | $ 13,375,034 | $ 15,092,744 |

Source: Department of Accounts.

# SUMMARY OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE VARIANCE OF ACTUAL vs BUDGETARY BASIS

| | 2019 | | 2020 | | 2021 | | 2022 | | 2023 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Final Budget | Variance of Actual Favorable (Unfavorable) | Final Budget | Variance of Actual Favorable (Unfavorable) | Final Budget | Variance of Actual Favorable (Unfavorable) | Final Budget | Variance of Actual Favorable (Unfavorable) | Final Budget | Variance of Actual Favorable (Unfavorable) |
| **Revenues:** | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Individual and Fiduciary Income | $ 14,421,600 | $ 804,871 | $ 15,419,400 | $ (67,808) | $ 15,446,000 | $ 1,857,666 | $ 18,593,100 | $ 1,817,106 | $ 16,732,435 | $ 2,251,121 |
| State Sales and Use | 3,981,000 | (7,989) | 4,266,100 | (153,257) | 4,300,900 | 323,649 | 4,948,300 | 132,280 | 5,004,713 | 286,832 |
| Corporation Income | 1,012,200 | (68,809) | 1,031,500 | (19,850) | 1,288,700 | 226,992 | 2,009,600 | (30,903) | 1,737,000 | 294,120 |
| Communications Sales and Use | 368,000 | (6,977) | 350,000 | (2,899) | 348,000 | (33,232) | 335,000 | (33,554) | 335,000 | (42,152) |
| Public Service Corporations | 98,700 | 190 | 98,900 | (1,861) | 98,600 | 2,514 | 103,500 | (914) | 103,500 | 949 |
| Premiums of Insurance Companies | 395,300 | (13,282) | 394,100 | (33,512) | 314,900 | 48,205 | 419,300 | 7,530 | 406,100 | 44,777 |
| Other [1] | 802,329 | 31,186 | 910,841 | 39,353 | 1,195,711 | 128,728 | 1,322,801 | 10,442 | 1,274,801 | (184,040) |
| Total Taxes | $ 21,079,129 | $ 739,190 | $ 22,470,841 | $ (239,834) | $ 22,992,811 | $ 2,554,522 | $ 27,731,601 | $ 1,901,987 | $ 25,593,549 | $ 2,651,607 |
| Rights and Privileges | 87,804 | 5,421 | 87,596 | 7,099 | 89,320 | 5,935 | 100,173 | 13,198 | 100,385 | 26,449 |
| Institutional Revenue | 43,525 | (5,588) | 51,454 | (13,491) | 55,011 | (22,728) | 57,824 | (24,151) | 57,791 | (24,836) |
| Interest, Dividends, Rents and Other Investi | 70,443 | 33,227 | 131,870 | 4,951 | 93,425 | 1,036 | 92,480 | (10,273) | 101,798 | 340,347 |
| Tobacco Master Settlement | 58,667 | (2,180) | 56,000 | (1,866) | 87,410 | 13,105 | 47,500 | 15,313 | 47,500 | 9,487 |
| Other [2] | 464,796 | 17,510 | 446,907 | 53,977 | 438,251 | 122,966 | 590,387 | 78,049 | 593,181 | 185,703 |
| Total Revenues | $ 21,804,364 | $ 787,580 | $ 23,244,668 | $ (189,164) | $ 23,756,228 | $ 2,674,836 | $ 28,619,965 | $ 1,974,123 | $ 26,494,204 | $ 3,188,757 |
| **Expenditures:** | | | | | | | | | | |
| General Government | 2,591,762 | 145,278 | 3,103,116 | 230,413 | 2,792,844 | 260,179 | 3,071,288 | 287,619 | 3,082,613 | 366,940 |
| Education | 9,212,771 | 103,698 | 9,722,175 | 196,078 | 10,427,918 | 459,764 | 11,655,965 | 325,688 | 13,733,020 | 1,024,709 |
| Transportation | 256 | 53 | 189 | 49 | 197 | 50 | 194,525 | 194,361 | 235,962 | 229,613 |
| Resources and Economic Development | 518,768 | 86,739 | 636,191 | 105,826 | 652,429 | 120,076 | 883,873 | 267,000 | 1,396,977 | 626,537 |
| Individual and Family Services | 7,338,134 | 130,110 | 7,345,513 | 461,330 | 7,241,258 | 189,456 | 7,623,020 | 253,548 | 9,196,115 | 386,690 |
| Administration of Justice | 2,938,324 | 33,661 | 3,065,651 | 81,747 | 3,127,411 | 127,090 | 3,336,965 | 194,349 | 3,694,067 | 246,718 |
| Capital Outlay | 11,127 | 8,552 | 15,814 | 11,279 | 11,239 | 8,341 | 182,664 | 123,513 | 849,464 | 705,357 |
| Debt Service: | | | | | | | | | | |
| Principal Retirement | | | | | | | 20,571 | - | 35,256 | - |
| Interest and Charges | | | | | | | 2,904 | - | 2,834 | - |
| Total Expenditures | $ 22,611,142 | $ 508,091 | $ 23,888,649 | $ 1,086,722 | $ 24,253,296 | $ 1,164,956 | $ 26,971,775 | $ 1,646,078 | $ 32,226,308 | $ 3,586,564 |
| Revenues Over (Under) Expenditures | $ (806,778) | $ 1,295,671 | $ (643,981) | $ 897,558 | $ (497,068) | $ 3,839,792 | $ 1,648,190 | $ 3,620,201 | $ (5,732,104) | $ 6,775,321 |
| **Other Financing Sources (Uses):** | | | | | | | | | | |
| Transfers In | 904,470 | 33,836 | 874,430 | 36,799 | 1,005,483 | 47,125 | 1,137,044 | 35,472 | 1,075,380 | 93,023 |
| Transfers Out | (408,301) | (6,526) | (442,031) | 2,488 | (407,173) | (7,645) | (559,487) | (11,499) | (468,273) | (25,637) |
| Total Other Financing Sources (Uses) | $ 496,169 | $ 27,310 | $ 432,399 | $ 39,287 | $ 598,310 | $ 39,480 | $ 577,557 | $ 23,973 | $ 607,107 | $ 67,386 |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | (310,609) | 1,322,981 | (211,582) | 936,845 | 101,242 | 3,879,272 | 2,225,747 | 3,644,174 | (5,124,997) | 6,842,707 |
| Fund Balance, July 1 | 1,786,964 | - | 2,799,336 | - | 3,524,599 | - | 7,505,113 | - | 13,375,034 | - |
| Fund Balance, June 30 | $ 1,476,355 | $ 1,322,981 | $ 2,587,754 | $ 936,845 | $ 3,625,841 | $ 3,879,272 | $ 9,730,860 | $ 3,644,174 | $ 8,250,037 | $ 6,842,707 |

*[1] Note that under Taxes above, certain line items have been combined into the "Other" line item; they are: "Deeds, Contracts, Wills and Suits," "Alcoholic Beverage Sales", "Tobacco Products", "Estate" and "Other Taxes". The reason for this is consistency with the ACFR line items.*

*[2] Note that under Revenues above, certain line items have been combined into the "Other" line item; they are: "Sales of Property and Commodities," "Assessments and Receipt for Support Gifts, of Special Services," "Fines, Forfeitures, Court Fees, Penalties, and Escheats," "Federal Grants and Contracts," "Receipts from Cities, Counties, and Towns", "Private Donations, and Contracts" and "Other". The reason for this is consistency with the ACFR line items.*

Source: Department of Accounts.

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**General Fund Revenues**

Of total fiscal year 2023 tax revenue, 97.3 percent was derived from six major taxes imposed by the Commonwealth: Individual and Fiduciary Income Taxes; State Sales and Use Taxes; Corporation Income Taxes; Communications Sales and Use Taxes; Taxes on Deeds, Contracts, Wills and Suits; and Taxes on Premiums of Insurance Companies.

Individual and Fiduciary Income taxes are the principal component of General Fund revenues. These revenues support a number of government functions, primarily education, individual and family services, public safety and general government. General Fund revenues are available for payment of debt service obligations of the Commonwealth.

*Individual and Fiduciary Income Taxes:* (67.2 percent of Total Taxes in fiscal year 2023) The individual and fiduciary income tax applies to income derived by resident and non-resident individuals and fiduciaries. The tax is based on a taxpayer's federal adjusted gross income with modifications, if applicable, and with deductions for personal exemptions and standard or itemized deductions. The following tax rates are applicable to net taxable income for the taxable year 2023:

**PERSONAL TAX RATES**

| Taxable Income | Rate | Of Excess Over |
|---|---|---|
| $0-$3,000 | 2.00% | |
| $3,001-$5,000 | $60 + 3.00% | $ 3,000 |
| $5,001-$17,000 | $120 + 5.00% | $ 5,000 |
| Over $17,000 | $720 + 5.75% | $17,000 |

*Source: Department of Taxation*

An individual income tax return for a taxable year must be filed by May 1 of the following year. Prepayment of the tax on most earnings is accomplished through withholdings by employers. Employers must transfer withholding taxes to the Department of Taxation quarterly, monthly or, in some cases, eight times a month. Individual income taxpayers are required to file a declaration of estimated tax for any income not subject to withholding and pay one-fourth of such estimated tax in quarterly installments.

*State Sales and Use Taxes:* (18.7 percent of Total Taxes in fiscal year 2023) A sales and use tax is imposed at the rate of 5.3 percent on the sale, rental, lease or storage for use or consumption of tangible personal property except food for home consumption. Food for home consumption is taxed at a rate of 2.5 percent (reduced to 1.0 percent as of January 2023). There are certain exclusions from the tax, including motor vehicles, aircraft and large watercraft, prescription medicines. One percent of the 5.3 percent sales tax revenues and the 1% percent sales tax revenues on food for home consumption is distributed to localities on the basis of school age population for use in public education.

Retail sellers collect the sales and use taxes from customers at the time of sale. Sellers are required to remit collected taxes to the Department of Taxation either monthly or quarterly.

*Corporation Income Taxes:* (7.2 percent of Total Taxes fiscal year 2023) The Commonwealth imposes a 6 percent income tax on the net income of all corporations organized under laws of the Commonwealth and every foreign corporation having income from sources in the Commonwealth, with the exception of insurance companies, inter-insurance exchanges, state and national banks, banking associations, companies doing business on a mutual basis, credit unions and non-profit corporations. Commonwealth taxable income is based on federal income, with modifications. If a corporation is engaged in multi-state activities, and if its income is taxable by both the Commonwealth and another state, the Commonwealth permits the corporation to apportion its taxable income (other than dividends that are allocated according to the commercial domicile of the taxpayer) according to a three-factor formula comprised of property, payroll and sales.

A corporation income tax return must be filed on or before the 15th day of the 4th month following the close of the corporation's taxable year. Corporations are required to make a declaration of estimated tax directly to the Department of Taxation and pay such estimated tax in such taxable year.

*Communication Sales and Use Taxes:* (1.0 percent of Total Taxes in fiscal year 2023) The Commonwealth collects communication sales and use taxes and disburses these amounts to localities.

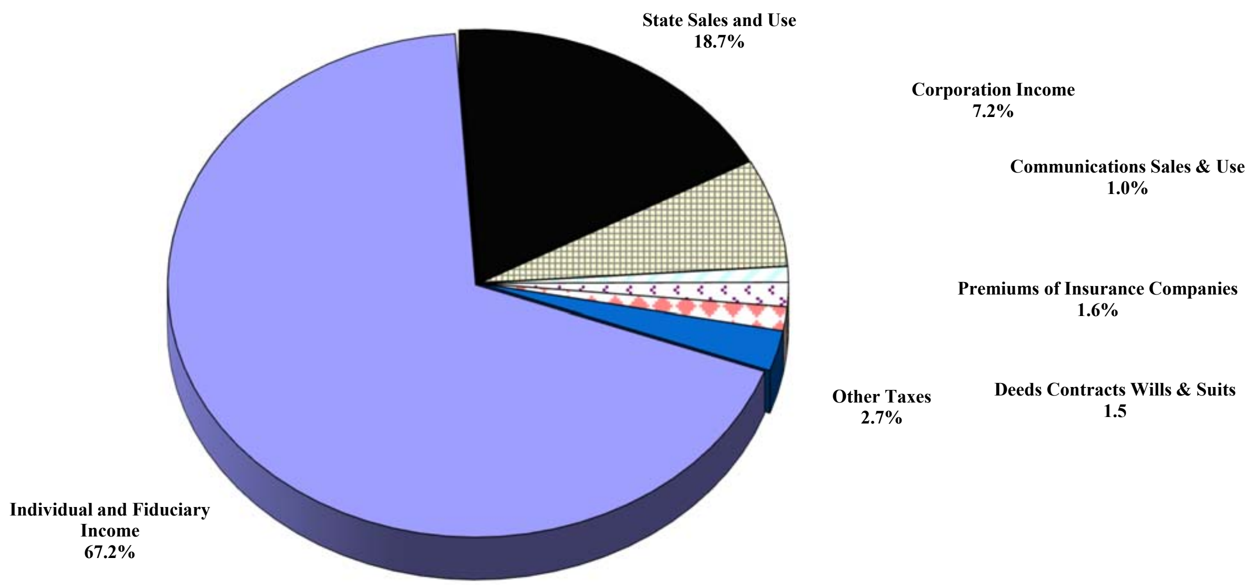
*Taxes on Deeds, Contracts, Wills and Suits:* (1.0 percent of Total Taxes in fiscal year 2023) The Commonwealth taxes the admission to record of deeds, deeds of trust, mortgages, leases and contracts at the rate of 25 cents per $100 of consideration or value, whichever is greater. An additional tax is imposed on deeds or conveyances of real estate at the rate of 50 cents per $500 of consideration or value, whichever is greater exclusive of the value of any lien or encumbrance. A tax is also imposed on the probate of wills and grants of administration, not exempt by law, at the rate of 10 cents per $100 of the value of the probate estate. A tax ranging from $5 to $25 is imposed on the filing of various types of legal actions.

*Taxes on Premiums of Insurance Companies:* (1.6 percent of Total Taxes in fiscal year 2023) Insurance companies are required to pay an annual license tax measured by the gross premium income derived from business done in the Commonwealth. The rate of tax varies according to the type of company. Insurance companies subject to this state license tax must make a declaration of estimated tax and pay one-fourth of such estimated tax in quarterly installments.

*Other Taxes*: Other taxes consist of 2.7% of Total Taxes in fiscal year 2023.

The following pie chart summarizes General Revenue Fund tax revenues by source:

**COMPOSITION OF GENERAL FUND TAX REVENUES BY SOURCE**
**Fiscal Year Ended June 30, 2023**




*Note: Numbers may not sum to rounding.*
Source: Department of Accounts.

**Collection of Delinquent Tax**

When the Department of Taxation determines that taxes are delinquent, the taxpayer is sent a billing notice. A second notice is sent 30 days later demanding immediate payment within 10 days. If payment is not received at the end of that time, the Department of Taxation may take legal action to obtain payment including the placement of a lien on the taxpayer's wages or bank account. If the delinquency exceeds $100, the Department of Taxation may issue a memorandum of lien against the taxpayer's property. If subsequent to these actions satisfactory payment arrangements are not made, the Department of Taxation may execute the memorandum of lien or initiate court proceedings against the taxpayer.

Penalties for late payment or nonpayment of most taxes are assessed at the rate of 6 percent per month, not to exceed 30 percent of the delinquent tax liability. Interest on late or under payments is charged at an annualized rate of interest established pursuant to Section 6621(a) (2) of the federal Internal Revenue Code, plus 2 percent.

The following table presents total outstanding collectible tax receivables for all tax types at the end of fiscal years 2019 through 2023:

**OUTSTANDING COLLECTIBLE TAX RECEIVABLES**

| Fiscal Year Ended June 30, 2023 | Amount[1] |
|---|---|
| 2019 | $ 711,396,203 |
| 2020 | 735,765,347 |
| 2021 | 645,283,906 |
| 2022 | 743,057,340 |
| 2023 | 777,890,178 |

[1] Does not include non-billed or uncollectible receivables

Source: Department of Taxation

**General Fund Expenditures**

General Fund expenditures relate to resources used for those services traditionally provided by a state government that are not accounted for in any other fund. These services include general government, legislative, public safety, judicial, health and mental health, human resources, licensing and regulation, and primary and secondary education (See table on page B-6).

*Education:* (44.4 percent of Total Expenditures in fiscal year 2023) Expenditures for education support individuals in developing knowledge, skills and cultural awareness, including elementary and secondary education instruction, supervision and assistance.

*Individual and Family Services:* (30.8 percent of Total Expenditures in fiscal year 2023) Expenditures for individual and family services support programs to benefit the economic, social and physical well-being of the individual and family, including disease research, control and prevention.

*Administration of Justice:* (12.0 percent of Total Expenditures in fiscal year 2023) Expenditures for administration of justice relate to the activities of the civil and criminal justice systems. These activities encompass the apprehension, trial, punishment and rehabilitation of law violators, and the deterrence and detection of crime.

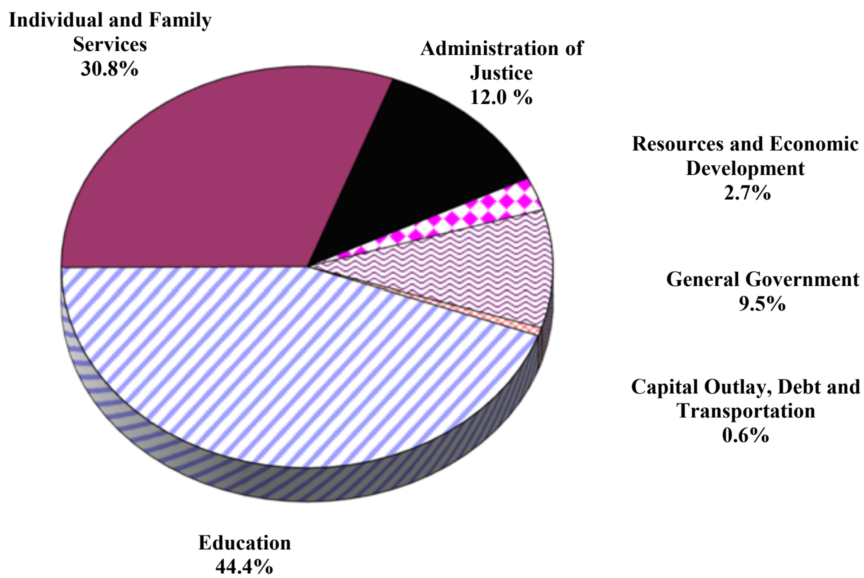
*General Government:* (9.5 percent of Total Expenditures in fiscal year 2023) General government expenditures support the general activities of state, regional and local levels of government. These activities include financial assistance to localities, enactment of legislative policy, intergovernmental projects, and distribution of sales and use taxes to localities, and payments to localities pursuant to the Personal Property Tax Relief Act of 1998.

*Resources and Economic Development:* (2.7 percent of Total Expenditures in fiscal year 2023) Resources and economic development expenditures support activities to develop the Commonwealth's economic base, including alternative natural resources, and to regulate this base with regard to the public interest of the Commonwealth.

*Capital Outlay & Transportation:* (0.5 percent of Total Expenditures in fiscal year 2023) Expenditures for capital outlay relate to the construction and renovation of state-owned buildings and facilities. Transportation expenditures relate to the movement by road, water or air of people, goods and services, and the regulation thereof.

*Debt Service:* (0.1 percent of Total Expenditures in fiscal year 2023).

**DISTRIBUTION OF GENERAL FUND EXPENDITURES BY SOURCE**
**Fiscal Year Ended June 30, 2023**




*Note: Numbers may not sum to rounding.*
Source: Department of Accounts.

## General Fund Balance

With the implementation of GASB No. 54, the fund equity classifications of Reserved and Unreserved have been changed to Restricted, Committed, Assigned, and Unassigned. Restricted fund balances are those that have a restriction imposed by the *Constitution of Virginia* or from a party external to the Commonwealth. Committed fund balances represent amounts that have been legislatively mandated for a specific purpose. Assigned fund balances represent amounts the Commonwealth has identified for a specific purpose, but for which the use is not legislatively mandated. Unassigned fund balances are those that have not been restricted, committed, or assigned to specific purposes. Due to statutory requirements, any unassigned balances in the General Fund on a cash basis are automatically committed for transfer to the Transportation Trust Fund and for nonrecurring expenditures.

*2019.* General Fund revenues and other sources were more than expenditures and other uses by $1.0 billion in fiscal year 2019. Total revenues increased by 6.0 percent and total expenditures increased by 3.8 percent. Transfers to the General Fund increased by 7.9 percent while transfers out decreased by 6.7 percent. Transfers to and from Component Units in fiscal year 2019 are reported as expenditures and revenues in accordance with GASB Statement No. 34. The table on page B-6 reflects the Fund Balance as of June 30, 2019, in these classifications.

*2020.* General Fund revenues and other sources were more than expenditures and other uses by $725.3 million in fiscal year 2020. Total revenues increased by 2.1 percent and total expenditures increased by 3.2 percent. Transfers to the General Fund decreased by 2.9 percent while transfers out increased by 6.0 percent. Transfers to and from Component Units in fiscal year 2020 are reported as expenditures and revenues in accordance with GASB Statement No. 34. The table on page B-6 reflects the Fund Balance as of June 30, 2020, in these classifications.

*2021.* General Fund revenues and other sources were more than expenditures and other uses by $4.0 billion in fiscal year 2021. Total revenues increased by 14.6 percent and total expenditures increased by 1.3 percent. Transfers to the General Fund increased by 15.5 percent while transfers out decreased by 5.6 percent. Transfers to and from Component Units in fiscal year 2021 are reported as expenditures and revenues in accordance with GASB Statement No. 34. The table on page B-6 reflects the Fund Balance as of June 30, 2021, in these classifications.

*2022.* General Fund revenues and other sources were more than expenditures and other uses by $5.9 billion in fiscal year 2022. Total revenues increased by 15.8 percent and total expenditures increased by 9.7 percent. Transfers to the General Fund increased by 11.4 percent while transfers out decreased by 37.6 percent. Transfers to and from Component Units in fiscal year 2022 are reported as expenditures and revenues in accordance with GASB Statement No. 34. The table on page B-6 reflects the Fund Balance as of June 30, 2022, in these classifications.

*2023.* General Fund revenues and other sources were more than expenditures and other uses by $1.7 billion in fiscal year 2023. Total revenues decreased by 3.0 percent and total expenditures increased by 13.1 percent. Transfers to the General Fund increased by .4 percent while transfers out decreased by 27.4 percent. Transfers to and from Component Units in fiscal year 2022 are reported as expenditures and revenues in accordance with GASB Statement No. 34. The table on page B-6 reflects the Fund Balance as of June 30, 2023, in these classifications.

**Non-General Fund Revenues**

Non-General Fund revenues consist of all revenues not accounted for in the General Fund. Included in this category are special taxes and user charges earmarked for specific purposes, the majority of institutional revenues and revenues from the sale of property and commodities, and receipts from the federal government.

Approximately 50 percent of the Non-General Fund revenues are accounted for by grants and donations from the federal government, motor vehicle taxes and institutional revenues. Institutional revenues consist primarily of fees and charges collected by institutions of higher education, medical and mental hospitals and correctional institutions. Motor vehicle related taxes include the motor vehicle fuel tax, motor vehicle sales and use tax, oil excise tax, driver's license fee, title registration fee, motor vehicle registration fee and other miscellaneous revenues.

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The following chart is a summary of revenues and expenditures for the largest of the Commonwealth's Special Revenue Funds, the Commonwealth Transportation Fund, prepared according to generally accepted accounting principles.

**COMMONWEALTH TRANSPORTATION FUND**

(in thousands)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Total revenues | $6,232,672 | $6,385,623 | $7,550,146 | $8,348,316 | $8,615,735 |
| Total expenditures | 5,578,326 | 5,628,548 | 6,851,125 | 7,415,256 | 7,505,109 |
| Revenues over (under) expenditures | 654,346 | 757,075 | 699,021 | 933,060 | 1,110,626 |
| Other sources (uses) net | -98,906 | -412,740 | -378,186 | -29,553 | -266,085 |
| Revenue and other sources (uses) over | | | | | |
| (under) expenditures | 555,440 | 344,335 | 320,835 | 903,507 | 844,541 |
| Beginning fund balance (adjusted) | 2,327,278 | 2,889,679 | 3,244,917 | 3,565,752 | 4,480,218 |
| Ending fund balance | $2,882,718 | $3,234,014 | $3,565,752 | $3,565,752 | $5,324,759 |

Note: Included in the Commonwealth Transportation Fund (formerly Highway Maintenance and Construction Fund) is the activity of the Highway Maintenance and Operating Fund and the Transportation Trust Fund. The Transportation Trust Fund was created in September 1986 during a special session of the Virginia General Assembly.

Source: Department of Treasury; Department of Transportation.

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**COVID-19 Expenses; Federal Assistance**

The Commonwealth incurred significant costs to address the COVID-19 pandemic, as well as significant federal aid to help cover such costs. In addition to federal disaster relief funds, the Commonwealth received approximately $3.1 billion in funds from the federal Coronavirus Aid, Relief, and Economic Security ("CARES") Act of 2020 to help cover costs related to the pandemic. Of that amount, then Governor Northam allocated approximately $1.3 billion to the cities and counties in Virginia (excluding Fairfax County, which received approximately $200 million in CARES Act funding directly from the federal government based on the large size of the county's population) and retained approximately $1.8 billion to pay or reimburse costs incurred by the Commonwealth and its related entities to address the pandemic.

The Commonwealth received approximately $4.3 billion in May 2021 from the State and Local Recovery Fund ("SLRF") established by the federal American Rescue Plan Act of 2021 ("ARPA"), which is in addition to the CARES Act funding described above. Virginia cities and counties received separately approximately $2.3 billion in ARPA-SLRF funding directly from the federal government, and the Commonwealth received approximately $317 million in May 2021 to pass through to smaller cities and towns and received an additional approximately $317 million for the same purpose in May 2022. In total, the Commonwealth and its cities and counties received approximately $7.2 billion in ARPA-SLRF funding. The 2020-2022 biennial budget, as amended, appropriated approximately $3.3 billion of the ARPA-SLRF funds to Fiscal Year 2022 expenditures. The 2022-2024 biennium budget adopted in June 2022 appropriates approximately $900 million in ARPA-SLRF funds to Fiscal Year 2023 expenditures and approximately $100 million in ARPA-SLRF funds to Fiscal Year 2024 expenditures. The ARPA-SLRF-funded expenditures primarily serve the following needs: (1) unemployment assistance, (2) broadband expansion; (3) small business assistance; (4) food assistance; (5) drinking water, wastewater and combined sewer overflow projects; (6) improved mental health and other public health services; (7) public safety; and (8) public education.

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## 2023 Appropriation Act and 2023 Special Session Amendments

On December 15, 2022, Governor Youngkin announced his amendments to the 2022-2024 biennium budget. The proposed budget amendments proposed additional funding for behavioral health, law enforcement, education, economic development and conservation efforts. The General Assembly began the consideration of the Governor's proposed budget amendments during the 2023 session that convened on January 11, 2023. While budget negotiations continued, a scaled-down set of amendments from both the General Assembly and the Governor were adopted in an interim amended budget known as Chapter 769, 2023 Acts of Assembly. Chapter 769 was enacted on April 12, 2023. Changes contained in this interim amended budget included:

- $405.9 million for a required deposit to the Revenue Stabilization Fund.
- $263.1 million to update the cost of Direct Aid to Public K-12 education for enrollment changes and other technical adjustments.
- $250 million for a deposit to the Virginia Retirement System to reduce unfunded liabilities.
- $100 million for supplemental funding for existing capital outlay projects.
- Treasury Loan authorization for up to $43.3 million in support of a high-performance data facility associated with the Thomas Jefferson National Accelerator Facility (Jefferson Lab).
- $15.3 million for the Temporary Assistance for Needy Families (TANF) Unemployment Parents program.
- Technical changes to General Fund Resources to reflect legislation passed by the General Assembly and actual year-end balances from FY 2022.

On September 6, 2023, the General Assembly reconvened for a special session to take-up additional amendments to FY 2024 appropriations. These amendments to Chapter 2 as amended by Chapter 769 were passed by the General Assembly and the resulting budget was signed by the Governor and enacted on September 14, 2023, and is known as Chapter 1, Virginia Acts of Assembly, 2023 Special Session I.

Major funding contained in Chapter 1 includes the following:

*Public Education;*

- $418.3 million to be distributed to school divisions to address their unique needs, including intensive tutoring to address learning loss and the hiring of reading specialists.
- $152.3 million to provide state support for support personnel.
- $54.6 million to fund a 2% pay salary supplement for all local state-supported positions effective January 1, 2024.

*Higher Education*

- $75 million in added operating support to help higher education institutions address inflationary pressures while holding down tuition growth.
- $62.5 million in additional financial aid, as well as $12.5 million of aid for Pell-eligible students.

*Commerce and Trade and Natural Resources*

- $644 million in Water Quality Improvement Fund (WQIF) deposits.
- $200 million of new funding for business-ready site development and acquisition to bridge Virginia's gap in attracting large scale economic development projects.

*Health and Human Resources*

- $156 million for mental health serviced.
- $263 million of Medicaid savings reflecting the final months of the enhanced federal match rate and year-end balances from the Health Care Fund.

*Statewide Compensation*

- Approximately $75 million to cover the costs of a 2% pay increase for all state, state-supported local and higher education, as well as targeted pay increases, for public safety personnel (sheriffs, commonwealths attorneys and indigent defense and court clerks).

*Capital Amendments*

- $100 million to address cost-overruns for projects already underway resulting from inflation and supply chain issues.
- $83 million for 14 emergency repair projects and infrastructure upgrades to maintain the integrity of existing properties.

*Deposit to Reserves*

- $289.6 million for a statutorily-required deposit to the Revenue Reserve Fund

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**2023 Special Session Amendments to the 2023 Appropriation Act**
**(Chapter 1, 2023 Acts of Assembly, Special Session I)**

| | FY 2023 | FY 2024 | Total |
|---|---|---|---|
| **GENERAL FUND** | | | |
| **Revenue** | | | |
| Unrestricted Beginning Balance | $10,684,532,497 | $10,930,591,910 | $21,615,124,407 |
| Additions to balance | (3,078,628,035) | (7,126,108,812) | (10,204,736,847) |
| Official revenue estimate | 24,871,135,500 | 26,369,314,900 | 51,240,450,400 |
| Transfers | 714,716,804 | (129,796,220) | 584,920,584 |
| Total general fund resources available for appropriation | $33,191,756,766 | $30,044,001,778 | $63,235,758,544 |
| **Appropriations** | | | |
| Legislative | $118,652,500 | $118,643,125 | $237,295,625 |
| Judicial | 582,028,077 | 589,625,986 | 1,171,654,063 |
| Executive | 28,976,939,473 | 30,348,195,384 | 59,325,134,857 |
| Independent Agencies | 6,781,138 | 27,196,295 | 33,977,433 |
| Sub-total operating expenses | $29,684,401,188 | $31,083,660,790 | $60,768,061,978 |
| Capital Outlay | 2,057,779,488 | 402,660,202 | 2,460,439,690 |
| Total appropriations | $31,742,180,676 | $31,486,320,992 | $63,228,501,668 |
| **NONGENERAL FUNDS** | | | |
| **Revenue** | | | |
| Balance June 30, 2023 | $8,383,240,878 | $0 | 8,383,240,878 |
| Official revenue estimate | 45,429,302,663 | 47,405,121,153 | 92,834,423,816 |
| Lottery Proceeds Fund | 784,671,715 | 850,842,423 | 1,635,514,138 |
| Internal Service Fund | 2,404,388,342 | 2,413,968,065 | 4,818,356,407 |
| Bond proceeds | 157,296,000 | 98,420,000 | 255,716,000 |
| Total nongeneral fund revenue available for appropriation | $57,158,899,598 | $ 50,768,351,641 | $ 107,927,251,239 |
| **Appropriations** | | | |
| Legislative | $5,082,324 | $5,409,476 | $10,491,800 |
| Judicial | 37,956,799 | 37,956,799 | 75,913,598 |
| Executive Department | 50,181,249,806 | 51,540,445,513 | 101,721,695,319 |
| Independent Agencies | 1,156,667,241 | 1,161,752,091 | 2,318,419,332 |
| Sub-total operating expenses | $51,380,956,170 | $52,745,563,879 | $104,126,520,049 |
| Capital Outlay | 926,733,221 | 520,167,391 | 1,446,900,612 |
| Total appropriations | $52,307,689,391 | $53,265,731,270 | $105,573,420,661 |

*Source: Department of Planning and Budget*

**2024 Amendments to the 2023 Special Session Appropriation Act (HB/SB 29 Introduced)**

On December 20, 2023, Governor Youngkin presented amendments to Chapter 1, 2023 Special Session I, affecting appropriations for the remainder of the 2022-2024 biennium (House Bill 29 / Senate Bill 29). 14 individual operating amendments increase general fund spending by $85.7 million and 23 individual operating amendments decrease spending by $478.2 million for a net operating spending reduction of $392.5 million for the remainder of fiscal year 2024.

The operating amendments that result in general fund appropriation reductions are technical in nature. The largest of these decreases include the following;

- $125.9 million for Medicaid utilization and inflation
- $89.5 million to update Lottery proceeds for public education
- $71.4 million to update sales tax revenues for public education
- $58.7 million to update average daily membership projections in K-12

Increases in general fund operating appropriation in the Governor's amendments are the result of workload, caseload, or inflationary changes. The three largest increases in spending include the following;

- $36.4 million for the Children's Services Act forecast
- $28.5 million to adjust the Health Care Fund appropriation
- $5.3 million deposit to transition the Lawrenceville Correctional Center to state management

The proposed 2024 amendments to the 2023 Special Session Appropriation Act assume a general fund balance at the end of the biennium of $2.3 billion. Such amendments will be considered by the General Assemble during its regular session that convened on January 10, 2024.

The table on the following page summarizes House Bill 29/Senate Bill 29 introduced. (2024 Session)

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**2024 Session Amendments to the 2023 Special Session Appropriation Act**
**(House Bill 29 / Senate Bill 29 Introduced)**

| | FY 2023 | FY 2024 | Total |
|---|---|---|---|
| **GENERAL FUND** | | | |
| **Revenue** | | | |
| Unrestricted Beginning Balance | $10,684,532,497 | $10,930,591,910 | $21,615,124,407 |
| Additions to balance | (3,078,628,035) | (6,614,881,564) | (9,693,509,599) |
| Official revenue estimate | 24,871,135,500 | 27,732,700,000 | 52,603,835,500 |
| Transfers | 714,716,804 | (50,439,248) | 664,277,556 |
| Total general fund resources available for appropriation | $33,191,756,766 | $31,997,971,098 | $65,189,727,864 |
| **Appropriations** | | | |
| Legislative | 118,652,500 | 118,643,125 | 237,295,625 |
| Judicial | 582,028,077 | 589,625,986 | 1,171,654,063 |
| Executive | 28,976,939,473 | 29,955,663,005 | 58,932,602,478 |
| Independent Agencies | 6,781,138 | 27,196,295 | 33,977,433 |
| Sub-total operating expenses | $29,684,401,188 | $30,691,128,411 | $60,375,529,599 |
| Capital Outlay | 2,057,779,488 | 402,660,202 | 2,460,439,690 |
| Total appropriations | $31,742,180,676 | $31,093,788,613 | $62,835,969,289 |
| **NONGENERAL FUNDS** | | | |
| **Revenue** | | | |
| Balance June 30, 2023 | $8,383,240,878 | $0 | $8,383,240,878 |
| Official revenue estimate | 45,429,302,663 | 46,252,967,838 | 91,682,270,501 |
| Lottery Proceeds Fund | 784,671,715 | 944,668,276 | 1,729,339,991 |
| Internal Service Fund | 2,404,388,342 | 2,413,968,065 | 4,818,356,407 |
| Bond proceeds | 157,296,000 | 98,420,000 | 255,716,000 |
| Total nongeneral fund revenue available for appropriation | $57,158,899,598 | $49,710,024,179 | $106,868,923,777 |
| **Appropriations** | | | |
| Legislative | $5,082,324 | $5,409,476 | $10,491,800 |
| Judicial | 37,956,799 | 37,956,799 | 75,913,598 |
| Executive Department | 50,181,249,806 | 51,413,278,325 | 101,594,528,131 |
| Independent Agencies | 1,156,667,241 | 1,161,752,091 | 2,318,419,332 |
| Sub-total operating expenses | $51,380,956,170 | $52,618,396,691 | $103,999,352,861 |
| Capital Outlay | 926,733,221 | 520,907,391 | 1,447,640,612 |
| Total appropriations | $52,307,689,391 | $53,139,304,082 | 105,446,993,473 |

*Source: Department of Planning and Budget.*

## 2024 Introduced Budget

On December 20, 2023, Governor Youngkin presented the introduced Budget Bill for the 2024-2026 biennium that begins July 1, 2024 (House Bill/Senate Bill 30) (the "2024 Budget Bill").

The 2024 introduced budget assumes a general fund balance at the end of the 2024-2026 biennium of $8.7 million. Excluding technical adjustments to base budgets and the continuation of amounts included in Chapter 1 (2023 Special Session I), 252 individual operating amendments increase general fund spending by $4.7 billion over the biennium and 96 individual operating amendments decrease spending by $1.6 billion for a net operating spending increase of $3.1 billion for the 2024-2026 biennium. In addition, 9 capital outlay amendments increase general fund spending by $916.6 million.

The top ten operating general fund spending increases in the introduced 2024 Budget Bill include the following:

- $714.0 million for fund Medicaid utilization and inflation.
- $508.9 million to adjust Health Care Fund appropriation.
- $412.1 million to continue Child Care Subsidy Program after federal funding becomes unavailable.
- $160.6 million to re-benchmark the cost of Direct Aid to Public Education.
- $150.3 million to add developmental disability waiver slots (Medical Assistance Services).
- $150.0 million to provide funding to improve state agency information technology infrastructure.
- $138.1 million for the Virginia Agricultural Cost Share and nonpoint source pollution programs.
- $122.8 million to provide a two percent compensation supplement for K-12 instructional and support positions in FY 2026.
- $115.0 million to reduce unfunded liabilities of the Teacher Retirement Plan.
- $109.0 million to provide bonus payments to state employees and state-supported local employees.

Many of the reduction amounts included in the introduced budget are technical in nature and are the result of forecasts in programs that are formulaic in nature. The top ten operating general fund spending reductions in the introduced 2024 Budget Bill include the following:

- $300.0 million to supplant GF amounts with Literary Fund support for school employee retirement contributions.
- $229.0 million to eliminate supplemental General Fund payment in Lieu of Sales Tax on Food and Personal Hygiene Products.
- $119.6 million to adjust funding for public school teacher retirement.
- $106.7 million to redirect Virginia Preschool Initiative and Early Childhood Expansion nonparticipation savings to other early childhood programs.
- $87.8 million to update K-12 Average Daily Membership projections.
- $79.5 million to reduce excess funding in the Virginia Telecommunication Initiative.
- $63.1 million to update sales tax revenues for public education.
- $61.3 million to update K-12 composite index of local ability-to-pay.
- $55.9 million to capture savings from closing Augusta Correctional Center.
- $52.2 million to capture savings associated with the closure of Sussex II State Prison.

Major general fund capital outlay increases in the introduced 2024 Budget Bill include the following:

- $404.0 million to provide for maintenance reserve allocations.
- $250.0 million in supplemental funding for previously authorized projects.
- $81.3 million to provide equipment for existing projects.
- $50.0 million for renovations and repairs at Fort Monroe.
- $50.0 million to renovate office space to relocate James Monroe Building tenants and demolish Monroe Building.

The 2024 introduced Budget Bill will be considered by the General Assembly during its regular session that convened on January 10, 2024.

The table on the following page summarizes the introduced 2024 Budget Bill (House Bill 30 / Senate Bill 30 introduced). (2024 Session)

**2024 Budget Bill**
**(House Bill 30 / Senate Bill 30 Introduced)**

| | FY 2025 | FY 2026 | Total |
|---|---|---|---|
| **GENERAL FUND** | | | |
| **Revenue** | | | |
| Unrestricted Beginning Balance | $2,353,758,575 | $0 | $2,353,758,575 |
| Additions to balance | (500,000) | (500,000) | (1,000,000) |
| Official revenue estimate | 28,121,386,852 | 29,646,902,918 | 57,768,289,770 |
| Transfers | 1,744,031,805 | 1,073,196,754 | 2,817,228,559 |
| Total general fund resources available for appropriation | $32,218,677,232 | $30,719,599,672 | $62,938,276,904 |
| **Appropriations** | | | |
| Legislative | $118,652,500 | $118,643,125 | $237,295,625 |
| Judicial | 582,028,077 | 589,625,986 | 1,171,654,063 |
| Executive | 30,504,583,927 | 29,870,403,799 | 60,374,987,726 |
| Independent Agencies | 32,203,555 | 74,203,555 | 106,407,110 |
| Sub-total operating expenses | $31,301,472,370 | $30,711,542,242 | $62,013,014,612 |
| Capital Outlay | 916,589,809 | 0 | 916,589,809 |
| Total appropriations | $32,218,062,179 | $30,711,542,242 | $62,929,604,421 |
| **NONGENERAL FUNDS** | | | |
| **Revenue** | | | |
| Balance June 30, 2023 | $12,189,205,926 | $0 | $12,189,205,926 |
| Official revenue estimate | 50,432,762,223 | 52,265,021,776 | 102,697,783,999 |
| Lottery Proceeds Fund | 852,926,201 | 852,926,201 | 1,705,852,402 |
| Internal Service Fund | 2,547,892,953 | 2,613,216,074 | 5,161,109,027 |
| Bond proceeds | 308,781,595 | 312,907,180 | 621,688,775 |
| Total nongeneral fund revenue available for appropriation | $66,331,568,898 | $56,044,071,231 | $122,375,640,129 |
| **Appropriations** | | | |
| Legislative | $5,305,295 | $5,305,295 | $10,610,590 |
| Judicial | 41,225,251 | 41,225,251 | 82,450,502 |
| Executive Department | 54,298,903,771 | 55,296,727,575 | 109,595,631,346 |
| Independent Agencies | 1,606,379,298 | 1,629,873,146 | 3,236,252,444 |
| Sub-total operating expenses | $55,951,813,615 | $56,973,131,267 | $112,924,944,882 |
| Capital Outlay | 931,254,785 | 287,200,000 | 1,218,454,785 |
| Total appropriations | $56,883,068,400 | $57,260,331,267 | $114,143,399,667 |

*Source: Department of Planning and Budget.*

## INDEBTEDNESS OF THE COMMONWEALTH

Section 9 of Article X of the Constitution of Virginia provides for the issuance of debt by or on behalf of the Commonwealth. Sections 9(a), (b) and (c) provide for the issuance of debt to which the Commonwealth's full faith and credit is pledged and Section 9(d) provides for the issuance of debt not secured by the full faith and credit of the Commonwealth, but which may be supported by and paid from Commonwealth tax collections subject to appropriations by the General Assembly. The Commonwealth may also enter into leases and contracts that are classified on its financial statements as long-term indebtedness. Certain authorities and institutions of the Commonwealth may also issue debt. This section discusses the provisions for and limitations on the issuance of general obligation debt and other types of debt of the Commonwealth and its authorities and institutions.

### Section 9(a) Debt

Section 9(a) of Article X provides that the General Assembly may contract general obligation debt: (1) to meet certain types of emergencies, (2) to meet casual deficits in the revenue or in anticipation of the collection of revenues of the Commonwealth and (3) to redeem a previous debt obligation of the Commonwealth. Total indebtedness issued pursuant to Section 9(a) (2) may not exceed 30 percent of an amount equal to 1.15 times the annual tax revenues derived from taxes on income and retail sales, as certified by the Auditor of Public Accounts, for the preceding fiscal year and any such indebtedness shall mature within twelve months from the date of its incurrence.

### Section 9(b) Debt

Section 9(b) of Article X provides that the General Assembly may authorize the creation of general obligation debt for capital projects. Such debt is required to be authorized by an affirmative vote of a majority of the members elected to each house of the General Assembly and approved in a statewide referendum. The outstanding amount of such debt is limited in the aggregate to an amount equal to 1.15 times the average annual tax revenues derived from taxes on income and retail sales, as certified by the Auditor of Public Accounts, for the three immediately preceding fiscal years (“the 9(b) Debt Limit”). Thus, the amount of such debt that can be issued is the 9(b) Debt Limit less the total amount of such debt outstanding ("Debt Margin"). There is an additional 9(b) debt restriction on the amount of such debt that the General Assembly may authorize in any year. The additional authorization restriction is limited to 25% of the 9(b) Debt Limit less any 9(b)-debt authorized in the current and prior three fiscal years.

The phrase "taxes on income and retail sales" is not defined in the Constitution or by statute. The record made in the process of adopting the Constitution, however, suggests an intention to include only income taxes payable by individuals, fiduciaries and corporations and the state sales and use tax.

### Section 9(c) Debt

Section 9(c) of Article X provides that the General Assembly may authorize the creation of general obligation debt for revenue producing capital projects for executive branch agencies and institutions of higher learning. Such debt is required to be authorized by an affirmative vote of two-thirds of the members elected to each house of the General Assembly and approved by the Governor. The Governor must certify before the enactment of the bond legislation and again before the issuance of the bonds that the net revenues pledged are expected to be sufficient to pay principal and interest on the bonds issued to finance the projects.

The outstanding amount of Section 9(c) debt is limited in the aggregate to an amount equal to 1.15 times the average annual tax revenues derived from taxes on income and retail sales, as certified by the Auditor of Public Accounts, for the three immediately preceding fiscal years (“the 9(c) Debt Limit”). While the debt limits under Sections 9(b) and 9(c) are each calculated as the same percentage of the same average tax revenues, these debt limits are separately computed and apply separately to each type of debt.

### Effect of Refunding Debt

In general, when the Commonwealth issues bonds to refund outstanding bonds issued pursuant to Section 9(b) or 9(c) of Article X of the Constitution, the refunded bonds are considered paid for purposes of the constitutional limitations upon debt incurrence, and the refunding bonds are counted in the computations of such limitations. Section 9(a) (3) provides that in the case of the refunding of debt incurred in accordance with Section 9(c) of Article X, the debt evidenced by the refunding bonds will be counted against the 9(c) Debt Limit unless the Governor does not provide the net revenue sufficiency certification, in which case the debt evidenced by the refunding bonds will be counted against the 9(b) Debt Limit.

**General Obligation Debt Limit and Debt Margin**

Using individual and fiduciary income, corporate income and the state sales and use tax revenues as the sources of "taxes on income and retail sales", as of June 30, 2023, the debt limits pursuant to Article X, Section 9 of the Constitution of Virginia are as follows:

**COMPUTATION OF LEGAL DEBT LIMIT AND DEBT MARGIN**
(in thousands)

| | Fiscal Year Ended June 30, 2023 | | |
|---|---|---|---|
| **Taxes** | **2021** | **2022** | **2023** |
| Individual and Fiduciary Income [1] | $17,304,476 | $19,361,618 | $20,032,168 |
| Corporation Income [2] | 1,515,692 | 1,978,697 | 2,031,120 |
| State Sales and Use [3] | 4,624,545 | 5,080,554 | 5,291,556 |
| Total | $23,444,713 | $26,420,869 | $27,354,844 |
| Average tax revenues for the three fiscal years | | | $25,740,142 |
| | | | |
| Section 9(a)(2) General Obligation Debt Issuance Limit and Margin [4]: | | | |
| Debt Issuance Limit: | | | |
| 30% of 1.15 times annual tax revenues for fiscal year 2023 | | | $9,437,421 |
| Less 9(a)(2) Bonds Outstanding: | | | 0 |
| Debt Issuance Margin for Section 9(a)(2) General Obligation Bonds | | | $9,437,421 |
| | | | |
| Section 9(b) General Obligation Debt Issuance Limit and Margin: | | | |
| Debt Issuance Limit: | | | |
| 1.15 times the average tax revenues for three fiscal years as calculated above | | | $29,601,163 |
| Less 9(b) Bonds Outstanding at June 30, 2023: | | | |
| Public Facilities Bonds [6] | | $173,122 | |
| Transportation Facilities Refunding Bonds [5][6] | | 0 | |
| Bond Anticipation Notes | | 0 | |
| Total 9(b) Bonds Outstanding at June 30, 2023 | | | 173,122 |
| Debt Issuance Margin for Section 9(b) General Obligation Bonds | | | $29,428,041 |
| | | | |
| Debt Authorization Limit: | | | |
| 25% of 1.15 times average tax revenues for three fiscal years as calculated above | | | $7,400,291 |
| Less 9(b) debt authorized during the three prior fiscal years | | | 0 |
| Maximum additional 9(b) debt that may be authorized by the General Assembly (subject to referendum): | | | 7,400,291 |
| | | | |
| Section 9(c) General Obligation Debt Issuance Limit and Margin: | | | |
| Debt Issuance Limit: | | | |
| 1.15 times the average tax revenues for three fiscal years as calculated above | | | $29,601,163 |
| Less 9(c) Bonds Outstanding at June 30, 2023: | | | |
| Parking Facilities [6] | | $4,646 | |
| Transportation Facilities [6] | | 0 | |
| Higher Educational Institutions [6] | | 940,849 | |
| Bond Anticipation Notes | | 0 | |
| Total 9(c) Bonds Outstanding at June 30, 2023 | | | 945,495 |
| Debt Issuance Margin for Section 9(c) General Obligation Bonds | | | $28,655,668 |

[1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the Code of Virginia.
[2] Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the Code of Virginia.
[3] Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the Code of Virginia, less taxes identified in Sections 58.1-605 and 58.1-638.
[4] Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the Constitution of Virginia.
[5] These bonds refunded certain Section 9(c) debt and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.
[6] Net of unamortized discounts and premiums.

Sources: Department of Accounts and Department of the Treasury.

**Tax-Supported Debt–General Obligation**

Tax-supported debt of the Commonwealth includes both general obligation debt and debt of agencies, institutions, boards and authorities for which debt service is expected to be made in whole or in part from appropriations of tax revenues.

Outstanding Section 9(b) debt as of June 30, 2023, includes the unamortized portion of $173.1 million of general obligation bonds. In November 1992, $613.0 million in general obligation bonds were authorized and approved by the voters. In November 2002, $1.0 billion in general obligation bonds were authorized and approved by the voters. Various series of refunding bonds were issued to refund certain series of bonds. Outstanding Section 9(c) debt as of June 30, 2023, includes various series of Higher Educational Institutions Bonds (including refunding bonds) issued from 2010 to 2022, and two series of Parking Facilities Bonds (including refunding bonds) issued in 2012 and 2016. Outstanding general obligation debt does not include 9(b) and 9(c) advance refunded bonds for which funds have been deposited in irrevocable escrow accounts in amounts sufficient to meet all required future debt service.

State statutes limit the amount of debt the Commonwealth may issue for each specific type of general obligation debt. As of June 30, 2023, these statutory limits significantly exceed the Commonwealth's outstanding general obligation debt.

**Other Tax-Supported Debt**

Section 9(d) of Article X provides that the restrictions of Section 9 are not applicable to any obligation incurred by the Commonwealth or any of its institutions, agencies or authorities if the full faith and credit of the Commonwealth is not pledged or committed to the payment of such obligation.

There are currently outstanding various types of 9(d) revenue bonds issued by authorities, political subdivisions and agencies to which the Commonwealth's full faith and credit is not pledged. Certain of these bonds, however, are paid in part or in whole from revenues received as appropriations by the General Assembly from general tax revenues, while others are paid solely from revenues derived from enterprises related to the operation of the financed capital projects or other non-General Fund revenues.

The debt repayments of the Virginia Public Building Authority, the Virginia College Building Authority 21st Century College and Equipment Programs, the Virginia Biotechnology Research Partnership Authority and several other long-term capital leases or notes have been supported all or in large part by General Fund appropriations.

The Commonwealth Transportation Board ("CTB") has issued various series of bonds authorized under the State Revenue Bond Act. These bonds are secured by and payable from funds appropriated by the General Assembly from the Transportation Trust Fund. The Transportation Trust Fund was established by the General Assembly in 1986 as a special non-reverting fund administered and allocated by the Transportation Board for the purpose of increased funding for construction, capital and other needs of state highways, airports, mass transportation and ports. As of June 30, 2023, $2.8 billion in CTB Tax-Supported bonds were outstanding. In 2007, the CTB was authorized by the General Assembly to issue up to $3.0 billion in Capital Projects Revenue Bonds, with an additional $180 million authorized in 2008 and an additional $150 million authorized in 2018 for a total authorization of $3.33 billion. In addition, in 2013, the CTB was authorized to issue up to $595.7 million in Transportation Revenue Bonds for the U.S. Route 58 Corridor Development Program, which the CTB began utilizing in 2022.

The Virginia Port Authority ("VPA") issues bonds secured by its share of the Transportation Trust Fund. As of June 30, 2023, $368.9 million of Commonwealth Port Fund ("CPF") Revenue Bonds were outstanding and there was no authorized but unissued CPF debt.

**Leases and Contracts**

***Long-Term Liabilities***. The Commonwealth is involved in numerous agreements to lease buildings, energy efficiency projects and equipment. For a detailed description, see "Notes to the Financial Statements" included in the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023. These lease agreements are for various terms, and each lease contains a non-appropriation clause indicating that continuation of the lease is subject to funding by the General Assembly. The Commonwealth implemented GASB Statement No. 87, Leases, in fiscal year 2022. This resulted in dramatic changes in categorizing leases and lease liability reporting. As a result of the changes the principal balance of all tax-supported Long-Term Liabilities outstanding as of June 30, 2023, was $604.1 million.

***SBITAs.*** The Commonwealth implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), for the fiscal year ended June 30, 2023. The Commonwealth has entered into contractual agreements with various vendors that convey control of the right-to-use another entity's IT asset, alone, or in conjunction with a tangible capital asset in an exchange or exchange-like transaction under GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The Commonwealth has a variety of variable payment clauses within its SBITAs, including variable payments based on future performance, usage of the underlying asset, number of software licenses, or hours of access necessary. Such amounts are recognized as an expense in the period in which the obligation for those payments is incurred. The principal balance of tax- supported SBITAs outstanding was $183.5 million as of June 30, 2023.

***Installment Purchases***. The Commonwealth also finances the acquisition of certain personal property and equipment through installment purchase agreements. The length of the agreements and the interest rates charged vary. In most cases, the agreements are collateralized by the personal property and equipment acquired. Installment purchase agreements contain non-appropriation clauses indicating that continuation of the installment purchase is subject to funding by the General Assembly. The principal balance of tax-supported installment purchase obligations outstanding was $313.8 million as of June 30, 2023.

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## Outstanding Tax-Supported Debt

The following table and chart summarize for the past five fiscal years the outstanding indebtedness of the Commonwealth, its agencies, institutions and authorities for which appropriated tax revenues are required to pay debt service. In certain instances, debt service may be paid with or payable from other non-tax sources (e.g., toll revenues, port revenues and user fees), but the underlying security remains the appropriation of tax revenues by the Commonwealth.

### OUTSTANDING TAX-SUPPORTED DEBT

(in thousands)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **General Obligation Debt: [1]** | | | | | |
| Section 9(a) | - | - | - | - | - |
| Section 9(b) [2] | $ 401,873 | $ 330,934 | $ 278,221 | $ 225,600 | $ 173,122 |
| Section 9(c) [2] | | | | | |
| Higher Educational Institutions | 893,106 | 886,837 | 955,729 | 912,817 | 940,849 |
| Transportation Facilities | 6,061 | 3,083 | - | - | - |
| Parking Facilities | 8,567 | 7,583 | $6,640 | $5,664 | $4,646 |
| Sub-Total 9(c) [2] | $ 907,734 | $ 897,503 | $ 962,369 | $ 918,481 | $ 945,495 |
| Total General Obligation Debt [2] | $ 1,309,607 | $ 1,228,437 | $ 1,240,590 | $ 1,144,081 | $ 1,118,617 |
| **Section 9(d) Debt:** | | | | | |
| Transportation [2] | $ 2,966,581 | $ 2,813,942 | $ 2,661,007 | $ 2,737,497 | $ 2,802,412 |
| Virginia Public Building Authority [2] | 2,863,660 | 3,028,198 | 3,472,631 | 3,780,877 | 3,519,630 |
| Virginia Port Authority [2] | 234,114 | 223,708 | 222,831 | 210,246 | 368,903 |
| Virginia College Building Authority 21st Century/Equipment [2] | 4,566,772 | 4,384,599 | 5,101,393 | 5,389,998 | 5,636,772 |
| Virginia Biotechnology Research Partnership Authority [2] | 14,220 | | 4,903 | - | - |
| Virginia Aviation Board | - | - | - | - | - |
| Fairfax County Economic Development Authority | 23,366 | 15,624 | 7,542 | - | - |
| Total Section 9(d) Debt | $ 10,668,713 | $ 10,466,071 | $ 11,470,307 | $ 12,118,618 | $ 12,327,717 |
| **Other Long-Term Obligations:** | | | | | |
| Capital Leases (2) (4) | $ 38,392 | $ 35,318 | $ 42,290 | | |
| Long Term Lease Obligations (2) (4) | | | | 555,071 | 604,124 |
| Long-Term Subscription Based Information Technology Arrangements (5) | | | | | 183,467 |
| Installment Purchase Obligations (3) | 170,190 | 216,159 | 224,013 | 339,548 | 313,824 |
| Compensated Absences | 666,786 | 687,473 | 737,166 | 713,185 | 790,099 |
| Pension Liability | 6,254,910 | 7,294,376 | 8,348,881 | 4,369,154 | 5,466,431 |
| Total OPEB Liability | 985,589 | 665,099 | 556,946 | 439,039 | 354,843 |
| Net OPEB Liability | 1,581,374 | 1,644,462 | 1,693,093 | 1,474,595 | 1,422,284 |
| Other Liabilities and Notes Payable | 40,752 | 38,738 | 41,270 | 37,096 | 31,274 |
| Total Other Long-Term Obligations | $ 9,737,993 | $ 10,581,625 | $ 11,643,659 | $ 7,927,688 | $ 9,166,346 |
| Total Tax-Supported Debt | $ 21,716,313 | $ 22,276,133 | $ 24,354,556 | $ 21,190,387 | $ 22,612,680 |

(1) The general obligation debt is the only debt or long-term obligation that is backed by the full faith and credit of the Commonwealth.

(2) All amounts are net of unamortized discounts and premiums.

(3) As discussed in Note 28, certain balances above contain Direct Borrowings and Direct Placements.

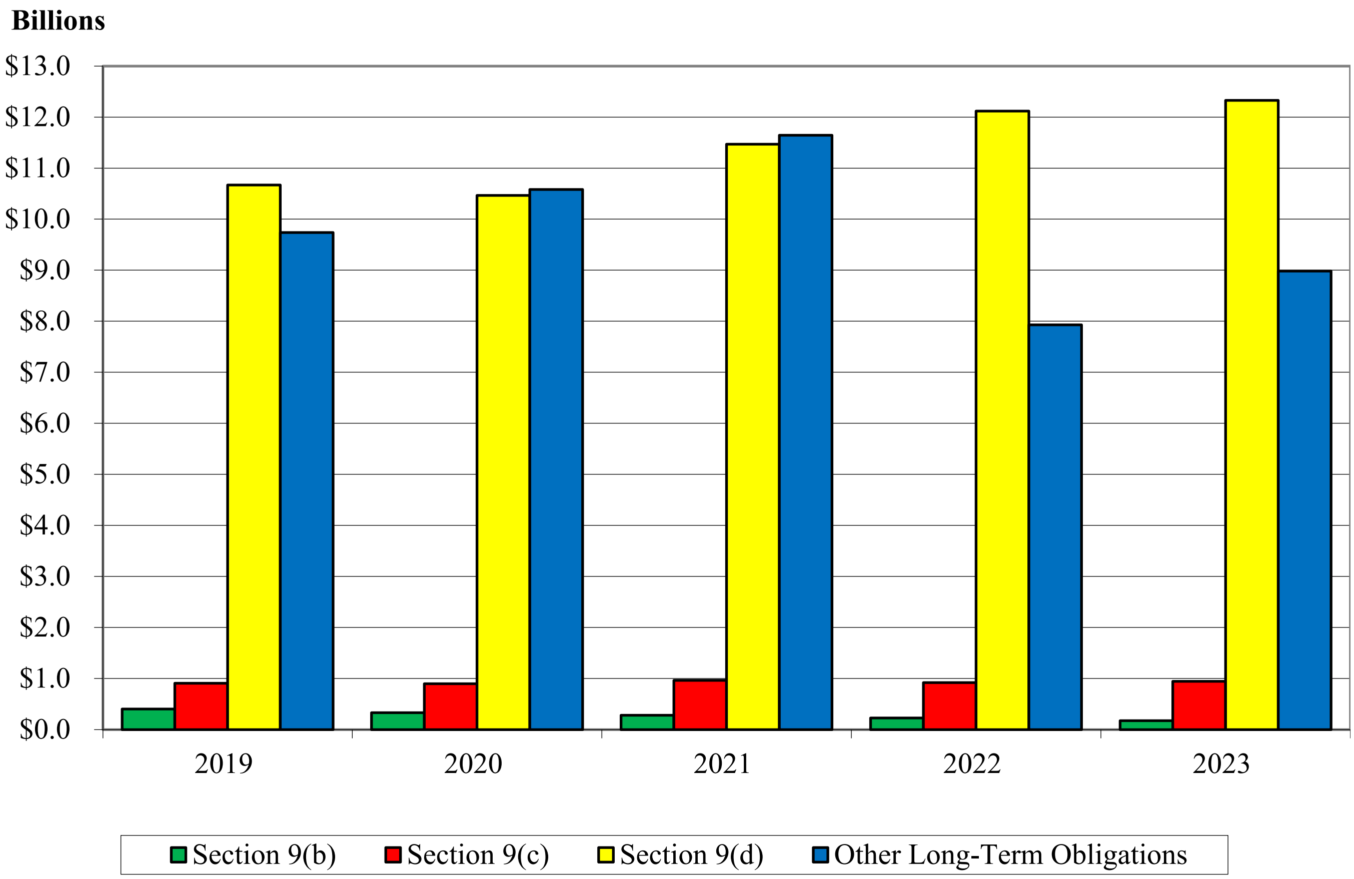
(4) GASB Statement No. 87, *Leases*, was effective starting with fiscal year 2022. This statement changed the lease liability classifications.

(5) GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was effective starting with fiscal year 2023.

Source: Department of the Treasury; Department of Accounts.

**Outstanding Tax-Supported Debt**

(in thousands)

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## Outstanding Tax-Supported Debt Service

The following table summarizes annual debt service on outstanding tax-supported debt as of June 30, 2023. The table does not include debt service requirements for long-term lease liabilities, installment purchase obligations and subscription-based information technology arrangements payable from the General Fund of the Commonwealth.

**ANNUAL DEBT SERVICE REQUIREMENTS**

**Tax-Supported Debt Outstanding at June 30, 2023**

**($ in thousands)**

| Fiscal Year | General Obligation Debt Sections 9(a), 9(b) and 9 (c ) [1] | | | Other Tax-Supported Debt Section 9(d) [1] [2] | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| Ending June 30 | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2024 | $ 116,220 | $ 38,283 | $ 154,503 | $ 763,150 | $ 454,783 | $ 1,217,933 | $ 879,370 | $ 493,066 | $ 1,372,436 |
| 2025 | 110,550 | 33,530 | 144,080 | 749,164 | 440,370 | 1,189,534 | 859,714 | 473,900 | 1,333,614 |
| 2026 | 106,555 | 29,166 | 135,721 | 749,739 | 405,514 | 1,155,253 | 856,294 | 434,680 | 1,290,974 |
| 2027 | 97,940 | 24,795 | 122,735 | 735,796 | 371,464 | 1,107,260 | 833,736 | 396,259 | 1,229,995 |
| 2028 | 83,725 | 20,692 | 104,417 | 722,855 | 338,338 | 1,061,193 | 806,580 | 359,030 | 1,165,610 |
| 2029 | 71,105 | 17,579 | 88,684 | 713,195 | 304,576 | 1,017,771 | 784,300 | 322,155 | 1,106,455 |
| 2030 | 64,065 | 14,911 | 78,976 | 690,190 | 271,501 | 961,691 | 754,255 | 286,412 | 1,040,667 |
| 2031 | 60,245 | 12,691 | 72,936 | 648,120 | 239,112 | 887,232 | 708,365 | 251,803 | 960,168 |
| 2032 | 51,035 | 10,701 | 61,736 | 631,145 | 210,689 | 841,834 | 682,180 | 221,390 | 903,570 |
| 2033 | 51,110 | 9,048 | 60,158 | 595,605 | 183,911 | 779,516 | 646,715 | 192,959 | 839,674 |
| 2034 | 45,855 | 7,395 | 53,250 | 594,995 | 158,138 | 753,133 | 640,850 | 165,533 | 806,383 |
| 2035 | 39,530 | 5,987 | 45,517 | 566,225 | 134,049 | 700,274 | 605,755 | 140,036 | 745,791 |
| 2036 | 32,030 | 4,770 | 36,800 | 505,430 | 111,047 | 616,477 | 537,460 | 115,817 | 653,277 |
| 2037 | 24,170 | 3,804 | 27,974 | 446,975 | 91,355 | 538,330 | 471,145 | 95,159 | 566,304 |
| 2038 | 21,440 | 3,058 | 24,498 | 361,235 | 73,720 | 434,955 | 382,675 | 76,778 | 459,453 |
| 2039 | 18,160 | 2,348 | 20,508 | 375,575 | 59,378 | 434,953 | 393,735 | 61,726 | 455,461 |
| 2040 | 16,565 | 1,809 | 18,374 | 317,685 | 44,924 | 362,609 | 334,250 | 46,733 | 380,983 |
| 2041 | 8,020 | 1,307 | 9,327 | 283,440 | 32,866 | 316,306 | 291,460 | 34,173 | 325,633 |
| 2042 | 6,340 | 1,001 | 7,341 | 221,975 | 22,265 | 244,240 | 228,315 | 23,266 | 251,581 |
| 2043 | 1,230 | 723 | 1,953 | 132,735 | 13,674 | 146,409 | 133,965 | 14,397 | 148,362 |
| 2044 | 1,285 | 670 | 1,955 | 38,240 | 8,959 | 47,199 | 39,525 | 9,629 | 49,154 |
| 2045 | 1,340 | 612 | 1,952 | 39,850 | 7,311 | 47,161 | 41,190 | 7,923 | 49,113 |
| 2046 | 1,400 | 551 | 1,951 | 41,575 | 5,571 | 47,146 | 42,975 | 6,122 | 49,097 |
| 2047 | 1,465 | 488 | 1,953 | 37,945 | 3,753 | 41,698 | 39,410 | 4,241 | 43,651 |
| 2048 | 1,530 | 423 | 1,953 | 31,855 | 2,003 | 33,858 | 33,385 | 2,426 | 35,811 |
| 2049 | 1,605 | 346 | 1,951 | 18,515 | 486 | 19,001 | 20,120 | 832 | 20,952 |
| 2050 | 1,685 | 266 | 1,951 | | | | 1,685 | 266 | 1,951 |
| 2051 | 1,770 | 182 | 1,952 | | | | 1,770 | 182 | 1,952 |
| 2052 | 1,860 | 93 | 1,953 | | | | 1,860 | 93 | 1,953 |
| Subtotal | 1,039,830 | 247,229 | 1,287,059 | 11,013,209 | 3,989,757 | 15,002,966 | 12,053,039 | 4,236,986 | 16,290,025 |
| Add Accretion on CAB's | 0 | 0 | 0 | 18,668 | 0 | 18,668 | 18,668 | 0 | 18,668 |
| Add Unamortized Premium | 78,787 | 0 | 78,787 | 1,295,897 | 0 | 1,295,897 | 1,374,684 | 0 | 1,374,684 |
| Less Unamortized Discount | 0 | 0 | 0 | (57) | 0 | (57) | (57) | 0 | (57) |
| TOTAL | $ 1,118,617 | $ 247,229 | $ 1,365,846 | $ 12,327,717 | $ 3,989,757 | $ 16,317,474 | $ 13,446,334 | $ 4,236,986 | $ 17,683,320 |

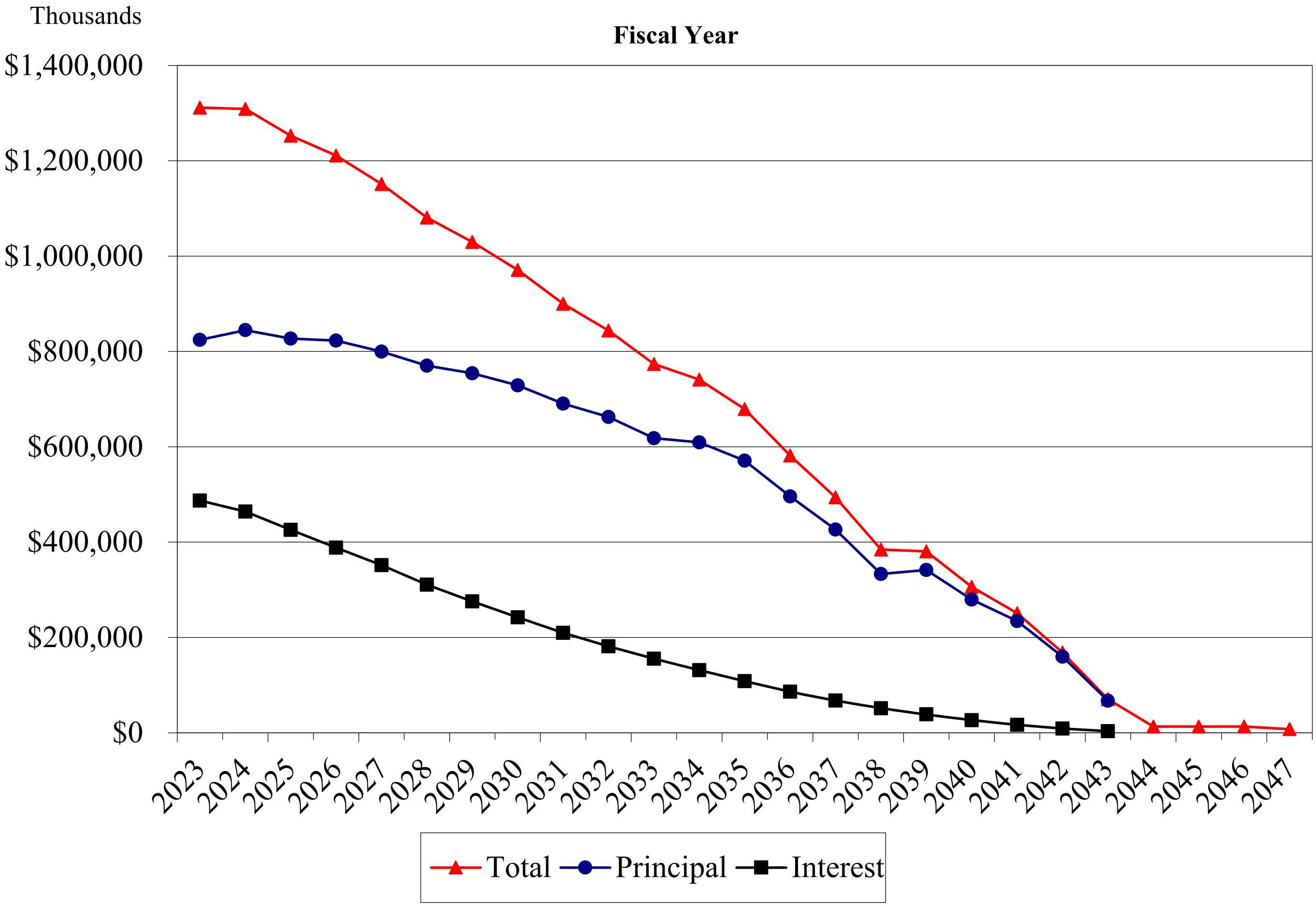
[1] Does not include long-term leases, installment purchase obligations, regional jail reimbursements under the original treasury board program, compensated absences, pension liability, OPEB liability, pollution rememdiation liability and other liabilities.

[2] Includes principal amount of $6,322,042 (dollars in thousands) for the primary government, net of acretion on capital appreciation and unamortized premiums and discounts.
Source: Department of the Treasury.

**ANNUAL DEBT SERVICE REQUIREMENTS TAX-SUPPORTED**

**DEBT OUTSTANDING AT JUNE 30, 2023**

**(in thousands)**




*Source: Department of Treasury.*

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## RATIOS OF OUTSTANDING TAX-SUPPORTED DEBT
## TO POPULATION AND PERSONAL INCOME AT JUNE 30, 2023

| Fiscal Year | Population | Personal Income * | Outstanding Debt | Tax-Supported Debt/Capita | Debt/Income (%) |
|---|---|---|---|---|---|
| 2015 | 8,389,864 | $ 433,084,780 | $ 19,750,033 | $ 2,354 | 4.6 |
| 2016 | 8,444,688 | 444,688,825 | 20,877,208 | 2,472 | 4.7 |
| 2017 | 8,502,578 | 462,370,192 | 21,400,790 | 2,517 | 4.6 |
| 2018 | 8,547,016 | 479,769,649 | 21,879,456 | 2,560 | 4.6 |
| 2019 | 8,597,339 | 501,809,483 | 21,716,313 | 2,526 | 4.3 |
| 2020 | 8,636,471 | 530,918,418 | 22,285,802 | 2,580 | 4.2 |
| 2021 | 8,657,365 | 578,640,962 | 24,354,556 | 2,813 | 4.2 |
| 2022 | 8,683,619 | 599,039,457 | 21,190,387 | 2,440 | 3.5 |
| 2023* | 8,715,698 | 601,252,426 | 22,612,680 | 2,594 | 3.8 |

Bureau of Economic Analysis SA1-3 Personal Income Summary, 2015-2022 revised population estimates as of September 2023.
BEA State Personal Income for 2015-2022 updated as September 2023, SAINC1 Personal Income by Major Source and Earnings by NAICS Industry. BEA State Personal Income updated as of 2023

Source: Population Division, US Census, Data Release Date: September, 2023
* Personal Income estimated by calculating population by per capita income. 2023 using 2022 per capita figure.

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**Authorized and Unissued Tax-Supported Debt**

As of June 30, 2023, the following tax-supported debt had been authorized by the General Assembly and remained unissued:

**Authorized and Unissued Tax-Supported Debt**
**as of June 30, 2023**
**(i**n thousands)

| | As of June 30, 2023 |
|---|---|
| **Section 9(b) Debt (Primary Government):** | |
| Higher Educational Institution Bonds | $ - |
| Park and Recreational Facilities | - |
| Subtotal Section 9(b) Debt | - |
| **Section 9(c) Debt (Primary Government):** | |
| Higher Educational Institution Bonds | 618,175 |
| Parking Facilities Bonds | 226 |
| Subtotal Section 9(c) Debt | 618,401 |
| **Section 9(d) Debt:** | |
| **Primary Government:** | |
| Transportation Contract Revenue Bonds (Northern Virginia Transportation District Fund Program) | 24,700 |
| U.S. Route 58 Corridor Development Program | 226,400 |
| Transportation Capital Projects Revenue Bonds | 146,634 |
| **Component Units:** | |
| Virginia Public Building Authority (Projects) | 1,345,158 |
| Virginia Public Building Authority (Jails) | 58,539 |
| Virginia College Building Authority (21st Century) | 1,010,009 |
| Virginia College Building Authority (Equipment Program) | 91,650 |
| Virginia Port Authority | - |
| Subtotal Section 9(d) Debt | 2,903,090 |
| **Total Authorized and Unissued Tax-Supported Debt** | $ 3,521,491 |

*Source: Department of Accounts and Department of Treasury.*

## Moral Obligation Debt

The Virginia Housing Development Authority, the Virginia Resources Authority and the Virginia Public School Authority are authorized to issue bonds secured in part by a moral obligation pledge of the Commonwealth. All three are designed to be self-supporting from their individual loan programs. The Commonwealth may fund deficiencies that may occur in debt service reserves for moral obligation debt. By the terms of the applicable statutes, the Governor is obligated to include in his annual budget submitted to the General Assembly the amount necessary to restore any such reported deficiency, but the General Assembly is not legally required to make any appropriation for such purpose. Neither the Virginia Housing Development Authority nor the Virginia Public School Authority have bonds outstanding that are secured by the moral obligation pledge. To date, the Virginia Resources Authority has not reported to the Commonwealth that any such reserve deficiencies exist. The table below summarizes the Commonwealth's outstanding moral obligation indebtedness for the past five fiscal years.

**OUTSTANDING MORAL OBLIGATION DEBT**
(in thousands)

| | Fiscal Year Ended June 30, 2023 | | | | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** | **2023** |
| Virginia Resources Authority [1] | $926,540 | $933,279 | $914,377 | $929,911 | $906,848 |
| Total | $926,540 | $933,279 | $914,377 | $929,911 | $906,848 |

[1] Net of unamortized discounts and premiums costs.

*Source: Virginia Resource Authority*

## Other Commonwealth Related Debt

There are several authorities and institutions of the Commonwealth that issue debt for which debt service is not paid through appropriations of state tax revenues and for which there is no moral obligation pledge to consider funding debt service or reserve fund deficiencies. A portion of the debt shown is additionally secured by a biennial contingent appropriation in the event available funds are less than the amount required to pay debt service. The following table summarizes for the past five fiscal years outstanding indebtedness of authorities and institutions whose debt falls into these categories.

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## OUTSTANDING OTHER DEBT COMMONWEALTH RELATED ENTITIES
(in thousands)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Institutions of Higher Education | $2,884,656 | $3,240,479 | $4,106,374 | $4,449,563 | $4,425,416 |
| Virginia College Building Authority Public Higher Education Financing Program | 1,674,580 | 1,522,505 | 1,442,450 | 1,403,940 | |
| Virginia College Building Authority Private College Program | 697,525 | 563,777 | 525,865 | 532,025 | |
| Virginia Housing Development Authority | 3,042,060 | 3,997,125 | 4,358,584 | 4,679,799 | 4,763,715 |
| Virginia Public School Authority | 3,554,603 | 3,563,368 | 3,604,298 | 3,993,860 | 4,048,594 |
| Virginia Port Authority | 285,782 | 279,396 | 272,815 | 266,025 | 259,020 |
| Commonwealth Transportation Board | | | | | |
| Grant Anticipation Notes (GARVEES) | 1,151,850 | 1,059,387 | 1,086,897 | 979,791 | 873,808 |
| I-81 Revenue Bonds | | | | 102,401 | 100,882 |
| Hampton Roads Sanitation District | 891,629 | 835,479 | 835,006 | 868,472 | 979,742 |
| Total | $14,182,685 | $15,061,516 | $16,232,289 | $17,275,876 | $15,451,177 |

Note: Net of unamortized discounts and premium

Source: Department of the Treasury.

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**Commonwealth Debt Management**

*Debt Capacity Advisory Committee*

The Debt Capacity Advisory Committee (the "Committee") is charged by statute with annually estimating the amount of tax-supported debt of the Commonwealth that may prudently be authorized for the next biennium, consistent with the financial goals, capital needs and policies of the Commonwealth. Such estimate is provided to the Governor and General Assembly. The Committee is also required to review annually the amount and condition of bonds, notes and other security obligations of the Commonwealth's agencies, institutions, boards and authorities that are either secured by a moral obligation pledge to replenish reserve fund deficiencies or for which the Commonwealth has a contingent or limited liability. The Committee provides its recommendations on the prudent use of such obligations to the Governor and the General Assembly.

The Committee also reviews the amounts and condition of bonds, notes and other security obligations of the Commonwealth's agencies, institutions, boards and authorities that are neither tax-supported debt nor obligations secured by a moral obligation pledge to replenish reserve fund deficiencies. The Committee may recommend limits, when appropriate, on these other obligations. The Committee's latest report can be found at http://www.trs.virginia.gov/debt/dcac.aspx.

*Capital Outlay Plan*

The Department of Planning and Budget regularly prepares a Six-Year Capital Outlay Plan (the "Plan") for the Commonwealth. The Plan lists proposed capital projects, and it recommends how the proposed projects should be financed. More specifically, the Plan distinguishes between immediate demands and longer-term needs, assesses the state's ability to meet its highest priority needs, and outlines an approach for addressing priorities in terms of costs, benefits and financing mechanisms. The General Assembly has set out requirements for the funding of capital projects at a level not less than two percent of the General Fund revenues for the biennium, and the portion of that amount that may be recommended for bonded indebtedness.

## RETIREMENT PLANS

The Commonwealth contributes to four pension plans each of which is administered by the Virginia Retirement System ("System"). The System acts as a common investment and administrative agent for the Commonwealth, local school boards and political subdivisions in Virginia. The plans administered by the System consist of the Virginia Retirement System ("VRS"), the State Police Officers Retirement System ("SPORS"), the Virginia Law Officers' Retirement System ("VaLORS") and the Judicial Retirement System ("JRS"). Membership in the VRS consists of Commonwealth employees, public school teachers and employees of political subdivisions that have voluntarily joined the system. Membership in SPORS consists of Commonwealth state police officers. Membership in VaLORS consists of law enforcement and corrections officers of the Commonwealth other than state police officers, and membership in JRS consists of judges in the Commonwealth's Circuit Courts, General District Courts, Court of Appeals and Supreme Court. Membership in the applicable retirement plans is mandatory for all eligible employees. VRS is the largest of four systems covering 346,617 active Commonwealth employees, school teachers and covered employees of local governments as of June 30, 2023, as compared with 9,898 active members of SPORS, VaLORS, and JRS combined. In addition, the four plans combined had approximately 210,301 inactive/deferred members who are no longer contributing but have not withdrawn previous contributions and may be eligible for a retirement benefit in the future.

### ACTIVE MEMBER DISTRIBUTION OF RETIREMENT PLANS

**Fiscal Year Ended June 30, 2023**

| | 2022 | 2023 |
|---|---|---|
| State Employees (VRS)…………………….... | 76,156 | 79,064 |
| Teachers (VRS)…………………………….... | 153,204 | 152,954 |
| Employees of Political Subdivisions (VRS)... | 110,675 | 114,599 |
| State Police Officers (SPORS)……………... | 1,875 | 1,917 |
| Virginia Law Officers (VaLORS)…………. | 7,342 | 7,524 |
| Judges (JRS)……………………………….... | 459 | 457 |
| Total | 349,711 | 356,515 |

*Source: Virginia Retirement System.*

The System's Board of Trustees administers all four plans pursuant to statute. Each plan provides retirement, disability and death benefits. In addition, most members of all four plans are covered by group term life insurance.

The General Assembly established a new retirement plan (Hybrid Retirement Plan) for all new members hired on or after January 1, 2014, who are not in SPORS, VaLORS or VRS as a hazardous duty employee of a political subdivision. All new members hired on or after July 1, 2010, and before January 1, 2014, are in Plan 2. Vested members on January 1, 2013, with service before July 1, 2010, are in Plan 1. Non-vested members on January 1, 2013, with service before July 1, 2010, are in Plan 2. The different provisions for the retirement plans are set forth in the following table:

**Retirement Benefit Plan Provisions**

AS ESTABLISHED BY TITLE 51.1 OF THE *CODE OF VIRGINIA* (1950), AS AMENDED

All full-time, salaried permanent (professional) employees of state agencies, public school divisions and employees of participating employers are automatically covered by a pension plan upon employment. Members qualify for retirement when they become vested and meet the age and service requirements for their plan, as shown in the following table.

The System administers three different benefit structures for government employees: Plan 1, Plan 2 and the Hybrid Retirement Plan. Each of these is called a plan in statute and each has different provisions with a specific eligibility and benefit structure. These different benefit structures are set out in the following table:

| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
|---|---|---|
| **About Plan 1**<br>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. | **About Plan 2**<br>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. | **About the Hybrid Retirement Plan**<br>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.<br>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.<br>• The benefit from the defined contribution component of the plan depends on the member and employer.<br>• Contributions made to the plan and the investment performance of those contributions.<br>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses and any required fees. |
| **Eligible Members**<br>Members are covered under Plan 1 if their membership date is prior to July 1, 2010, they were vested before January 1, 2013 and they have not taken a refund.<br><br>**Hybrid Opt-In Election**<br>VRS non-hazardous duty-covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.<br><br>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. | **Eligible Members**<br>Members are eligible for Plan 2 if their membership date is from Jul 1, 2010, to December 31, 2013, and they have not taken a refund. Additionally, members are covered under Plan 2 if they have a membership date prior to July 1, 2010, but were not vested before January 1, 2013.<br><br>Members covered under VaLORS, SPORS or VRS with enhanced hazardous duty benefits or the hazardous duty alternate option, and whose membership dates are on or after July 1, 2010, are in Plan 2 even if their membership dates are after December 31, 2013. | **Eligible Members**<br>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:<br>• State employees<br>• School division employees<br>• Political subdivision employees<br>• Judges appointed or elected to an original term on or after January 1, 2014, regardless of if vested to VRS Plan 1 or VRS Plan 2.<br>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. |

| | | |
|---|---|---|
| If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.<br><br>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan1 or ORP. | **Hybrid Opt-In Election**<br>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.<br><br>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP. | **Non-Eligible Members**<br>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:<br>• Members of the State Police Officers' Retirement System (SPORS)<br>• Members of the Virginia Law Officers' Retirement System (VaLORS)<br>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees<br><br>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP. |
| **Retirement Contributions**<br>State employees, excluding state elected officials, judges in Plan 1 or Plan 2 and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.<br><br>Member contributions are tax- deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment. | **Retirement Contributions**<br>Same as Plan 1. | **Retirement Contributions**<br>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer.<br><br>Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages. Mandatory member contributions and the employer match on the mandatory and voluntary member contributions are recorded in a 401(a) account, along with the accrued net investment income. The voluntary member contributions and accrued net investment income are recorded in a 457(b) account. Members are responsible for investing their accounts using the various investment options that are available. |
| **Service Credit**<br>Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine eligibility for retirement and to calculate the retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. | **Service Credit**<br>Same as Plan 1. | **Service Credit**<br>*Defined Benefit Component*: Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine eligibility for retirement and to calculate the retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.<br><br>*Defined Contribution Component:*<br>Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan. |

| | | |
|---|---|---|
| **Vesting**<br>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make. | **Vesting**<br>Same as Plan 1. | **Vesting**<br>*Defined Benefit Component:*<br>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.<br><br>*Defined Contribution Component:*<br>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.<br>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.<br>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.<br>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. |
| **Calculating the Benefit**<br>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.<br><br>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit. | **Calculating the Benefit**<br>See definition under Plan 1. | **Calculating the Benefit**<br>*Defined Benefit Component:* See definition under Plan 1.<br><br>*Defined Contribution Component:*<br>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. |
| **Average Final Compensation**<br>A member's average final compensation is the average of the 36 consecutive months of highest creditable compensation as a covered employee. | **Average Final Compensation**<br>A member's average final compensation is the average of the 60 consecutive months of highest creditable compensation as a covered employee. | **Average Final Compensation**<br>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |

The latest valuations of the pension plans were performed by Gabriel, Roeder, Smith & Company under the provisions of the new Government Accounting Standards Board (GASB) Statement No. 67 using June 30, 2022 data, rolled forward to June 30, 2023. The plan fiduciary net position as a percentage of the total pension liability was 82.19% for the VRS state plan, 85.45% for the VRS teacher plan, 91.93% for the aggregate total of the VRS political subdivision plans, 73.81% for SPORS, 74.91% for VaLORS and 88.29% for JRS. The calculations reflect an assumed rate of return on investments of 6.75%. For further discussion of the funding of the pension programs, see "Retirement and Pension Systems" in the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.

*Investments Allocations and Returns*. The target asset allocation is set by the Board of Trustees, with no legal limit imposed by the General Assembly. The actual allocation takes into account that private market investments are made gradually in order to prudently reach the target level over multiple years. Amounts not yet invested in private markets are currently allocated to public equity and fixed income.

**Asset Allocation for FY 2023**

| | **Actual allocation as of 06/30/2023** | **Target allocation range** |
|---|---|---|
| Public Equity | 33.0% | 32% - 42% |
| Credit Strategies | 13.6% | 9 %- 19% |
| Fixed Income | 12.8% | 13% - 21% |
| Real Assets | 13.5% | 9% - 19% |
| Private Equity | 18.2% | 8% - 18% |
| EMP – Exposure Management Portfolio | 0.9% | 0%-5% |
| MAPS – Multi-Asset Public Strategies | 3.5% | 2% - 4% |
| PIP – Private Investment Partnership | 2.6% | 1% - 4% |
| Cash | 1.9% | 0%-5% |
| Total | 100.0% | |

*Source: Virginia Retirement System.*

As of June 30, 2023, the rates of return (on an unaudited basis, expressed in percentages and net of fees) on the System's investments are as follows:

| | **1 Yr.** | **3 Yr.** | **5 Yr.** | **10 Yr.** |
|---|---|---|---|---|
| Total VRS Fund | 6.1% | 10.88 | 8.0% | 8.2. |

*Source: Virginia Retirement System.*

The System's rate of return on investments during the fiscal year ended June 30, 2023, was 6.1% compared to a return of 0.6% for the fiscal year ending June 30, 2022. The increase was due primarily to the performance of the public and private equity fixed income investments in the portfolio as a result of The Federal Reserve raising interest rates by 3.5% during the fiscal year.

## SCHEDULE OF EMPLOYERS' NET PENSION LIABILITY BY SYSTEM AND PLAN

AS OF JUNE 30, 2023

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Employers' Net Pension Liability/ (Asset) (a-b) | Plan Fiduciary Net Position as a % of the Total Pension Liability (b/a) | Covered Payroll ( c ) | (EXPRESSED IN THOUSANDS) New Pension Liability/(Asset) as a % of the Covered Payroll (a-b)/( c ) |
|---|---|---|---|---|---|---|
| **Virginia Retirement System:** | | | | | | |
| State | $ 28,411,528 | $ 23,351,827 | $ 5,059,701 | 82.19% | $ 5,069,435 | 99.81% |
| Teacher | 57,574,609 | 47,467,405 | 10,107,204 | 82.45% | 9,970,623 | 101.37% |
| Political Subdivisions* | 29,704,278 | 27,308,038 | 2,396,240 | 91.93% | 6,337,774 | 37.81% |
| **Total Virginia Retirement System** | **$ 115,690,415** | **$ 98,127,270** | **$ 17,563,145** | | **$ 21,377,832** | |
| State Police Officers' Retirement System | 1,462,948 | 1,079,755 | 383,193 | | 156707 | |
| Virginia Law Officers' Retirement System | 2,577,980 | 1,931,061 | 646,919 | 74.91% | 369,142 | 175.25% |
| Judicial Retirement System | 767,857 | 677,958 | 89,899 | 88.29% | 84,059 | 106.95% |
| **Grand Total** | **$ 120,499,200** | **$ 101,816,044** | **$ 18,683,156** | | **$ 21,987,740** | |

*Political subdivision data is from the consolidated report provided by Gabriel, Roeder, Smith & Compnay

In addition to the defined benefit programs described above, the Commonwealth also makes contributions to a defined contribution retirement plan for political appointees. Contributions for this plan are based on 12.3% of each appointee's salary. At June 30, 2023, this plan had 479 accounts and total assets of approximately $26,362,344.

**The following schedules present comparative information for the most recent five fiscal years. For similar information from prior fiscal years, see the annual financial reports prepared by the System at www.varetire.org.**

## REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(IN THOUSANDS)

| | VRS State | | | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| **Total pension liability:** | | | | | |
| Service cost | $ 425,233 | $ 413,902 | $ 404,703 | $ 406,776 | $ 379,359 |
| Interest | 1,803,758 | 1,779,933 | 1,704,842 | 1,666,047 | 1,627,637 |
| Benefit changes | 0 | 0 | 0 | 0 | 0 |
| Difference between actual and expected experience | 706,071 | (247,391) | (281,382) | (12,440) | 181,189 |
| Assumption changes | 0 | 0 | 412,575 | 0 | 663,566 |
| Benefit payments | (1,610,266) | (1,536,665) | (1,486,951) | (1,427,873) | (1,360,833) |
| Refunds of contributions | (31,014) | (31,680) | (29,065) | (27,427) | (26,897) |
| Net change in total pension liability | 1,293,782 | 378,099 | 724,722 | 605,083 | 1,464,021 |
| **Total pension liability – beginning** | **27,117,746** | **26,739,647** | **26,014,925** | **25,409,842** | **23,945,821** |
| **Total pension liability – ending (a)** | **$ 28,411,528** | **$ 27,117,746** | **$ 26,739,647** | **$ 26,014,925** | **$ 25,409,842** |
| **Plan fiduciary net position:** | | | | | |
| Contributions – employer | $ 683,049 | $ 633,738 | $ 609,778 | $ 576,443 | $ 545,584 |
| Contributions – member | 234,317 | 217,945 | 207,065 | 210,896 | 201,481 |
| Contributions – non-employer | 73,052 | 219,156 | — | — | — |
| Net investment income | 1,437,612 | (21,579) | 5,055,163 | 361,061 | 1,211,722 |
| Benefit payments | (1,610,266) | (1,536,665) | (1,486,951) | (1,427,873) | (1,360,833) |
| Refunds of contributions | (31,014) | (31,680) | (29,065) | (27,427) | (26,897) |
| Administrative expense | (14,498) | (14,302) | (12,904) | (12,603) | (12,374) |
| Other | 249 | 296 | (737) | (539) | (762) |
| Net change in plan fiduciary net position | 772,501 | (533,091) | 4,342,349 | (320,042) | 557,921 |
| **Plan fiduciary net position – beginning** | **22,579,326** | **23,112,417** | **18,770,068** | **19,090,110** | **18,532,189** |
| **Plan fiduciary net position – ending (b)** | **$ 23,351,827** | **$ 22,579,326** | **$ 23,112,417** | **$ 18,770,068** | **$ 19,090,110** |
| **Net pension liability – ending (a-b)** | **$ 5,059,701** | **$ 4,538,420** | **$ 3,627,230** | **$ 7,244,857** | **$ 6,319,732** |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 82.19 % | 83.26 % | 86.44 % | 72.15 % | 75.13 % |
| Covered payroll (c) | $ 5,069,435 | $ 4,661,991 | $ 4,399,969 | $ 4,440,135 | $ 4,197,484 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 99.81 % | 97.35 % | 82.44 % | 163.17 % | 150.56 % |

## REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(IN THOUSANDS)

| | VRS Political Subdivisions | | | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| **Total pension liability:** | | | | | |
| Service cost | $ 725,694 | $ 640,327 | $ 613,227 | $ 603,766 | $ 556,149 |
| Interest | 1,900,513 | 1,840,834 | 1,674,640 | 1,593,594 | 1,535,532 |
| Benefit changes | 2,891 | 9,042 | 13,157 | 19,657 | 3,948 |
| Difference between actual and expected experience | 363,648 | (294,247) | (164,895) | 221,364 | 45,032 |
| Assumption changes | 691 | (15) | 1,003,382 | — | 691,407 |
| Benefit payments | (1,395,124) | (1,307,581) | (1,237,074) | (1,157,505) | (1,082,791) |
| Refunds of contributions | (43,391) | (48,297) | (42,460) | (38,323) | (40,249) |
| Net change in total pension liability | 1,554,922 | 840,063 | 1,859,977 | 1,242,553 | 1,709,028 |
| **Total pension liability – beginning** | **28,149,356** | **27,309,293** | **25,449,316** | **24,206,763** | **22,497,735** |
| **Total pension liability – ending (a)** | **$ 29,704,278** | **$ 28,149,356** | **$ 27,309,293** | **$ 25,449,316** | **$ 24,206,763** |
| **Plan fiduciary net position:** | | | | | |
| Contributions – employer | $ 736,843 | $ 608,879 | $ 579,989 | $ 521,543 | $ 499,293 |
| Contributions – member | 302,890 | 276,350 | 258,562 | 258,408 | 248,421 |
| Net investment income | 1,678,096 | (26,243) | 5,779,327 | 405,051 | 1,345,759 |
| Benefit payments | (1,395,124) | (1,307,581) | (1,237,074) | (1,157,505) | (1,082,791) |
| Refunds of contributions | (43,391) | (48,297) | (42,460) | (38,323) | (40,249) |
| Administrative expense | (16,656) | (16,525) | (14,411) | (13,842) | (13,369) |
| Other | 349 | 264 | 161 | (274) | (853) |
| Net change in plan fiduciary net position | 1,263,007 | (513,153) | 5,324,094 | (24,942) | 956,211 |
| **Plan fiduciary net position – beginning** | **26,045,031** | **26,558,184** | **21,234,090** | **21,259,032** | **20,302,821** |
| **Plan fiduciary net position – ending (b)** | **$ 27,308,038** | **$ 26,045,031** | **$ 26,558,184** | **$ 21,234,090** | **$ 21,259,032** |
| **Net pension liability – ending (a-b)** | **$ 2,396,240** | **$ 2,104,325** | **$ 751,109** | **$ 4,215,226** | **$ 2,947,731** |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 91.93 % | 92.52 % | 97.25 % | 83.44 % | 87.82 % |
| Covered payroll (c) | 6,337,774 | 5,699,596 | 5,403,267 | $ 5,368,250 | $ 5,118,622 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 37.81 % | 36.92 % | 13.90 % | 78.52 % | 57.59 % |

## REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(IN THOUSANDS)

| | VRS Teacher | | | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| **Total pension liability:** | | | | | |
| Service cost | $ 901,517 | $ 823,885 | $ 948,915 | $ 938,143 | $ 889,003 |
| Interest | 3,660,139 | 3,568,410 | 3,355,158 | 3,269,776 | 3,184,697 |
| Benefit changes | — | — | — | — | — |
| Difference between actual and expected experience | 1,099,742 | (361,725) | (178,349) | (404,985) | (174,815) |
| Assumption changes | — | — | 845,179 | — | 1,472,649 |
| Benefit payments | (2,773,752) | (2,635,945) | (2,553,153) | (2,448,204) | (2,331,038) |
| Refunds of contributions | (45,366) | (43,437) | (38,464) | (36,211) | (36,715) |
| Net change in total pension liability | 2,842,280 | 1,351,188 | 2,379,286 | 1,318,519 | 3,003,781 |
| **Total pension liability – beginning** | **54,732,329** | **53,381,141** | **51,001,855** | **49,683,336** | **46,679,555** |
| **Total pension liability – ending (a)** | **$ 57,574,609** | **$ 54,732,329** | **$ 53,381,141** | **$ 51,001,855** | **$ 49,683,336** |
| **Plan fiduciary net position:** | | | | | |
| Contributions – employer | $ 1,576,963 | $ 1,485,307 | $ 1,416,135 | $ 1,327,774 | $ 1,280,964 |
| Contributions – member | 465,101 | 439,139 | 419,415 | 418,909 | 403,258 |
| Contributions - non-employer | 147,457 | 442,371 | 61,344 | — | — |
| Net investment income | 2,913,862 | (66,609) | 9,887,249 | 689,010 | 2,311,028 |
| Benefit payments | (2,773,752) | (2,635,945) | (2,553,153) | (2,448,204) | (2,331,038) |
| Refunds of contributions | (45,366) | (43,437) | (38,464) | (36,211) | (36,715) |
| Administrative expense | (28,677) | (27,876) | (24,543) | (23,649) | (22,843) |
| Other | 86 | 737 | 832 | (1,169) | (1,448) |
| Net change in plan fiduciary net position | 2,255,674 | (406,313) | 9,168,815 | (73,540) | 1,603,206 |
| **Plan fiduciary net position – beginning** | **45,211,731** | **45,618,044** | **36,449,229** | **36,522,769** | **34,919,563** |
| **Plan fiduciary net position – ending (b)** | **$ 47,467,405** | **$ 45,211,731** | **$ 45,618,044** | **$ 36,449,229** | **$ 36,522,769** |
| **Net pension liability – ending (a-b)** | **$ 10,107,204** | **$ 9,520,598** | **$ 7,763,097** | **$ 14,552,626** | **$ 13,160,567** |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 82.45 % | 82.61 % | 85.46 % | 71.47 % | 73.51 % |
| Covered payroll (c) | $ 9,970,623 | $ 9,319,260 | $ 8,843,887 | $ 8,766,667 | $ 8,387,503 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 101.37 % | 102.16 % | 87.78 % | 166.00 % | 156.91 % |

## REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(IN THOUSANDS)

| | SPORS | | | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| **Total pension liability:** | | | | | |
| Service cost | $ 25,401 | $ 23,688 | $ 22,042 | $ 22,167 | $ 20,079 |
| Interest | 90,683 | 86,396 | 79,549 | 77,231 | 72,715 |
| Benefit changes | | — | — | — | — |
| Difference between actual and expected experience | 66,727 | 25,538 | (9,431) | 4,466 | 45,330 |
| Assumption changes | | — | 58,257 | — | 31,773 |
| Benefit payments | (75,578) | (71,466) | (73,227) | (64,991) | (62,683) |
| Refunds of contributions | (240) | (378) | (271) | (552) | (805) |
| Net change in total pension liability | 106,993 | 63,778 | 76,919,000 | 38,321 | 106,409 |
| **Total pension liability – beginning** | **1,355,955** | **1,292,177** | **1,215,258** | **1,176,937** | **1,070,528** |
| **Total pension liability – ending (a)** | **$ 1,462,948** | **$ 1,355,955** | **$ 1,292,177** | **$ 1,215,258** | **$ 1,176,937** |
| **Plan fiduciary net position:** | | | | | |
| Contributions – employer | $ 46,936 | $ 36,494 | $ 33,788 | $ 32,497 | $ 31,437 |
| Contributions – member | 7,952 | 7,131 | 6,489 | 6,600 | 6,379 |
| Contributions – special | 3,653 | 10,958 | — | — | — |
| Net investment income | 66,245 | (902) | 229,138 | 16,333 | 54,792 |
| Benefit payments | (75,578) | (71,466) | (73,227) | (64,991) | (62,683) |
| Refunds of contributions | (240) | (378) | (271) | (552) | (805) |
| Administrative expense | (595) | (602) | (531) | (360) | (488) |
| Other | (1) | — | — | (38) | (61) |
| Net change in plan fiduciary net position | 48,372 | (18,765) | 195,386 | (10,511) | 28,571 |
| **Plan fiduciary net position – beginning** | **1,031,383** | **1,050,148** | **854,762** | **865,273** | **836,702** |
| **Plan fiduciary net position – ending (b)** | **$ 1,079,755** | **$ 1,031,383** | **$ 1,050,148** | **$ 854,762** | **$ 865,273** |
| **Net pension liability – ending (a-b)** | **$ 383,193** | **$ 324,572** | **$ 242,029** | **$ 360,496** | **$ 311,664** |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 73.81 % | 76.06 % | 81.27 % | 70.34 % | 73.52 % |
| Covered payroll (c) | $ 156,707 | $ 138,644 | $ 128,252 | $ 130.759 | $ 126,483 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 244.53 % | 234.10 % | 188.71 % | 275.69 % | 246.41 % |

## REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(DOLLARS IN THOUSANDS)

| | VaLORS | | | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| **Total pension liability:** | | | | | |
| Service cost | $ 46,317 | $ 44,326 | $ 47,606 | $ 48,003 | $ 44,526 |
| Interest | $ 165,299 | 159,759 | 149,677 | 143,708 | 139,307 |
| Benefit changes | | — | — | — | — |
| Difference between actual and expected experience | $ 35,308 | 15,632 | (25,405) | 22,645 | 11,067 |
| Assumption changes | | — | 66,216 | — | 62,090 |
| Benefit payments | $ (138,022) | (129,974) | (124,045) | (117,137) | (109,193) |
| Refunds of contributions | $ (4,990) | (6,284) | (5,791) | (4,893) | (4,933) |
| Net change in total pension liability | $ 103,912 | 83,459 | 108,258 | 92,326 | 142,864 |
| **Total pension liability – beginning** | **2,474,068** | **2,390,609** | **2,282,351** | **2,190,025** | **2,047,161** |
| **Total pension liability – ending (a)** | **$ 2,577,980** | **$ 2,474,068** | **$ 2,390,609** | **$ 2,282,351** | **$ 2,190,025** |
| **Plan fiduciary net position:** | | | | | |
| Contributions – employer | $ 90,433 | $ 73,960 | $ 76,415 | $ 79,914 | $ 75,327 |
| Contributions – member | 18,769 | 17,276 | 17,602 | 18,712 | 17,871 |
| Contributions – special | 6,629 | 19,887 | — | — | — |
| Net investment income | 118,276 | (1,666) | 405,217 | 28,579 | 93,872 |
| Benefit payments | (138,022) | (129,974) | (124,045) | (117,137) | (109,193) |
| Refunds of contributions | (4,990) | (6,284) | (5,791) | (4,893) | (4,933) |
| Administrative expense | (1,063) | (1,074) | (943) | (623) | (831) |
| Other | (12) | (8) | — | (73) | (103) |
| Net change in plan fiduciary net position | 90,020 | (27,883) | 368,455 | 4,479 | 72,010 |
| **Plan fiduciary net position – beginning** | **1,841,041** | **1,868,924** | **1,500,469** | **1,495,990** | **1,423,980** |
| **Plan fiduciary net position – ending (b)** | **$ 1,931,061** | **$ 1,841,041** | **$ 1,868,924** | **$ 1,500,469** | **$ 1,495,990** |
| **Net pension liability – ending (a-b)** | **$ 646,919** | **$ 633,027** | **$ 521,685** | **$ 781,882** | **$ 694,035** |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 74.91 % | 74.41 % | 78.18 % | 65.74 % | 68.31 % |
| Covered payroll (c) | $ 369,142 | $ 338,768 | $ 348,650 | $ 369,996 | $ 349,998 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 175.25 % | 186.86 % | 149.63 % | 211.32 % | 198.3 % |

## REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY

(IN THOUSANDS)

| | JRS | | | | |
|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| **Total pension liability:** | | | | | |
| Service cost | $ 19,735 | $ 18,630 | $ 19,335 | $ 20,650 | $ 18,767 |
| Interest | 50,938 | 50,036 | 44,788 | 44,234 | 44,139 |
| Benefit changes | | — | — | — | — |
| Difference between actual and expected experience | (12,421) | (7,256) | (10,245) | (9,446) | (7,158) |
| Assumption changes | | — | 53,040 | — | 14,077 |
| Benefit payments | (50,572) | (47,679) | (47,750) | (46,546) | (43,587) |
| Refunds of contributions | (15) | (41) | (135) | (12) | — |
| Net change in total pension liability | 7,665 | 13,690 | 59,033 | 8,880 | 26,238 |
| **Total pension liability – beginning** | **760,192** | **746,502** | **687,469** | **678,589** | **652,351** |
| **Total pension liability – ending (a)** | **$ 767,857** | **$ 760,192** | **$ 746,502** | **$ 687,469** | **$ 678,589** |
| **Plan fiduciary net position:** | | | | | |
| Contributions – employer | $ 25,705 | $ 24,016 | $ 22,856 | $ 24,819 | $ 22,893 |
| Contributions – member | 2,320 | 2,033 | 1,868 | 3,436 | 3,208 |
| Contributions – special | 2,083 | 6,250 | — | — | — |
| Net investment income | 41,850 | (477) | 147,200 | 10,491 | 35,372 |
| Benefit payments | (50,572) | (47,678) | (47,750) | (46,546) | (43,587) |
| Refunds of contributions | (15) | (41) | (135) | (12) | — |
| Administrative expense | (378) | (386) | (343) | (232) | (315) |
| Other | | 97 | — | (42) | (39) |
| Net change in plan fiduciary net position | $ 20,993 | $ (16,186) | $ 123,696 | (8,086) | 17,532 |
| **Plan fiduciary net position – beginning** | **656,965** | **673,151** | **549,455** | **557,541** | **540,009** |
| **Plan fiduciary net position – ending (b)** | **$ 677,958** | **$ 656,965** | **$ 673,151** | **$ 549,455** | **$ 557,541** |
| **Net pension liability – ending (a-b)** | **$ 89,899** | **$ 103,227** | **$ 73,351** | **$ 138,014** | **$ 121,048** |
| Plan fiduciary net position as a percentage of the total pension liability (b/a) | 88.29 % | 86.42 % | 90.17 % | 79.92 % | 82.16 % |
| Covered payroll (c) | $ 84,059 | $ 79,540 | $ 74,594 | $ 74,769 | $ 68,330 |
| Net pension liability as a percentage of covered payroll ((a-b)/c) | 106.95 % | 129.78 % | 98.33 % | 184.59 % | 177.15 % |

# OTHER LONG-TERM LIABILITIES

## Employee Benefits Other than Pension Benefits

Employees of the Commonwealth accrue annual leave at a rate of four to nine hours semi-monthly, depending on their length of service. The maximum accumulation is dependent on years of service, but in no case may it exceed 54 days. All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program ("VSDP"). Under the VSDP, employees receive a specified number of sick and personal leave hours, depending on their length of service, and any balances at the end of the calendar year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the original sick leave plan. If converting, the employee's sick leave balance could be used to purchase retirement credits or be converted to disability credits. If an employee opted to remain in the original sick leave program, sick leave accrues at a rate of five hours semimonthly. Employees who leave State service after a minimum of five years employment receive the lesser of 25 percent of the value of their disability credits or accumulated sick leave at the current earnings rate or $5,000. All employees leaving State service are paid for accrued annual leave up to the lessor of the maximum calendar year limit or 42 days at their current earnings rate.

The VSDP was established for all full-time, classified state employees, including state police officers, and other state law enforcement and correctional officers. Part-time, classified state employees who work at least 20 hours per week on a salaried basis and who accrue leave are also covered. After a seven calendar-day waiting period following the first incident of disability, the VSDP provides short-term disability benefits from 60% to 100% of compensation up to a maximum of 125 work days. After a 180 calendar day waiting period, eligible employees receive long-term disability benefits equal to 60% of compensation until they return to work, until age 65 (age 60 for state police officers and other state law enforcement and correctional officers), or until death. Eligibility periods for non-work-related disability coverage and certain income replacement levels apply for employees hired on or after July 1, 2009.

In addition to providing pension benefits, the Commonwealth provides life insurance for active and retired employees and a retiree health insurance credit to offset a portion of the cost of health insurance premiums for qualifying state retirees under VRS, SPORS, JRS and VaLORS. The estimated costs of these benefits are funded over the working lives of the employees through employer contributions and investment income.

## Self-Insurance

The Commonwealth provides several types of self-insurance for the benefit of state agencies and institutions. The Department of the Treasury, Division of Risk Management, administers self-insurance programs for general (tort) liability, medical malpractice and automobile liability. The Department of Human Resource Management administers the state employee health care self-insurance fund. At June 30, 2022, $568.8 million was reported as the combined estimated claims payable for self- insurance.

## Medicaid Payable

The Department of Medical Assistance Services estimates, based on past experience, the total amount of claims that will be paid from the Medicaid program in the future that relate to services provided before year end. At June 30, 2022, the estimated liability related to normal operations totaled $2.3 billion. Of this amount, $479.8 million is reflected in the General Fund, $1.6 billion in the Federal Trust Special Revenue Fund and $1,890 million in the Health and Social Services Fund (nonmajor special revenue).

For a more detailed explanation of Other Long-Term Liabilities, see "Notes to the Financial Statements" in The Commonwealth Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.

## Other Post-Employment Benefits (OPEB) – Financial Statement Reporting

The Commonwealth currently has five postemployment benefit programs other than the retirement plans described above ("OPEB Programs"). They are: Retiree Health Insurance Credit, Group Life Insurance, Virginia Sickness and Disability Program, Pre-Medicare Retiree Health Insurance Program and Line of Duty Death and Health Insurance Benefit.

The Governmental Accounting Standards Board (GASB) issued accounting and reporting standards for other postemployment benefits. The VRS implemented GASB Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, in their published financial statements for the fiscal year ended June 30, 2017. The Commonwealth, as an employer, implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* for the fiscal year ended June 30, 2018. Updated data has been included by VRS and the Commonwealth in their reports for subsequent fiscal years.

**SCHEDULE OF EMPLOYERS' NET OPEB LIABILITY BY PROGRAM AND PLAN**
AS OF JUNE 30, 2023

(EXPRESSED IN THOUSANDS)

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Employers' Net OPEB Liability/ (Asset) (a-b) | Plan Fiduciary Net OPEB as a % of the Total OPEB Liability (b/a) | Covered Payroll ( c ) | New Opeb Liability/(Asset) as a % of the Covered Payroll (a-b)/ ( c ) |
|---|---|---|---|---|---|---|
| **Group Life Insurance Fund** | **$ 3,907,052** | **$ 2,707,739** | **$ 1,199,913** | **69.30%** | **$ 23,592,896** | 5.08% |
| **Health Insurance Credit Fund:** | | | | | | |
| State | 1,102,220 | 280,599 | 821,621 | 25.46% | 8,241,227 | 9.97% |
| Teacher | 1,475,471 | 264,054 | 1,211,417 | 17.90% | 9,971,090 | 12.15% |
| Political Subdivisions* | 77,344 | 40,057 | 37,287 | 51.79% | 1,755,661 | 2.12% |
| Constitutional Officers | 40,001 | 9,767 | 30,234 | 24.42% | 847,657 | 3.57% |
| Social Services Employees | 14,972 | 5,145 | 9,827 | 34.36% | 342,719 | 2.87% |
| Registrars | 558 | 256 | 302 | 45.88% | 19,199 | 1.57% |
| **Total Health Insurance Credit** | **$ 2,710,566** | **$ 599,878** | **$ 2,110,688** | | **$ 21,177,553** | |
| **Disability Insurance Trust Fund** | **$ 318,901** | **$ 634,779** | **$ (315,878)** | **199.05%** | **$ 5,103,828** | -6.19% |
| **Virginia Local Disability Program:** | | | | | | |
| Teacher | 10,672 | 10,007 | 665 | 93.77% | 933,836 | 0.07% |
| Political Subdivisions | 9,525 | 11,134 | (1,609) | 116.89% | 612,072 | -0.26% |
| **Total Virginia Local Disability Program** | **$ 20,197** | **$ 21,141** | **$ (944)** | | **$ 1,545,908** | |
| **Line of Duty Act Trust Fund** | **$ 406,211** | **$ 5,311** | **$ 400,900** | **1.31%** | ** | N/A |
| **Grand Total** | **$ 7,362,927** | **$ 3,968,848** | **$ 3,394,679** | | **$ 51,420,185** | |

*Political subdivision data is from the consolidated report provided by Gabriel, Roeder, Smith & Compnay

**Contributions into the Line of Duty Act Trust Fund are based on the number of participants in the program usiing a per capita-based contribution versus a payroll-based contribution.

Source: VRS ACFR Statement of Changes in Fiduciary Net Position: Defined Benefit Pension Trust Funds and Other Employee Benefits Trust Funds VRSACFR Schedule of Employers' Net OPEB Liabilities by Program and Plan.

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**The following schedules present comparative information for the most recent five fiscal years. For similar information from prior fiscal years, see the annual financial reports prepared by the System at www.varetire.org.**

**REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS**

(IN THOUSANDS)

| Change in the Net OPEB Liability | Group Life Insurance Fund 2023 | Group Life Insurance Fund 2022 | Group Life Insurance Fund 2021 | Group Life Insurance Fund 2020 | Group Life Insurance Fund 2019 |
|---|---|---|---|---|---|
| **Total OPEB liability:** | | | | | |
| Service cost | $ 88,493 | $ 79,890 | $ 96,894 | $ 98,367 | $ 86,912 |
| Interest | 247,906 | 241,074 | 232,052 | 221,684 | 210,950 |
| Changes in benefit terms | — | — | — | — | — |
| Difference between actual and expected experience | 74,372 | (54,700) | 63,189 | 25,709 | 56,736 |
| Changes of assumptions | — | — | (166,464) | — | 122,011 |
| Benefit payments | (175,804) | (171,525) | (172,263) | (212,060) | (199,879) |
| Net change in total OPEB liability | 234,967 | 94,739 | 53,408 | 133,700 | 276,730 |
| **Total OPEB liability - beginning** | 3,672,085 | 3,577,346 | 3,523,938 | 3,390,238 | 3,113,508 |
| **Total OPEB liability - ending (a)** | $ 3,907,052 | $ 3,672,085 | $ 3,577,346 | $ 3,523,938 | $ 3,390,238 |
| **Plan fiduciary net position:** | | | | | |
| Contributions - employer | $ 127,427 | $ 117,664 | $ 111,797 | $ 107,252 | $ 102,175 |
| Contributions - member | 108,029 | 86,846 | 86,509 | 162,925 | 155,153 |
| Contributions – special employer | 3,053 | 9,154 | — | — | — |
| Contributions – non-employer contributing entity | 7,093 | 21,284 | — | — | — |
| Net investment income | 173,481 | (5,235) | 534,709 | 36,276 | 113,440 |
| Benefit payments | (175,804) | (171,525) | (172,263) | (212,060) | (199,879) |
| Third Party Administrator charges | — | — | — | — | — |
| Administrative expense | (1,268) | (1,184) | (862) | (824) | (709) |
| Other | (2,261) | (2,089) | (1,918) | (1,439) | (1,981) |
| Net change in plan fiduciary net position | 239,750 | 54,915 | 557,972 | 92,130 | 168,199 |
| **Plan fiduciary net position - beginning** | 2,467,989 | 2,413,074 | 1,855,102 | 1,762,972 | 1,594,773 |
| **Plan fiduciary net position - ending (b)** | $ 2,707,739 | $ 2,467,989 | $ 2,413,074 | $ 1,855,102 | $ 1,762,972 |
| **Net OPEB liability - ending (a-b)** | $ 1,199,313 | $ 1,204,096 | $ 1,164,272 | $ 1,668,836 | $ 1,627,266 |
| Plan fiduciary net position as a percentage of the total OPEB liability (b/a) | 69.3 % | 67.21 % | 67.45 % | 52.64 % | 52. % |
| Covered payroll (c) | $ 23,592,896 | $ 21,787,891 | $ 20,679,890 | $ 20,612,888 | $ 19,633,771 |
| Net OPEB liability as a percentage of covered payroll ((a-b)/c) | 5.08 % | 5.53 % | 5.63 % | 8.10 % | 8.29 % |

## REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

(IN THOUSANDS)

| | Virginia Local Disability Program | | | | |
|---|---|---|---|---|---|
| | Disability Insurance Trust Fund | Disability Insurance Trust Fund | Disability Insurance Trust Fund | Disability Insurance Trust Fund | Disability Insurance Trust Fund |
| **Change in the Net OPEB Liability** | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Total OPEB liability:** | | | | | |
| Service cost | $ 33,331 | $ 30,802 | $ 32,679 | $ 32,988 | $ 29,232 |
| Interest | 21,978 | 19,115 | 17,222 | 18,774 | 15,788 |
| Changes in benefit terms | — | — | — | — | — |
| Difference between actual and expected experience | (13,168) | 20,274 | (22,057) | (46,473) | 29,489 |
| Changes of assumptions | — | — | (1,387) | — | 4,180 |
| Benefit payments | (31,004) | (29,625) | (28,790) | (27,804) | (24,376) |
| Net change in total OPEB liability | 11,137 | 40,566 | (2,333) | (22,515) | 54,313 |
| **Total OPEB liability - beginning** | 307,764 | 267,198 | 269,531 | 292,046 | 237,733 |
| **Total OPEB liability - ending (a)** | $ 318,901 | $ 307,764 | $ 267,198 | $ 269,531 | $ 292,046 |
| **Plan fiduciary net position:** | | | | | |
| Contributions - employer | $ 31,138 | $ 28,249 | $ 26,542 | $ 26,994 | $ 25,263 |
| Contributions - member | — | — | — | — | — |
| Contributions – special employer | — | — | — | — | — |
| Contributions – non-employer contributing entity | — | — | — | — | — |
| Net investment income | 38,938 | (507) | 131,373 | 9,445 | 30,494 |
| Benefit payments | (31,004) | (29,625) | (28,790) | (27,804) | (24,376) |
| Third Party Administrator charges | (7,350) | (7,247) | (7,137) | (6,611) | (6,431) |
| Administrative expense | (797) | (483) | (600) | (631) | (787) |
| Other | 938 | 610 | 311 | 586 | 1,117 |
| Net change in plan fiduciary net position | 31,863 | (9,003) | 121,699 | 1,979 | 25,280 |
| **Plan fiduciary net position - beginning** | 602,916 | 611,919 | 490,220 | 488,241 | 462,961 |
| **Plan fiduciary net position - ending (b)** | $ 634,779 | $ 602,916 | $ 611,919 | $ 490,220 | $ 488,241 |
| **Net OPEB liability - ending (a-b)** | $ (315,878) | $ (295,152) | $ (344,721) | $ (220,689) | $ (196,195) |
| Plan fiduciary net position as a percentage of the total OPEB liability (b/a) | 199.05 % | 195.90 % | 229.01 % | 181.88 % | 167.18 % |
| Covered payroll (c) | $ 5,103,828 | $ 4,637,755 | 4,355,154 | $ 4,365,296 | $ 4,077,627 |
| Net OPEB liability as a percentage of covered payroll ((a-b)/c) | (6.19)% | (6.36)% | (7.92)% | (5.06)% | (4.81)% |

## REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

(IN THOUSANDS)

| | Virginia Local Disability Program | | | | |
|---|---|---|---|---|---|
| | Teachers | Teachers | Teachers | Teachers | Teachers |
| **Change in the Net OPEB Liability** | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Total OPEB liability:** | | | | | |
| Service cost | $ 1,950 | $ 1,598 | $ 1,366 | $ 1,109 | $ 871 |
| Interest | 586 | 411 | 237 | 144 | 92 |
| Changes in benefit terms | — | — | — | — | — |
| Difference between actual and expected experience | 1,888 | 1,102 | (379) | 406 | (19) |
| Changes of assumptions | — | — | 339 | — | 63 |
| Benefit payments | (959) | (788) | (366) | (213) | (167) |
| Net change in total OPEB liability | 3,465 | 2,323 | 1,197 | 1,446 | 840 |
| **Total OPEB liability - beginning** | 7,207 | 4,884 | 3,687 | 2,241 | 1,401 |
| **Total OPEB liability - ending (a)** | $ 10,672 | $ 7,207 | $ 4,884 | $ 3,687 | $ 2,241 |
| **Plan fiduciary net position:** | | | | | |
| Contributions - employer | $ 4,387 | $ 3,783 | $ 3,166 | $ 2,426 | $ 1,966 |
| Contributions - member | — | — | — | — | — |
| Contributions – special employer | — | — | — | — | — |
| Contributions – non-employer contributing entity | — | — | — | — | — |
| Net investment income | 547 | (56) | 1,031 | 45 | 83 |
| Benefit payments | (959) | (788) | (366) | (213) | (167) |
| Third Party Administrator charges | (1,176) | (1,116) | (988) | (935) | (829) |
| Administrative expense | (112) | (93) | (140) | (97) | (39) |
| Other | — | — | — | — | — |
| Net change in plan fiduciary net position | 2,687 | 1,730 | 2,703 | 1,226 | 1,014 |
| **Plan fiduciary net position - beginning** | 7,320 | 5,590 | 2,887 | 1,661 | 647 |
| **Plan fiduciary net position - ending (b)** | $ 10,007 | $ 7,320 | $ 5,590 | $ 2,887 | $ 1,661 |
| **Net OPEB liability - ending (a-b)** | $ 665 | $ (113) | $ (706) | $ 800 | $ 580 |
| Plan fiduciary net position as a percentage of the total OPEB liability (b/a) | 93.77 % | 101.57 % | 114.46 % | 78.3 % | 74.12 % |
| Covered payroll (c) | $ 933,836 | $ 804,858 | $ 672,908 | $ 591,499 | $ 479,535 |
| Net OPEB liability as a percentage of covered payroll ((a-b)/c) | 0.07 % | (0.01)% | (0.10)% | 0.14 % | 0.12 % |

## REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

(IN THOUSANDS)

| | Virginia Local Disability Program | | | | |
|---|---|---|---|---|---|
| | Political Subdivisions | Political Subdivisions | Political Subdivisions | Political Subdivisions | Political Subdivisions |
| **Change in the Net OPEB Liability** | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Total OPEB liability:** | | | | | |
| Service cost | $ 2,585 | $ 2,039 | $ 1,820 | $ 1,553 | $ 1,191 |
| Interest | 633 | 458 | 278 | 261 | 105 |
| Changes in benefit terms | — | — | — | — | — |
| Difference between actual and expected experience | 83 | 517 | (603) | (1,250) | 1,224 |
| Changes of assumptions | — | — | (271) | — | 69 |
| Benefit payments | (1,136) | (810) | (385) | (236) | (188) |
| Net change in total OPEB liability | 2,165 | 2,204 | 839 | 328 | 2,401 |
| **Total OPEB liability - beginning** | 7,360 | 5,156 | 4,317 | 3,989 | 1,588 |
| **Total OPEB liability - ending (a)** | $ 9,525 | $ 7,360 | $ 5,156 | $ 4,317 | $ 3,989 |
| **Plan fiduciary net position:** | | | | | |
| Contributions - employer | $ 5,200 | $ 3,888 | $ 3,338 | $ 2,684 | $ 2,226 |
| Contributions - member | — | — | — | — | — |
| Contributions – special employer | — | — | — | — | — |
| Contributions – non-employer contributing entity | — | — | — | — | — |
| Net investment income | 649 | (56) | 1,086 | 48 | 93 |
| Benefit payments | (1,136) | (811) | (385) | (236) | (188) |
| Third Party Administrator charges | (1,394) | (1,146) | (1,042) | (1,034) | (940) |
| Administrative expense | (133) | (93) | (148) | (107) | (45) |
| Other | — | — | — | — | — |
| Net change in plan fiduciary net position | 3,186 | 1,782 | 2,849 | 1,355 | 1,146 |
| **Plan fiduciary net position - beginning** | 7,948 | 6,166 | 3,317 | 1,962 | 816 |
| **Plan fiduciary net position - ending (b)** | $ 11,134 | $ 7,948 | $ 6,166 | $ 3,317 | $ 1,962 |
| **Net OPEB liability - ending (a-b)** | $ (1,609) | $ (588) | $ (1,010) | $ 1,000 | $ 2,027 |
| Plan fiduciary net position as a percentage of the total OPEB liability (b/a) | 116.89 % | 107.99 % | 119.59 % | 76.84 % | 49.19 % |
| Covered payroll (c) | $ 612,072 | $ 468,489 | 401,715 | $ 372,635 | $ 309,020 |
| Net OPEB liability as a percentage of covered payroll ((a-b)/c) | (0.26)% | (0.13)% | (0.25)% | 0.27 % | 0.66 % |

## REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

( IN THOUSANDS)

| | Health Insurance Credit | | | | |
|---|---|---|---|---|---|
| | State | State | State | State | State |
| **Change in the Net OPEB Liability** | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Total OPEB liability:** | | | | | |
| Service cost | $ 17,076 | $ 18,311 | $ 20,432 | $ 20,143 | $ 19,446 |
| Interest | 68,998 | 69,707 | 68,014 | 67,289 | 68,023 |
| Changes in benefit terms | 68,280 | — | — | — | — |
| Difference between actual and expected experience | (18,609) | (34,169) | (20,219) | (5,703) | (13,402) |
| Changes of assumptions | — | 13,522 | 12,326 | — | 22,700 |
| Benefit payments | (77,273) | (76,023) | (71,536) | (70,440) | (72,857) |
| Net change in total OPEB liability | 58,472 | (8,652) | 9,017 | 11,289 | 23,910 |
| **Total OPEB liability - beginning** | 1,043,748 | 1,052,400 | 1,043,383 | 1,032,094 | 1,008,184 |
| **Total OPEB liability - ending (a)** | $ 1,102,220 | $ 1,043,748 | $ 1,052,400 | $ 1,043,383 | $ 1,032,094 |
| **Plan fiduciary net position:** | | | | | |
| Contributions – employer | $ 92,376 | $ 85,324 | $ 81,191 | $ 84,849 | $ 79,926 |
| Contributions – special employer | 27,159 | 8,523 | 38,656 | — | — |
| Contributions – non-employer contributing entity | — | — | — | — | — |
| Net investment income | 14,169 | (358) | 34,790 | 2,185 | 6,189 |
| Benefit payments | (77,273) | (76,023) | (71,536) | (70,440) | (72,857) |
| Administrative expense | (374) | (357) | (589) | (230) | (135) |
| Transfers | (18) | (387) | — | — | — |
| Other | (15) | (7) | (30) | (9) | (8) |
| Net change in plan fiduciary net position | 56,024 | 16,715 | 82,482 | 16,355 | 13,115 |
| **Plan fiduciary net position - beginning** | 224,575 | 207,860 | 125,378 | 109,023 | 95,908 |
| **Plan fiduciary net position - ending (b)** | $ 280,599 | $ 224,575 | $ 207,860 | $ 125,378 | $ 109,023 |
| **Net OPEB liability - ending (a-b)** | $ 821,621 | $ 819,173 | $ 844,540 | $ 918,005 | $ 923,071 |
| Plan fiduciary net position as a percentage of the total OPEB liability (b/a) | 25.46 % | 21.52 % | 19.75 % | 12.02 % | 10.56 % |
| Covered payroll (c) | $ 8,241,227 | $ 7,612,495 | $ 7,239,781 | $ 7,237,090 | $ 6,844,807 |
| Net OPEB liability as a percentage of covered payroll ((a-b)/c) | 9.97 % | 10.76 % | 11.67 % | 12.68 % | 13.49 % |

## REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

( IN THOUSANDS)

| | Health Insurance Credit | | | | |
|---|---|---|---|---|---|
| | Teacher | Teacher | Teacher | Teacher | Teacher |
| **Change in the Net OPEB Liability** | 2023 | 2022 | 2021 | 2020 | 2019 |
| **Total OPEB liability:** | | | | | |
| Service cost | $ 18,138 | $ 18,621 | $ 21,713 | $ 21,738 | $ 20,979 |
| Interest | 97,248 | 97,797 | 94,626 | 93,964 | 93,526 |
| Changes in benefit terms | — | — | — | — | — |
| Difference between actual and expected experience | (14,161) | (38,198) | (9,325) | (13,054) | (2,398) |
| Changes of assumptions | — | 10,085 | 15,792 | — | 35,149 |
| Benefit payments | (96,645) | (95,288) | (93,607) | (92,086) | (90,456) |
| Net change in total OPEB liability | 4,580 | (6,983) | 29,199 | 10,562 | 56,800 |
| **Total OPEB liability - beginning** | 1,470,891 | 1,477,874 | 1,448,675 | 1,438,113 | 1,381,313 |
| **Total OPEB liability - ending (a)** | $ 1,475,471 | $ 1,470,891 | $ 1,477,874 | $ 1,448,675 | $ 1,438,113 |
| **Plan fiduciary net position:** | | | | | |
| Contributions – employer | $ 120,623 | $ 112,832 | $ 107,172 | $ 105,210 | $ 100,643 |
| Contributions – special employer | — | — | — | — | — |
| Contributions – non-employer contributing entity | 4,004 | 12,013 | — | — | — |
| Net investment income | 14,645 | (919) | 37,093 | 2,291 | 7,350 |
| Benefit payments | (96,645) | (95,289) | (93,607) | (92,086) | (90,455) |
| Administrative expense | (359) | (334) | (501) | (258) | (152) |
| Transfers | (38) | (755) | — | — | — |
| Other | (21) | (8) | (13) | (12) | (9) |
| Net change in plan fiduciary net position | 42,209 | 27,540 | 50,144 | 15,145 | 17,377 |
| **Plan fiduciary net position - beginning** | 221,845 | 194,305 | 144,161 | 129,016 | 111,639 |
| **Plan fiduciary net position - ending (b)** | $ 264,054 | $ 221,845 | $ 194,305 | $ 144,161 | $ 129,016 |
| **Net OPEB liability - ending (a-b)** | $ 1,211,417 | $ 1,249,046 | $ 1,283,569 | $ 1,304,514 | $ 1,309,097 |
| Plan fiduciary net position as a percentage of the total OPEB liability (b/a) | 17.90 % | 15.08 % | 13.15 % | 9.95 % | 8.97 % |
| Covered payroll (c) | $ 9,971,090 | $ 9,320,159 | $ 8,843,941 | $ 8,766,759 | $ 8,387,684 |
| Net OPEB liability as a percentage of covered payroll ((a-b)/c) | 12.15 % | 13.40 % | 14.51 % | 14.88 % | 15.61 % |

## REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

( IN THOUSANDS)

| | Health Insurance Credit | | | | |
|---|---|---|---|---|---|
| | Political Subdivisions | Political Subdivisions | Political Subdivisions | Political Subdivisions | Political Subdivisions |
| **Change in the Net OPEB Liability** | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Total OPEB liability:** | | | | | |
| Service cost | $ 1,134 | $ 1,545 | $ 1,532 | $ 1,063 | $ 997 |
| Interest | 5,968 | 5,468 | 5,113 | 2,797 | 2,721 |
| Changes in benefit terms | 97 | 1,513 | — | 32,238 | — |
| Difference between actual and expected experience | (15,216) | (2,642) | (669) | 624 | 964 |
| Changes of assumptions | (9) | 6,225 | 1,656 | 220 | 1,066 |
| Benefit payments | (4,303) | (4,460) | (3,098) | (2,996) | (2,564) |
| Net change in total OPEB liability | (12,329) | 7,649 | 4,534 | 33,946 | 3,184 |
| **Total OPEB liability - beginning** | 89,673 | 82,024 | 77,490 | 43,544 | 40,360 |
| **Total OPEB liability - ending (a)** | $ 77,344 | $ 89,673 | $ 82,024 | $ 77,490 | $ 43,544 |
| **Plan fiduciary net position:** | | | | | |
| Contributions – employer | $ 6,752 | $ 5,683 | $ 5,239 | $ 2,553 | $ 2,406 |
| Contributions – special employer | — | — | — | — | — |
| Contributions – non-employer contributing entity | — | — | — | — | — |
| Net investment income | 2,236 | 3 | 6,711 | 490 | 1,490 |
| Benefit payments | (4,303) | (4,460) | (3,098) | (2,996) | (2,564) |
| Administrative expense | (55) | (62) | (86) | (47) | (32) |
| Transfers | (113) | | — | — | — |
| Other | — | 1,142 | 2 | (2) | (2) |
| Net change in plan fiduciary net position | 4,517 | 2,306 | 8,768 | (2) | 1,298 |
| **Plan fiduciary net position - beginning** | 35,540 | 33,234 | 24,466 | 24,468 | 23,170 |
| **Plan fiduciary net position - ending (b)** | $ 40,057 | $ 35,540 | $ 33,234 | $ 24,466 | $ 24,468 |
| **Net OPEB liability - ending (a-b)** | $ 37,287 | $ 54,133 | $ 48,790 | $ 53,024 | $ 19,076 |
| Plan fiduciary net position as a percentage of the total OPEB liability (b/a) | 51.79 % | 39.63 % | 40.52 % | 31.57 % | 56.19 % |
| Covered payroll (c) | $ 1,755,661 | $ 1,574,328 | $ 1,489,771 | $ 1,477,727 | $ 1,081,702 |
| Net OPEB liability as a percentage of covered payroll ((a-b)/c) | 2.12 % | 3.44 % | 3.27 % | 3.59 % | 1.76 % |

# REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS

(IN THOUSANDS)

| | Health Insurance Credit | | | | |
|---|---|---|---|---|---|
| | Constitutional Officers | Constitutional Officers | Constitutional Officers | Constitutional Officers | Constitutional Officers |
| **Change in the Net OPEB Liability** | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Total OPEB liability:** | | | | | |
| Service cost | $ 637 | $ 920 | $ 776 | $ 746 | $ 687 |
| Interest | 2,261 | 2,257 | 2,118 | 2,050 | 2,010 |
| Changes in benefit terms | 6,010 | — | — | — | — |
| Difference between actual and expected experience | (727) | (1,240) | (241) | 223 | 97 |
| Changes of assumptions | — | 492 | 567 | — | 759 |
| Benefit payments | (2,069) | (2,121) | (2,047) | (1,969) | (1,824) |
| Net change in total OPEB liability | 6,112 | 308 | 1,173 | 1,050 | 1,729 |
| **Total OPEB liability - beginning** | 33,889 | 33,581 | 32,408 | 31,358 | 29,629 |
| **Total OPEB liability - ending (a)** | $ 40,001 | $ 33,889 | $ 33,581 | $ 32,408 | $ 31,358 |
| **Plan fiduciary net position:** | | | | | |
| Contributions – employer | $ 3,101 | $ 2,836 | $ 2,666 | $ 2,526 | $ 2,794 |
| Contributions – special employer | 92 | 276 | — | — | — |
| Contributions – non-employer contributing entity | — | — | — | — | — |
| Net investment income | 925 | (27) | 954 | 87 | 238 |
| Benefit payments | (2,069) | (2,121) | (2,047) | (1,970) | (1,825) |
| Administrative expense | (24) | (27) | (16) | (9) | (6) |
| Transfers | 138 | — | — | — | — |
| Other | — | (1) | (1) | — | — |
| Net change in plan fiduciary net position | 2,163 | 936 | 1,556 | 634 | 1,201 |
| **Plan fiduciary net position - beginning** | 7,604 | 6,668 | 5,112 | 4,479 | 3,278 |
| **Plan fiduciary net position - ending (b)** | $ 9,767 | $ 7,604 | $ 6,668 | $ 5,113 | $ 4,479 |
| **Net OPEB liability - ending (a-b)** | $ 30,234 | $ 26,285 | $ 26,913 | $ 27,295 | $ 26,879 |
| Plan fiduciary net position as a percentage of the total OPEB liability (b/a) | 24.42 % | 22.44 % | 19.86 % | 15.78 % | 14.28 % |
| Covered payroll (c) | $ 847,657 | $ 774,013 | $ 733,933 | $ 719,390 | $ 682,376 |
| Net OPEB liability as a percentage of covered payroll ((a-b)/c) | 3.57 % | 3.40 % | 3.67 % | 3.79 % | 3.94 % |

**REQUIRED SUPPLEMENTARY SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY AND RELATED RATIOS**

(IN THOUSANDS)

| | Health Insurance Credit | | | | |
|---|---|---|---|---|---|
| | Social Services Employees | Social Services Employees | Social Services Employees | Social Services Employees | Social Services Employees |
| **Change in the Net OPEB Liability** | **2023** | **2022** | **2021** | **2020** | **2019** |
| **Total OPEB liability:** | | | | | |
| Service cost | $ 180 | $ 290 | $ 301 | $ 291 | $ 260 |
| Interest | 982 | 993 | 964 | 958 | 960 |
| Changes in benefit terms | — | — | — | — | — |
| Difference between actual and expected experience | (15) | (524) | (254) | (106) | (27) |
| Changes of assumptions | — | 276 | 229 | — | 327 |
| Benefit payments | (1,074) | (1,113) | (1,078) | (1,058) | (1,012) |
| Net change in total OPEB liability | 73 | (78) | 162 | 85 | 508 |
| **Total OPEB liability - beginning** | 14,899 | 14,977 | 14,815 | 14,730 | 14,222 |
| **Total OPEB liability - ending (a)** | $ 14,972 | $ 14,899 | $ 14,977 | $ 14,815 | $ 14,730 |
| **Plan fiduciary net position:** | | | | | |
| Contributions – employer | $ 1,876 | $ 1,212 | $ 1,160 | $ 689 | $ 1,847 |
| Contributions – special employer | 1,032 | 122 | — | — | — |
| Contributions – non-employer contributing entity | — | — | — | — | — |
| Net investment income | 743 | (4) | 335 | 34 | 122 |
| Benefit payments | (1,074) | (1,113) | (1,078) | (1,058) | (1,012) |
| Administrative expense | (20) | (5) | (6) | (3) | (3) |
| Transfers | 30 | — | — | — | — |
| Other | — | — | — | — | — |
| Net change in plan fiduciary net position | 2,587 | 212 | 411 | (338) | 954 |
| **Plan fiduciary net position - beginning** | 2,558 | 2,346 | 1,935 | 2,273 | 1,319 |
| **Plan fiduciary net position - ending (b)** | $ 5,145 | $ 2,558 | $ 2,346 | $ 1,935 | $ 2,273 |
| **Net OPEB liability - ending (a-b)** | $ 9,827 | $ 12,341 | $ 12,631 | $ 12,880 | $ 12,457 |
| Plan fiduciary net position as a percentage of the total OPEB liability (b/a) | 34.36 % | 17.17 % | 15.66 % | 13.06 % | 15.43 % |
| Covered payroll (c) | $ 342,719 | $ 314,734 | $ 300,727 | $ 298,257 | $ 279,503 |
| Net OPEB liability as a percentage of covered payroll ((a-b)/c) | 2.87 % | 3.92 % | 4.20 % | 4.32 % | 4.46 % |

The Commonwealth's OPEB programs promise benefits to individuals who perform services for government today to be paid following the conclusion of their service. Historically, the Commonwealth and most other government employers financed other post-employment benefit programs on a pay-as-you-go basis. The new reporting standards require expenses associated with these programs to be calculated and reported on an actuarial basis even though payment is deferred until after an individuals' service ends. As of June 30, 2023, the Commonwealth's estimated annual required OPEB contribution was $560.2 million and the estimated Net OPEB liabilities were $3.5 billion.

For a more detailed explanation of Other Post-Employment Benefits (OPEB), see "Notes to the Financial Statements" in Commonwealth Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.

## LABOR RELATIONS

It is against public policy for Commonwealth or local officials to recognize any labor union as a representative of public employees or to engage in collective bargaining with any labor union. Public employee of the Commonwealth do not have a legal right to strike, and no strike by employees of the Commonwealth has ever taken place. Any such employee who engages in any organized strike or willfully refuses to perform his duties shall, according to state law, be deemed to have terminated his employment. However, the General Assembly in the 2020 session, passed a bill permitting counties, cities, towns, and local school boards to adopt a local ordinance to permit collective bargaining by employees of those governing bodies. The bill was signed into law by the Governor with an effective date of May 1, 2021.

## LITIGATION

The Commonwealth, its officials and employees are named as defendants in legal proceedings that occur in the normal course of governmental operations, some of which involve claims for substantial amounts. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the Commonwealth with respect to these lawsuits. However, any ultimate liability resulting from these suits is not expected to have a material adverse effect on the financial condition of the Commonwealth.

# APPENDIX C

# COMMONWEALTH OF VIRGINIA
# DEMOGRAPHIC AND ECONOMIC INFORMATION

*Report Date: January 30, 2024*

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## APPENDIX C
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## INTRODUCTION

The following demographic and economic information is provided by the Commonwealth of Virginia, its agencies, institutions and authorities (the "Commonwealth"). The data were compiled by the Department of the Treasury and were not independently verified; however, the Department of the Treasury has no reason to believe that such data are not true and correct in all material respects.

## DEMOGRAPHIC CHARACTERISTICS

### General

The Commonwealth is divided into five distinct geographic regions. The Tidewater region is a coastal plain cut into peninsulas by four large tidal rivers. It includes the Eastern Shore and estuaries of the Chesapeake Bay. The Piedmont Plateau region is the largest geographical land of the state, and is characterized by low, rolling hills. The Blue Ridge Mountain region, which lies to the west of the Piedmont Plateau region, is the main eastern mountain range of the Appalachian Mountains. The Appalachian Ridge and Valley region stretches from southwest to northeast along Virginia's western border and includes the Shenandoah Valley. The Appalachian Plateau region lies in the far southwestern portion of Virginia. In Kentucky it is called the Cumberland Plateau. The topography of this region is characterized by rivers, streams, and forests. Approximately one-third of all land in Virginia is used for farming and other agricultural services. This variety of terrain, the location of the Commonwealth on the Atlantic Seaboard at the southern extremity of the northeast population corridor, and its close proximity to the nation's capital all have had a significant influence on the development of the present economic structure of the Commonwealth.

According to the U.S. Census Bureau, the Commonwealth's 2023 estimated population was 8,715,698, which was 2.60 percent of the United States total population. Among the 50 states, it ranked twelfth in population size. With 39,490 square miles of land area, its 2023 population density was 220.7 persons per square mile, compared with 98 persons per square mile for the United States generally.

### Population Trends

From 2014 to 2023, Virginia's population increased 4 percent versus 5 percent for the nation. Population trends since 2014 for the Commonwealth and the United States are shown in the following table:

**POPULATION TRENDS**

| | Virginia | | | United States | | |
|---|---|---|---|---|---|---|
| Year | Population | Increase Over Preceding Year | | Population | Increase Over Preceding Year | |
| 2014 | 8,326,289 | 0.8 | % | 318,622,525 | 0.8 | % |
| 2015 | 8,382,993 | 0.7 | | 321,039,839 | 0.8 | |
| 2016 | 8,414,380 | 0.4 | | 323,405,935 | 0.7 | |
| 2017 | 8,463,587 | 0.6 | | 324,985,539 | 0.5 | |
| 2018 | 8,501,286 | 0.4 | | 326,687,501 | 0.5 | |
| 2019 | 8,556,642 | 0.7 | | 328,239,523 | 0.5 | |
| 2020* | 8,637,193 | 0.9 | | 331,526,933 | 1.0 | |
| 2021* | 8,657,348 | 0.2 | | 332,048,977 | 0.2 | |
| 2022* | 8,679,099 | 0.3 | | 333,271,411 | 0.4 | |
| 2023* | 8,715,698 | 0.4 | | 334,914,895 | 0.5 | |

*Source: U.S. Census Bureau.*
**Virginia 2020 - 2023 estimates through July 1, 2023; Census Data Release Date: December 2023*

**Age Distribution of Population**

Compared to the national average, a higher proportion of the Commonwealth's population is in the adult/working ages of 20 through 64. Similarly, a lower proportion of Virginia's population is comprised of persons ages 65 and older and of persons ages 5 through 19. In 2022, the population of the Commonwealth and of the United States was distributed by age as follows:

**AGE DISTRIBUTION**

**2023**

| Age | Virginia | | United States | |
|---|---|---|---|---|
| Under 5 years | 5.61 | % | 5.56 | % |
| 5 through 19 years | 18.50 | | 18.76 | |
| 20 through 44 years | 33.84 | | 33.58 | |
| 45 through 64 years | 25.17 | | 24.76 | |
| 65 years and older | 16.87 | | 17.34 | |
| | 100.00 | % | 100.00 | % |

*Source: Virginia and US 2022 Data as of July 2022; US Census Bureau*
*Data Release Date: June 2023*

**Geographic Distribution of Population**

The Commonwealth has a high percentage of its citizens living in urban areas. Virtually all the Commonwealth's population growth between 1950 and 1970 occurred in urban areas. During the 1970s, however, non-metropolitan areas grew at a slightly faster rate than metropolitan areas. Since 1980, this trend has reversed with the metropolitan areas growing at three times the rate of the rest of the Commonwealth. Of the Commonwealth's total population, 78 percent resides in eleven metropolitan statistical areas (MSAs).

The largest and fastest growing metropolitan area in the Commonwealth is the Northern Virginia portion of the Washington-Arlington-Alexandria MSA. In 2022 the entire metropolitan area had an estimated population of 6.3 million, of which, approximately 41% lived in the Northern Virginia portion. Northern Virginia has long been characterized by the large number of people employed in both civilian and military work with the federal government. It is also one of the nation's leading high-technology centers for computer software and telecommunications. This region is also the home of George Mason University, Virginia's largest university and the Commonwealth's largest public research university by student population.

Spanning Hampton Roads is the Virginia Beach-Norfolk-Newport News MSA, which has large military installations and major port facilities. It had an estimated 2022 population of 1.8 million and is an important center of manufacturing and tourism. The Richmond MSA is the third largest metropolitan area with an estimated 2022 population of 1.3 million. The Richmond MSA is a leading center of diversified manufacturing activity including chemicals, tobacco, printing, paper, metals and machinery. Richmond is also the capital of the Commonwealth and its financial center, which includes the Fifth District Federal Reserve Bank. The Roanoke MSA is the manufacturing, trade and transportation center for the western part of the Commonwealth. Other manufacturing centers located in the western part of the Commonwealth are the Lynchburg and Kingsport-Bristol-Bristol MSAs, and total estimated 2022 population for these three MSA's was just under 900,000. Located at the foot of the Blue Ridge Mountains is the Charlottesville MSA, a community with an estimated 2022 population of approximately 223,000 and home of the University of Virginia and significant manufacturing industries. Just west of the Charlottesville MSA is the Staunton-Waynesboro MSA with an estimated 2022 population of approximately 126,000.

The Harrisonburg and Winchester MSAs are located along the northwestern corridor of Virginia with a combined 2022 population of just under 300,000. These MSAs are the main retail, service and manufacturing centers in the Shenandoah Valley. With an estimated 2022 population of 165,000, the Blacksburg-Christiansburg-Radford MSA is located in the New River Valley in southwestern Virginia. The Town of Blacksburg is the home of Virginia Polytechnic Institute & State University, Virginia's second largest university and ranked as one of the nation's leading research institutions. The 2022 population figures for all eleven Commonwealth MSAs are shown below.

**2022 METROPOLITAN STATISTICAL AREA**
**POPULATION AND PER CAPITA INCOME**

| MSA | Population | Per Capita Income |
|---|---|---|
| Blacksburg-Christiansburg-Radford | 165,812 | $46,345 |
| Charlottesville | 223,825 | 80,969 |
| Harrisonburg | 136,555 | 51,466 |
| Kingsport-Bristol-Bristol | 311,272 | 47,442 |
| Lynchburg | 263,613 | 48,255 |
| Richmond | 1,339,182 | 68,205 |
| Roanoke | 314,340 | 55,243 |
| Staunton - Waynesboro | 126,776 | 49,962 |
| Virginia Beach-Norfolk-Newport News | 1,806,840 | 57,873 |
| Washington-Arlington-Alexandria | 6,373,756 | 83,010 |
| Winchester | 146,455 | 59,702 |
| MSA Total | 11,208,426 | |
| Commonwealth of Virginia | 8,715,698 | $68,985 |

Kingsport-Bristol-Bristol MSA includes Tennessee.
Washington-Arlington-Alexandria MSA includes Washington and Maryland.

*Source: U.S. Bureau of Economic Analysis – St. Louis FED.*

Distributed throughout Virginia are smaller urban areas, most of which historically have been trade centers for the surrounding areas and continue to be so today. These communities have attracted many of the new manufacturing facilities located in the Commonwealth in recent years. The remainder of the Commonwealth's population lives in rural areas, including most of the towns and the remaining smaller cities.

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## ECONOMIC FACTORS

### Taxable Retail Sales

Over the past ten years, taxable retail sales in Virginia increased by $34.4 billion, or 36.4 percent. This growth is greater than the cumulative rate of inflation for this same period. The following table illustrates the changes in taxable retail sales for calendar years 2013 through 2022.

**Taxable Retail Sales**
**2013-2022**

| Calendar Year | Taxable Retail Sales | % Change |
|---|---|---|
| 2013 | $ 94,597,893,918 | 1.4 |
| 2014 | 96,243,826,673 | 1.7 |
| 2015 | 100,219,956,703 | 4.1 |
| 2016 | 101,740,768,841 | 1.5 |
| 2017 | 103,741,107,029 | 2.0 |
| 2018 | 106,075,146,508 | 2.2 |
| 2019 | 107,779,678,044 | 1.6 |
| 2020 | 104,358,304,833 | (3.2) |
| 2021 | 118,655,571,778 | 13.7 |
| 2022 | 129,002,040,313 | 8.7 |

*Source: Virginia Department of Taxation, January 2023.*

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## Personal Income

According to the U.S. Bureau of Economic Analysis, estimated personal income for all Virginians in 2022 was over $600 billion, resulting in a per capita income of $68,985. The Commonwealth's per capita income ranked twelfth among all fifty states and was greater than the national average of $65,471.

From 2013 to 2022, the Commonwealth averaged an annual rate of growth of 3.4 percent in per capita income, which was lower than the national average annual rate of growth of 3.9 percent for the same period.

**PERSONAL INCOME TRENDS**

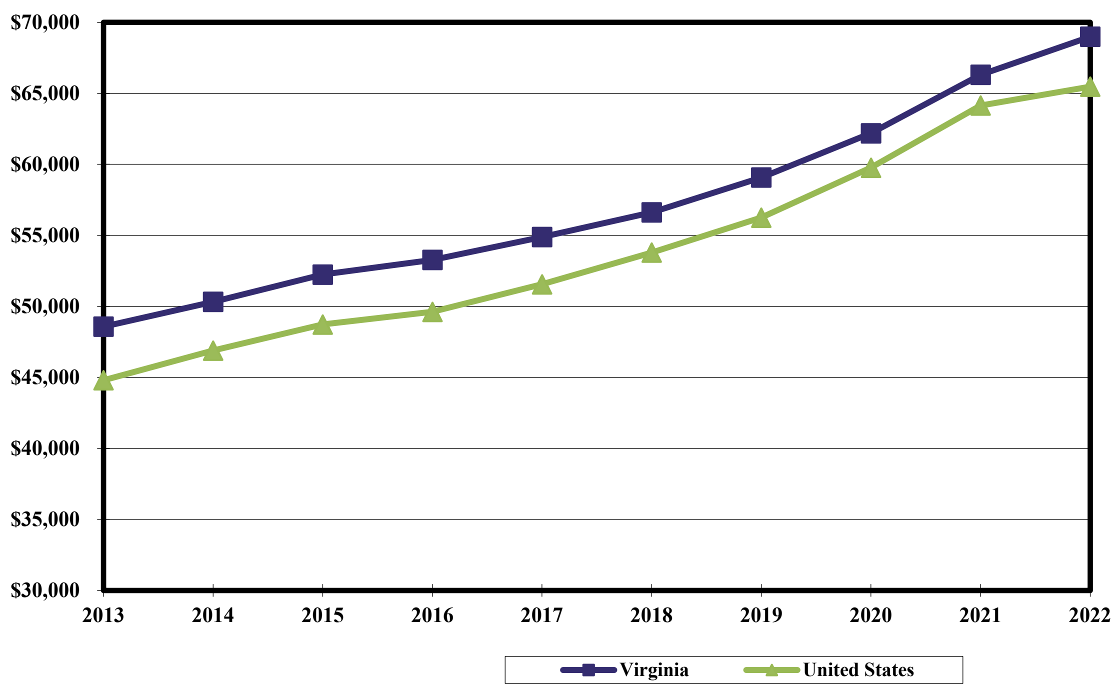
**2013-2022**

| | Virginia | | | United States | | |
|---|---|---|---|---|---|---|
| **Year** | | **Per Capita Personal Income** | **Change Over Preceding Year (%)** | | **Per Capita Personal Income** | **Change Over Preceding Year (%)** |
| 2013 | $ | 48,573 | (1.5) | $ | 44,798 | 0.6 |
| 2014 | | 50,318 | 3.6 | | 46,887 | 4.7 |
| 2015 | | 52,238 | 3.8 | | 48,725 | 3.9 |
| 2016 | | 53,268 | 2.0 | | 49,613 | 1.8 |
| 2017 | | 54,879 | 3.0 | | 51,550 | 3.9 |
| 2018 | | 56,619 | 3.2 | | 53,786 | 4.3 |
| 2019 | | 59,073 | 4.3 | | 56,250 | 4.6 |
| 2020 | | 62,189 | 5.3 | | 59,765 | 6.2 |
| 2021 | | 66,305 | 6.6 | | 64,143 | 7.3 |
| 2022 | | 68,985 | 4.0 | | 65,470 | 2.1 |

Source: Bureau of Economic Analysis revised estimates for 2013-2022; Data Release Date: September 2023

**PERSONAL INCOME TRENDS**

**2013-2022**



## Sources of Personal Income

The sources of personal income in the Commonwealth and the comparable sources of personal income for the United States for 2022 are shown in the following table. The pie chart on the following page represents the nonagricultural personal income by major industry.

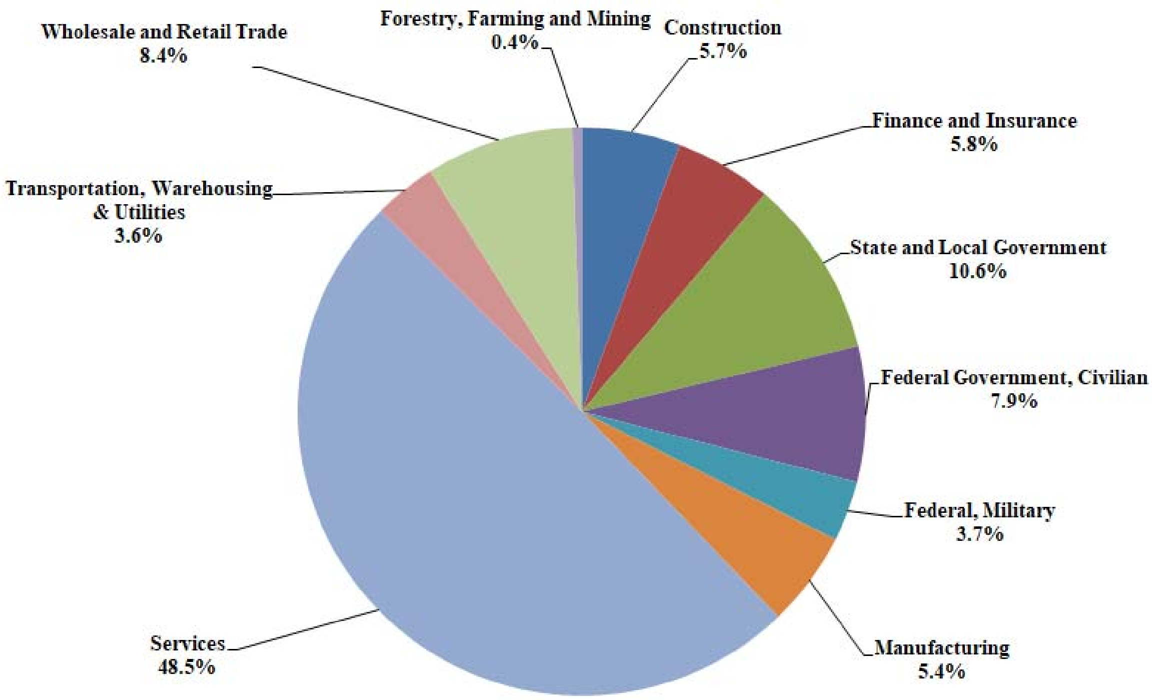
**SOURCES OF PERSONAL INCOME**
**2022**

| | Virginia (in Millions) | Percentage of Personal Income Before Residence Adjustment [1]: Virginia | United States |
|---|---|---|---|
| Forestry, fisheries, related activities and other | $ 441 | 0.1 % | 0.3 % |
| Construction | 23,007 | 5.6 | 6.0 |
| Farming | 1,087 | 0.3 | 0.8 |
| Finance and insurance | 22,767 | 5.5 | 7.1 |
| Government: | | | |
| State and local | 41,734 | 10.2 | 11.0 |
| Federal, civilian | 31,559 | 7.7 | 2.6 |
| Federal, military | 14,119 | 3.4 | 1.0 |
| Manufacturing | 22,225 | 5.4 | 8.8 |
| Mining | 673 | 0.2 | 1.1 |
| Services | 203,872 | 49.6 | 45.9 |
| Transportation, warehousing & utilities | 14,981 | 3.6 | 5.0 |
| Wholesale and retail trade | 34,416 | 8.4 | 10.3 |
| Subtotal | $ 410,883 | 100.0 % | 100.0 % |
| Less: | | | |
| Contributions for government social insurance | (47,747) | | |
| Plus: | | | |
| Dividends, interest and rent | 117,276 | | |
| Transfer payments | 97,721 | | |
| Personal income before residence adjustment | $ 578,133 | | |
| Residence adjustment [1] | 20,909 | | |
| Total Personal Income | $ 599,042 | | |

[1] Total personal income is reported by place of residence. However, income by industry is shown by place of work. Thus, this adjustment was necessary to account for income earned by Virginia residents who worked outside the Commonwealth. These were primarily federal government employees who lived in Northern Virginia but worked in Washington, D.C.

*Source: Bureau of Economic Analysis estimates for 2022 Data Release Date, November 2023.*

**DISTRIBUTION OF VIRGINIA NONAGRICULTURAL SOURCES OF GROSS PERSONAL INCOME BY MAJOR INDUSTRY**
**2022**




*Source: Bureau of Economic Analysis estimates for 2022. Data Release Date, November 2023*
*Numbers may not add to 100 due to rounding.*

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## Residential Construction

The majority of residential construction has typically been concentrated in three of the state's eleven MSAs. The Virginia portions of the Washington-Arlington-Alexandria MSA, the Virginia Beach-Norfolk-Newport News MSA, and the Richmond MSA accounted for approximately 86 percent of the state's total residential construction on average over the last ten years.

**AGGREGATE VALUE OF AND NUMBER OF BUILDING PERMITS ISSUED FOR RESIDENTIAL CONSTRUCTION IN VIRGINIA [1]**

| Year | Value of Construction in in Current Dollars (in millions) | Percent Change from Preceding Year | Number of Permits Issued | Percent Change from Preceding Year |
|---|---|---|---|---|
| 2014 | $ 4,564 | (10.7%) | 28,673 | (12.5%) |
| 2015 | 4,530 | (0.8%) | 28,704 | 0.1% |
| 2016 | 5,473 | 20.8% | 31,132 | 8.5% |
| 2017 | 5,747 | 5.0% | 33,760 | 8.4% |
| 2018 | 5,831 | 1.5% | 31,977 | (5.3%) |
| 2019 | 5,794 | (0.6%) | 32,418 | 1.4% |
| 2020 | 5,385 | (7.0%) | 33,443 | 3.2% |
| 2021 | 7,061 | 31.1% | 35,765 | 6.9% |
| 2022 | 7,994 | 13.2% | 38,070 | 6.4% |
| 2023 | 6,845 | (14.4%) | 32,908 | (13.6%) |

(1) Excludes mobile homes.

*Source: US Census Bureau 2022 & November Year to Date 2023. Weldon Cooper Center Annual Report Years 2014-2021*

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**Assessed Value of Locally Taxed Property**

The Constitution of Virginia provides that real estate, coal and other mineral lands and tangible personal property, except the rolling stock of public service corporations, are reserved for taxation by cities, counties, towns, and other local government entities. Shown below are the assessed value of real estate and personal property as determined by the various taxing jurisdictions and the combined value of real estate and personal property for public service corporations as determined by the State Corporation Commission. Cities and counties are required by law to assess real estate at 100 percent of market value.

**ASSESSED VALUES OF REAL ESTATE AND TANGIBLE PERSONAL PROPERTY**

| Tax Year Ended 31-Dec | Real Estate | Public Service Corporations | Personal Property | Total |
|---|---|---|---|---|
| 2011 | $949,019,441,456 | $38,455,832,384 | $71,600,491,421 | $1,059,075,765,261 |
| 2012 | 954,082,225,088 | 40,142,313,094 | 76,551,011,940 | 1,070,775,550,122 |
| 2013 | 968,744,700,482 | 41,415,115,231 | 73,286,019,303 | 1,083,445,835,016 |
| 2014 | 1,001,173,297,581 | 42,105,842,848 | 81,234,501,278 | 1,124,513,641,707 |
| 2015 | 1,031,975,708,795 | 44,154,961,529 | 84,093,951,056 | 1,160,224,621,380 |
| 2016 | 1,060,436,113,127 | 46,266,995,318 | 88,866,533,959 | 1,195,569,642,404 |
| 2017 | 1,091,729,146,212 | 48,006,343,392 | 92,876,379,259 | 1,232,611,868,863 |
| 2018 | 1,130,944,150,752 | 50,028,306,681 | 97,202,215,738 | 1,278,174,673,171 |
| 2019 | 1,172,449,791,555 | 49,209,543,843 | 98,726,651,736 | 1,320,385,987,134 |
| 2020 | 1,218,079,093,525 | 51,149,852,247 | 100,052,236,313 | 1,369,281,182,085 |
| 2021 | 1,272,658,725,400 | 50,881,143,994 | 117,017,760,421 | 1,440,557,629,815 |

*Source: Department of Taxation's 2022 Annual Report. Information for 2022 and 2023 not yet available.*

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**Employment**

According to the Virginia Employment Commission monthly employment report released in December 2023, 4.5 million residents of the Commonwealth were estimated to be in the civilian labor force, which includes agricultural and nonagricultural employment, the temporarily unemployed, the self-employed and residents who commute to jobs in other states.

Virginia is a "right-to-work" state with diverse sources of income. In part because of its proximity to Washington DC, Virginia has a larger share of federal and military employees than most states. More than ten percent of Virginia's workers are federal employees or active military.

Of the eleven Metropolitan Areas (MSAs) included in the table on page C-4, seasonally adjusted total nonfarm employment data is produced for ten of them; no data is produced for the Kingston-Bristol MSA.

Over the year November 2022 to November 2023, nine of ten MSAs experienced job gains, and one remained unchanged. The largest job gain occurred in Northern Virginia (+25,500). The second largest job gain occurred in Richmond (+17,400). The third largest job gain occurred in Charlottesville (+4,500). The other gains were in Virginia Beach-Norfolk-Newport News (+4,500; Harrisonburg (+3,000); Roanoke (+2,400); Winchester (+900); Lynchburg (+400); and Staunton (+200). The Blacksburg-Christiansburg-Radford MSA remained unchanged.

The following table and chart indicate the distribution by category of nonagricultural employment in the Commonwealth and the table shows comparative information to the United States.

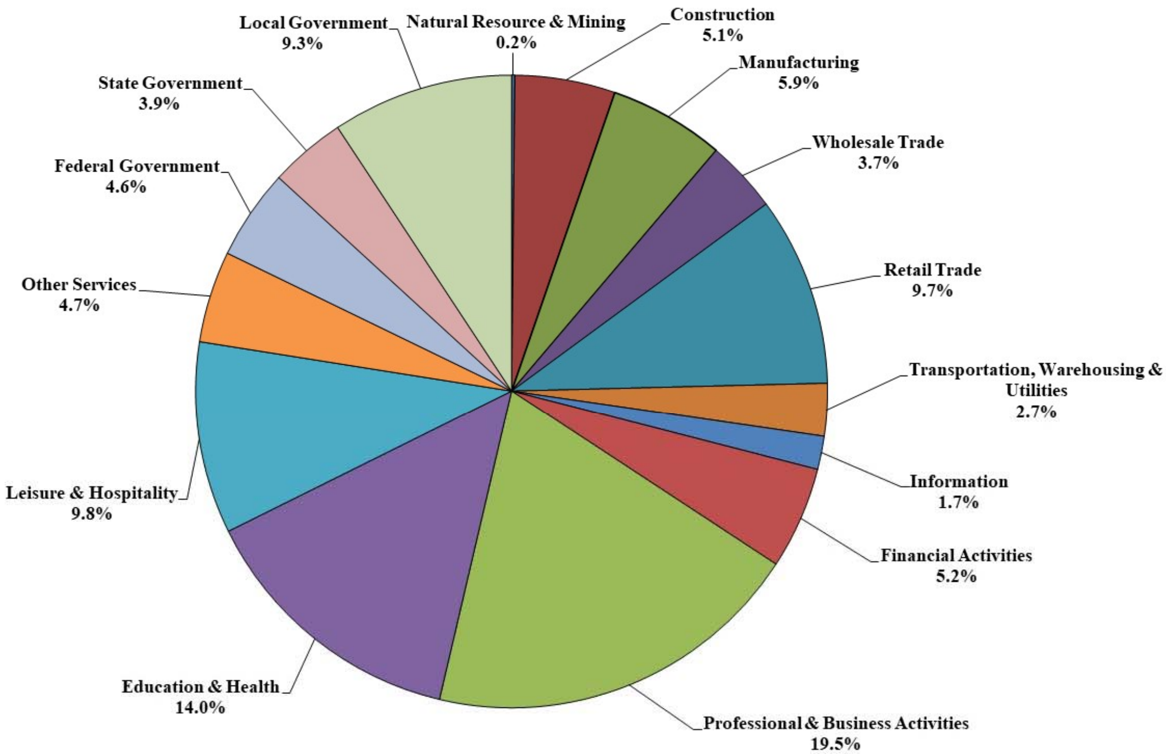
**DISTRIBUTION OF NONAGRICULTURAL EMPLOYMENT**
**2023**

| | Virginia | | United States | |
|---|---|---|---|---|
| Natural Resource & Mining | 0.2 | % | 0.4 | % |
| Construction | 5.1 | | 5.1 | |
| Manufacturing | 5.9 | | 8.3 | |
| Wholesale Trade | 3.7 | | 3.9 | |
| Retail Trade | 9.7 | | 9.9 | |
| Transportation, Warehousing & Utilities | 2.7 | | 4.6 | |
| Information | 1.7 | | 1.9 | |
| Financial Activities | 5.2 | | 5.8 | |
| Professional & Business Activities | 19.5 | | 14.6 | |
| Education & Health | 14.0 | | 16.4 | |
| Leisure & Hospitality | 9.8 | | 10.7 | |
| Other Services | 4.7 | | 3.8 | |
| Federal Government | 4.6 | | 1.9 | |
| State Government | 3.9 | | 3.4 | |
| Local Government | 9.3 | | 9.3 | |
| | 100.0 | % | 100.0 | % |

*Source: Bureau of Labor Statistics. Data as of November 2023. Data Release Date: December 2023.*

**DISTRIBUTION OF VIRGINIA NONAGRICULTURE EMPLOYMENT**

**2023**




*Source: Bureau of Labor Statistics. Data as of November 2023. Data Release Date: December 2023.*
*Numbers may not add to 100 due to rounding.*

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The table below shows employment trends in the Commonwealth during the five years from 2019 to 2023. The most significant growth has occurred in the Information Services, Construction and Professional and Business sectors, while the largest declines were in the Natural Resource & Mining and Leisure and Hospitality Services sectors.

**DISTRIBUTION OF VIRGINIA NONAGRICULTURAL EMPLOYMENT BY MAJOR INDUSTRY**

| | 2019 | 2020 | 2021 | 2022 | 2023 | % Change 2019-2023 | |
|---|---|---|---|---|---|---|---|
| Natural Resource & Mining | 8,200 | 6,800 | 7,900 | 7,400 | 7,000 | **(14.6)** | **%** |
| Construction | 199,200 | 201,200 | 205,200 | 210,500 | 214,000 | **7.4** | |
| Manufacturing | 248,800 | 233,000 | 237,300 | 240,200 | 246,800 | **(0.8)** | |
| Wholesale Trade | 150,558 | 147,890 | 150,305 | 154,307 | 154,353 | **2.5** | |
| Retail Trade | 394,397 | 387,408 | 393,734 | 404,217 | 404,338 | **2.5** | |
| Transportation & Warehousing, Utilities | 109,646 | 107,703 | 150,305 | 112,376 | 112,409 | **2.5** | |
| Information Services | 63,100 | 65,900 | 67,700 | 70,600 | 71,100 | **12.7** | |
| Financial Activities | 211,200 | 208,900 | 204,200 | 205,000 | 217,500 | **3.0** | |
| Professional & Business Activities | 761,300 | 757,200 | 785,400 | 793,500 | 811,800 | **6.6** | |
| Education & Health | 555,700 | 524,700 | 540,600 | 571,300 | 584,900 | **5.3** | |
| Leisure & Hospitality | 427,000 | 325,600 | 361,000 | 408,500 | 409,700 | **(4.1)** | |
| Other Services | 202,100 | 180,400 | 183,000 | 191,500 | 195,500 | **(3.3)** | |
| Public Administration | | | | | | | |
| Federal Government | 183,059 | 192,000 | 186,100 | 189,138 | 192,902 | **5.4** | |
| State Government | 165,240 | 153,800 | 157,100 | 159,664 | 162,842 | **(1.5)** | |
| Local Government | 377,100 | 363,500 | 373,600 | 379,698 | 387,256 | **2.7** | |
| **Total** | **4,056,599** | **3,856,000** | **4,003,444** | **4,097,900** | **4,172,400** | **2.9** | **%** |

Source: Bureau of Labor Statistics. 2023 Data as of November 2023

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**Largest Employers**

The ten largest private and public sector employers in the Commonwealth, each of which employed 1,000 or more persons, are shown below.

**TOP TEN PRIVATE SECTOR EMPLOYERS**
**2023**

| Rank | Name | Industry |
|---|---|---|
| 1 | Walmart | General Merchandise Stores |
| 2 | Sentara Healthcare | Hospitals |
| 3 | Huntington Ingalls/Newport News Shipbuilding | Transportation Equipment Manufacturing |
| 4 | Amazon Fulfillment Services Inc | General Merchandise E-commerce |
| 5 | Inova Health System | Hospitals |
| 6 | Food Lion | Food and Beverage Stores |
| 7 | HCA Virginia Health System | Hospitals |
| 8 | Bon Secours Health System Inc | Hospitals |
| 9 | Capital One Bank | Credit Intermediation and Related Activities |
| 10 | Booz, Allen and Hamilton | Consulting |

*Source: Virginia Employment Commission Community Profile as of Second Quarter 2023, Data Release Date: January 2024*

**TOP TEN PUBLIC SECTOR EMPLOYERS**
**2023**

| Rank | Name | Industry |
|---|---|---|
| 1 | U.S. Department of Defense | National Security and International Affairs |
| 2 | Fairfax County Public Schools | Educational Services |
| 3 | University of Virginia /Blue Ridge Hospital | Hospitals |
| 4 | Loudoun County Schools | Educational Services |
| 5 | U.S. Department of Homeland Defense | Administration of Security |
| 6 | U.S. Postal Service | Postal Service |
| 7 | County of Fairfax | Executive, Legislative and other General Gov't Support |
| 8 | Prince William County School Board | Educational Services |
| 9 | City of Virginia Beach Schools | Educational Services |
| 10 | VCU Health System | Hospitals |

*Source: Virginia Employment Commission Community Profile as of Second Quarter 2023, Data Release Date: January 2024*

## Unemployment

The Commonwealth is one of 26 states with a Right-to-Work Law and has a record of good labor-management relations. The Commonwealth's favorable business climate is reflected in the relatively small number of strikes and other work stoppages it experiences.

The Commonwealth is one of the least unionized of the more industrialized states. Three major reasons for this situation are: the Right-to-Work Law; the importance of manufacturing industries such as textiles, apparel, electric and electronic equipment and lumber, which are not highly unionized in the Commonwealth; and the importance of federal civilian and military employment. Typically, the percentage of nonagricultural employees belonging to unions in the Commonwealth has been approximately half the U.S. average.

The following table shows the size of the Commonwealth's total civilian labor force from 2014 through 2023, the percentage unemployed during this period and the comparable national unemployment rate.

**UNEMPLOYMENT TRENDS**

| Year | Virginia's Civilian Labor Force[(1)] | Unemployment Virginia[(2)] | Unemployment United States[(3)] |
|---|---|---|---|
| 2014 | 4,238,540 | 4.5 | 5.6 |
| 2015 | 4,222,819 | 4.2 | 5.0 |
| 2016 | 4,261,091 | 4.2 | 4.6 |
| 2017 | 4,308,950 | 3.7 | 4.1 |
| 2018 | 4,359,062 | 2.8 | 3.7 |
| 2019 | 4,441,018 | 2.6 | 3.5 |
| 2020 | 4,286,658 | 4.9 | 6.7 |
| 2021 | 4,259,504 | 3.4 | 4.2 |
| 2022 | 4,357,319 | 3.0 | 3.5 |
| 2023 | 4,492,524 | 2.9 | 3.7 |

[(1)]2023 Virginia's Civilian Labor Force data as of November 2023, Virginia Employment Commission Data Report Release Date, December 22, 2023.

[(2)]2023 Virginia's Unemployment Rate as of November 2023, Virginia Employment Commission Data Report Release Date, December 8, 2023.

[(3)] 2023 Unemployment in United States as of November 2023, Bureau of Labor Statistics Data Report Release Date, December 8, 2023.

## MAJOR ECONOMIC SECTORS

**Energy**

*(2022 Energy Plan):*

As directed by the Virginia General Assembly, every four years the Virginia Department of Energy develops a comprehensive energy plan. On behalf of the Department, Governor Youngkin released in October 2022 the new "Commonwealth of Virginia's 2022 Energy Plan" (the "Plan"). The Plan describes its purpose as providing (i) an analytical assessment of the current state of the Commonwealth's energy economy, (ii) a practical approach for Virginia to base future policy decisions, and (iii) a series of commonsense recommendations for policymakers and industry participants. The Plan recommends that the Commonwealth pursue an "all of the above" approach to energy production with the intent of providing a flexible path to respond to the changing and growing needs of customers. The Plan describes its guiding principles as reliability, affordability, innovation, competition, and environmental stewardship. The Plan recommends requiring periodic reassessments of Virginia's energy portfolio to remain current with the evolution of energy production and transmission. Further, the Plan recommends that the Commonwealth make strategic investments in innovative, emerging technologies, including hydrogen, carbon capture, storage and utilization, and small modular nuclear reactors ("SNRs"). In particular, the Plan supports the goal of deploying a commercial SNR in southwestern Virginia within ten years. The Plan also supports leveraging Virginia's planned offshore wind project to add additional offshore wind generation. The Plan advocates that the Commonwealth encourage competition within the current regulatory structure to provide customers flexibility while considering the cumulative impacts of energy generation on land, air, and water.

In May 2023, Dominion Energy (formerly Virginia Power), released its Integrated Resource Plan (IRP) which presents a suite of strategic pathways to ensure the utility's generation fleet is positioned to provide consistent delivery of electricity to Virginia's families and businesses. The IRP includes expanded need for baseload generation technologies such as natural gas and nuclear, in addition to renewable technologies like wind, solar, and storage, in all its pathways. Governor Youngkin called Dominion's Plan a validation of the 2022 Energy Plan.

*Utilities*: Over the last decade, Virginia opened the door to electric utility deregulation; however, the competition did not materialize as anticipated. Therefore, the Virginia General Assembly enacted "re-regulation legislation," which has re-established retail rate regulation. The legislation permits provider choice for large commercial and industrial customers with demands exceeding five megawatts (MW). The measure provides flexible and innovative forms of ratemaking that could provide incentives for utility operational efficiencies and for generation plant construction. The legislation also creates incentives for the development of renewable energy resources and for energy efficiency and conservation programs.

In September 2022, the average cost per unit of electricity for the industrial sector was 8.92 cents in Virginia, compared to 9.34 cents for the national average. As of September 2023, the U.S. Energy Information Administration (EIA) estimate for Virginia was 9.07 cents while the national average was 8.53 cents. More than 4,300 megawatts of additional electric generating power is planned or under construction statewide. All transmission-owning utilities in Virginia have taken the important step of joining PJM, North America's largest regional transmission manager, which oversees the grid across a vast area from Illinois to North Carolina. The PJM Interconnection's 2023 forecast of peak and overall energy load is projected to grow by close to 5% and 7%, respectively, over the next decade driven primarily by the growth of Virginia Data Centers.

Electric power is available throughout the Commonwealth through the investor-owned utilities of Dominion Energy (Dominion) and Appalachian Power (APCO), 13 electric cooperatives that distribute power in rural districts, and 16 municipalities that have their own distribution systems with power purchased primarily from the previously mentioned companies. The electric utilities serving the Commonwealth are interconnected with neighboring utilities, both within and outside of the Commonwealth, for reliability of service.

Virginia is served by eight regulated natural gas utility companies that provide an extensive network of underground pipes and other gas facilities. In 2021, Virginia's industrial sector accounted for nearly 20 percent of natural gas consumption in the state. Industrial sector consumption has increased steadily for more than a decade and has remained the second largest natural gas consuming sector behind the electric power sector. Virginia's natural gas suppliers specialize in serving industrial customers and provide expert advice in engineering, construction and inspection.

**Waterworks**

With few exceptions, Virginia's municipalities and several of its highly urbanized counties own their own waterworks systems. In some instances, the municipality's system also serves nearby communities and suburban areas. Most subdivision systems are privately owned and operated. Some federal installations and many industrial plants have their own water supplies. Larger municipalities usually depend on on surface water or surface water supplemented by groundwater. There are approximately 2,700 public community water supplies in Virginia, serving approximately 87 percent of the state's population. Virginia has more than 50,000 miles of freshwater streams producing greater than 25 billion gallons per day of freshwater flow.

All cities, many towns, and some counties have their own sewage collection systems. Existing or planned facilities provide wastewater treatment that meets or will meet established water quality standards.

**Transportation**

Strategically located on the U.S. East Coast and adjacent to Washington, D.C., Virginia's integrated transportation system of highways, railroads, airports, and seaports provide logistical advantages for companies in every industry. As a result of the Commonwealth having the second densest interstate system Southeast, one of the deepest, widest and most active of the East Coast ports, more than 3,000 miles of railway with two Class 1 Railroads, and nonstop connections to more than 150 destinations by air daily, the Commonwealth is recognized annually for its favorable business climate and its quality-of-life opportunities.

*Rail*: Two of the nation's largest Class I railroads operate in Virginia: CSX Corporation Railroad has offices in Richmond, and Norfolk Southern Corporation is headquartered in Norfolk. Both have extensive infrastructure throughout the Commonwealth. Eight shortline railroads also provide freight rail service. Nearly 3,400 miles of railway (excluding trackage rights) traverse the state In January 2022, the Commonwealth announced the finalized definitive agreement with Norfolk Southern Corporation to expand passenger rail services to the New River Valley area of southwestern Virginia for the first time since 1979. The investment of Southwest Virginia's rail network, called the "Western Rail Initiative", will add a second state-supported round-trip train between Roanoke and Boston later in 2022, which will be extended to the New River Valley upon completion of a new station, track and signal improvements. The expanded intercity rail service, which will create significant economic benefits and provide additional multimodal options for travelers along the Interstate 81 and Route 29 corridors, is expected to allow a third train to operate in the future and add approximately 80,000 new passengers in the first year after service is extended to the New River Valley. Norfolk Southern Corporation's Heartland Corridor double-stack rail project is a $290 million public private partnership that offers efficient routing between the Port of Virginia and the Midwest markets. In a major engineering feat, clearances were raised in 29 tunnels to make way for double stacked intermodal trains. Cargo can now be transported via double-stack rail with next morning service to Columbus, Ohio and second-morning service to Chicago, Illinois while existing rail lines can handle increasing container volumes.

Norfolk Southern's Crescent Corridor Project, a $2.5 billion infrastructure project, expanded the existing 2,500-mile rail network with thirty new lanes to enhance the Company's high-capacity intermodal system. The Crescent Corridor traverses 11 states from Louisiana to New Jersey and touches 26 percent of the nation's population and 26 percent of the nation's manufacturing output. To increase rail capacity on the Crescent's route through Virginia, Norfolk Southern spent $47.1 million to upgrade track and signals.

In December 2019, the Commonwealth and CSX signed an agreement to expand reliability and service on Virginia's rail lines, creating a pathway to separate passenger and freight operations along the Richmond to Washington D.C. corridor. The agreement between the Commonwealth and CSX outlines a $3.7 billion investment that includes building a new Virginia-owned Long Bridge across the Potomac River with tracks dedicated exclusively to passenger and commuter rail; the acquisition of more than 350 miles of railroad right-of-way and 225 miles of track; and 37 miles of new track improvements, including a Franconia-Springfield bypass.

*Air:* Virginia is served by 16 commercial airports (including those just across the state line at Bluefield, West Virginia; Blountville, Tennessee; Greensboro and Raleigh-Durham, North Carolina; and Baltimore, Maryland). Scheduled commercial airline service is provided to over 100 domestic destinations around the world. Two of the nation's largest airports, Dulles International and Ronald Reagan Washington National offer fights to more than 50 destinations on a daily basis. The commercial airports are supplemented by 57 general aviation airports licensed for public use throughout the Commonwealth. With 2,328 more flights in 2023 versus 2019, Washington Dulles International has become one of the fastest growing airports in the country.

*Location:* The state's location in the Eastern Time Zone puts Virginia within one day's travel of 47% of the entire U.S. population. As the nation's third largest state-maintained transportation network, Virginia's highway system includes more than 70,000 miles of primary and secondary roads and six major north-south and east-west interstate routes. The Commonwealth is within easy reach of the nation's leading industrial and distribution centers. For example, Richmond is only 338 miles from New York City to the north, 623 miles from Detroit to the west, and 521 miles from Atlanta to the south.

**Port Facilities**

The Port of Virginia is the deepest water harbor on the U.S. East Coast. It shelters the world's largest naval base, the largest shipbuilding and repair industrial base, a thriving export coal and bulk trade, and the sixth-largest containerized operation in the United States. Centered around the busy Norfolk Harbor, commercial vessels also steadily move cargo up the James and York Rivers, as well as down the branches of the Elizabeth River.

The Port of Virginia is the second-largest port on the East Coast by tonnage, due in large part to the export of coal, and the third-largest port on the East Coast by container volume, with more than 3.7 million twenty-foot equivalent units ("TEU") of cargo moving through its container terminals in 2022. The Port is made up of over 55 public and private marine terminals, with the Virginia Port Authority ("VPA") operating four deep-water marine terminals, an upriver terminal, and an inland intermodal terminal. Virginia's 50-foot channels and unobstructed terminal access have allowed the size of the vessels calling at the Port of Virginia to increase significantly.

The Port of Virginia plays a key role in the Commonwealth's economy and generates significant economic benefits, both direct and spin-off, to the Commonwealth, through the transportation of export and import cargo within Virginia and across it from other states and countries, the export of goods made in Virginia, and the added processing and distribution of imports retained in the Commonwealth. Annually, Port-related business and activity directly and indirectly contributes to Virginia's economy. For example, during Fiscal Year 2022, VPA reports that its workforce accounted for approximately 565,000 full-time and part-time jobs, approximately 11% of the state's resident workforce, generating in excess of $41 billion in Virginia labor income and $5.8 billion in state and local taxes and fees. In fiscal 2022, the economic activity tied to the flow of cargo across the ports terminals led to $124.1 billion in output sales, 12 percent of total Virginia output.

The Port of Virginia is largely responsible for the Commonwealth's strong ties with international commerce. The Port is serviced by more than 30 international steamship lines with connections to more than 200 countries around the world. In addition to having the distinction of being a Hub Port, the Port of Virginia is also the largest intermodal Rail Port on the East Coast. Since 2017 more than 34% of the cargo arriving and departing the Port does so by rail. Class 1 rail partners, Norfolk Southern and CSX offer double stack intermodal service on almost seven miles of on dock track to key inland markets in the Midwest, Ohio Valley and Southeast.

VPA operates and either owns or leases four marine terminals (collectively, such marine terminals are referred to herein as the "Terminals"): Norfolk International Terminals, Portsmouth Marine Terminal, Newport News Marine Terminal, and VIG Terminal. All of the Terminals are accessible through two deep water channels currently dredged to 50 feet with Congressional authorization to dredge to 55 feet, allowing the harbor of Hampton Roads to accommodate the largest container ships currently in operation.

Norfolk International Terminals ("NIT"). Located in Hampton Roads Harbor on 567 acres along the Elizabeth and Lafayette Rivers, NIT is the Port of Virginia's largest terminal and has fourteen of the biggest, most efficient cranes in the world. The General Assembly in 2016 authorized the financing of a $350 million expansion of the cargo capacity at NIT. The money will be used to reconfigure the South Berth, increasing the cargo capacity at NIT by 46% to approximately two million TEUs. Out of the Port's $1.4 billion modernization project, a $650 million North NIT renovation has begun. Projected completion of the two-phase project is 2027 by which time annual TEU capacity will be expanded to 1.4 million. With the purchase of additional rail mounted gantry cranes, capacity and efficiency increased. The main channel leading to the terminal is 50 feet deep and is currently undergoing a dredging and widening project scheduled for completion in 2024.

Portsmouth Marine Terminal ("PMT"). PMT has 3,540 feet of wharf, three berths, and six cranes, direct access to both CSX and Norfolk Southern railways, and will soon connect to the Commonwealth Railway, a 19-mile short line. PMT is a focal point in the Port of Virginia's effort to become the primary logistics center for the Mid-Atlantic's growing offshore-wind energy industry. PMT is being repurposed to handle the size and weight of the components used in the construction of offshore wind turbines. In October 2023, PMT received the first shipment of components for Dominion Energy's Coastal Virginia Offshore Wind ("CVOW") project. Plans for the CVOW Project call for the construction of 176 offshore wind turbines situated on a lease site 27 miles off the coast of Virginia Beach.

Newport News Marine Terminal ("NNMT"). NNMT provides 42,720 feet of direct cargo loading on and off ships to and from the CSX break-bulk rail service, and 3,480 feet of total pier space serviced by four cranes, covered storage, container storage, and accessibility from three major Virginia roadways.

Virginia International Gateway (VIG). The 576-acre terminal is recognized as the most technologically advanced marine cargo facility in the Americas and provides on-site rail with links to Norfolk Southern and CSX. VIG has a current capacity of over one million TEUs annually. In January 2018, four new 170-foot-tall ship-to-shore cranes arrived at the Port, which are the largest on the U.S. East Coast and will be able to service container vessels, regardless of their size, for decades to come. In 2019, the VPA completed a $320 million 800-foot berth extension at VIG container terminal in Portsmouth, Virginia. The project also includes 26 new rail-mounted gantry cranes, which support 13 new container stacks, increasing cargo and container capacity at its two major terminals.

Craney Island Marine Terminal ("CIMT"). In 2012, the Port of Virginia and the U.S. Army Corps of Engineers signed a partnership agreement for the Craney Island Eastward Expansion project in Portsmouth, Virginia. The future CIMT is the largest fully permitted port expansion project on the East Coast. The need for additional container terminal capacity in Virginia is necessitated by global growth, the arrival of larger vessels and expansion in international trade. Widening of the Panama Canal and the potential future influx of cargo to the East Coast means that the Port of Virginia will work to position itself with additional capacity to be the front-runner, among competing ports, to take advantage of these new opportunities. The future CIMT is expected to maximize the natural advantages the port has with its deep water, absence of overhead restrictions and prime distribution position along the Mid-Atlantic Coast. This multi-phase project is expected to result in the newest, most modern marine terminal in the United States. The terminal will be built in four phases with Phase One completion scheduled in 2040.

The Virginia Inland Port ("VIP"). In Front Royal is an intermodal container transfer facility that complements the Port of Virginia's marine terminal services. VIP occupies 161 acres of land and is approximately 60 miles west of Washington, D.C. The terminal brings the Port of Virginia 220 miles closer to inland markets by providing rail service to the terminals in Hampton Roads. It also consolidates and containerizes local cargo for export. VIP serves markets in northern Virginia, West Virginia, Maryland, Pennsylvania and Eastern Ohio. The facility also contains 17,820 feet of on-site rail served by Norfolk Southern and is located within one mile of I-66 and five miles of I-81. The VIP is a U.S. Customs-designated port of entry and provides the full range of customs functions to customers.

*Virginia Commercial Space Flight Authority***.** The Virginia Commercial Space Flight Authority (VCSFA), also known as 'Virginia Space,' was created by the General Assembly of the Commonwealth of Virginia in 1995, with the legislated mission of promoting commercial space activity, economic development and aerospace research within the Commonwealth. Virginia Space began its lease at Wallops Island in 1997 and continually expanded the Mid-Atlantic Regional Spaceport (MARS) facilities to its present-day level of capabilities, with two launch facilities (one mid-class and one small class launch facility), as well as access to support infrastructure facilities through agreements with NASA, such as vehicle and payload processing integration facilities, support instrumentation and emergency facilities. MARS is licensed by the FAA Office of Commercial Space Transportation for launches to orbital trajectories. MARS is only one of four spaceports in the U.S. that is currently licensed to launch to orbit and is only one of two on the East Coast. Building upon a 55-year legacy of experience gained during over 16,000 rockets launched from NASA Wallops Flight Facility (WFF), MARS provides a competitive alternative for responsive, cost effective, reliable, and mission capable Space Access.

In 2023, Virginia Space commissioned the Old Dominion University Dragas Center for Economic Analysis and Policy to conduct a study of the economic impact of the Wallops Island Aerospace Cluster (WIAC). The results showed that the WIAC economic impact has grown significantly from 2018 through 2022 and continues to have a positive impact on the Virginia (and Maryland) economy. The study concluded that the WIAF contributed between $888 million and $1.03 billion on average each year to the surrounding Virginia and Maryland counties and around 6,000 direct and indirect jobs. The total economic impact of the activity in and around the WIAC is about $1.37 billion with projected impact nearing $2 billion annually by 2030.

Virginia Space highlights include the following events:

In August 2023, Northrop Grumman's Antares 230+ rocket carrying the Cygnus Spacecraft S.S. Laurel Clark successfully launched from the Mid-Atlantic Regional Spaceport (MARS). The NG-19 mission delivered more than 8,200 pounds of research experiments, supplies, and vehicle hardware to the International Space Station (ISS). This launch marked 10 years of Antares rocket launches from MARS, and the last launch of the Antares 230+ rocket. In August 2021, Northrup Grumman launched the NG-16 Cygnus Cargo Vehicle, the S.S Ellison Onizuka, on a mission from WFF's Mid-Atlantic Regional Spaceport Pad OA to the International Space Station. The mission was the 16th resupply mission to the ISS from the facility. The activation of Rocket Lab's first launch facility in the United States, located at Wallops Island, was announced in December 2019. Rocket Lab is a global leader in small satellite launch. The company began construction on the launch pad, known as Launch Complex 2 (LC-2) in February 2019, together with the (VCSFA). The site is used to launch Rocket Lab's 57-foot-tall Electron rocket capable of carrying up to 500 pounds of satellite payload to orbit.

An Integration and Control Facility located at Wallops Research Park is also under construction. The facility will be able to accommodate the simultaneous integration of multiple Electron launch vehicles containing an operations control center connected to LC-2. In July 2018, the Commonwealth opened the Mid Atlantic Regional Spaceport Payload Processing Facility (MARS PPF) at WFF. The Commonwealth, through the VCSFA and in partnership with NASA, has invested heavily in the development of the MARS PFF. The MARS PFF will provide government and commercial business with secure mission processing for multiple payloads in one facility from arrival to encapsulation. The Commonwealth has invested over $80 million in state funds that were used for the construction of the new Pad 0A to support Orbital Science Corporation's contract with NASA for eight resupply missions to the International Space Station. With NASA turning to the commercial aerospace industry to conduct many of its mission critical activities, the Commonwealth believes that it is well situated to serve a vital role in the future of the nation's space program. MARS PFF, with its strategic location, serves not only as a valuable asset to the U.S. space program, but also as a crucial link in Virginia's job creation and economic development efforts.

**Telecommunications/Broadband**

Virginia is reported to be one of the most "connected" states in the nation with access to a robust fiber network that matches or exceeds virtually every domestic market and most major financial centers around the world. The Commonwealth hosts prominent commercial internet exchange points, and 70 percent of the world's internet traffic passes through the Metropolitan Area Exchange East located in Ashburn, Virginia. The Richmond area has been connected to Ashburn with "dark fiber," opening opportunities along the I-95 corridor. In Southern and Southwest Virginia, the benefits of a 1,500+ mile advanced fiber-optic broadband network connects more than 100 certified GigaParks.

Customers in the Commonwealth have access to a full range of high quality, technologically advanced communication services. Virtually all major cities and towns are linked by fiber-optic lines crisscrossing the Commonwealth, which, in turn, are tied into recently constructed national fiber optic networks. In the 2022 Digital States Survey, the latest biennial survey, Virginia received a ranking of "B+".

Since 2017, the Virginia Telecommunication Initiative (VATI) has awarded 39 projects in 41 different counties, supported by over $94 million in matching private and local funds. These grants, leveraging over $103 million in private/local matching funds, have connected over 140,895 homes, businesses, and community anchors to broadband. Also, in coordination with VATI, the Commonwealth has launched a multi-million dollar capital campaign, the Commonwealth Connect Fund, to match corporate and philanthropic donors with localities struggling to put together the resources to expand broadband infrastructure. To date, over $1 million has been pledged to connect communities across the Commonwealth.

Since 2006, the Mid-Atlantic Broadband Cooperative (MBC), nationally renowned as a model for rural economic development, has provided world-class fiber-optic backbone network infrastructure to Southern Virginia. This cable network provides opportunities for the region to connect directly with major Tier 1 peering and carrier collocation centers. MBC owns and operates more than 1,800 miles of advanced, open-access fiber network in 31 counties in Southern Virginia that reaches 100% of the business, industrial, and technology parks in the region. Backed by grants from the U.S. Department of Commerce and the Virginia Tobacco Commission, MBC continues to grow and expand.

Efforts are underway to further expand and enhance Southwest Virginia's technological capabilities. Grants from the Virginia Tobacco Commission and the Virginia Coalfield Economic Development Authority are expected to enable electronic upgrades as well as "last mile" connections.

The Bristol Virginia Utilities (BVU) Authority is a public utility company in Southwest Virginia that expanded its broadband infrastructure 900 miles into eight neighboring counties. That network – called OptiNet and CPC OptiNet in four of the counties – now provides fiber-optic speeds of up to 1 Gbps (gigabit per second) to customers in the city of Bristol and the counties of Bland, Buchanan, Dickenson, Russell, Smyth, Tazewell, Washington and Wythe, positioning Southwest Virginia for economic growth. Monetary grant awards of nearly $40 million from the Virginia Tobacco Commission since 2003 have helped to fund the existing 900-mile OptiNet infrastructure. In July 2010, the Virginia Tobacco Commission continued its support of OptiNet by providing another $5 million, facilitating acquisition of a Recovery Act grant of $22 million from the National Telecommunications and Information Administration. The monies have been applied toward construction of 388 miles of middle-mile fiber into seven of OptiNet's rural counties. This project paves the way for eventual fiber-to-the-home connectivity across Southwest Virginia. In August 2018, Sunset Digital Communications completed the $50 million acquisition of all of BVU Authority's OptiNet and CPC OptiNet assets, which are now owned and operated by the private Duffield, Virginia-based firm and ITC Capital Partners of Georgia. Sunset Digital Communications has reported plans to add more than 30,000 customers within the next five years.

Citizens is a regional full-service communications provider offering land-line telephone, VoIP, IPTV Video, web and e-mail hosting, DSL, and FTTP (Fiber to the Premises: Business Ethernet and FTTH, Fiber to the Home), serving seven counties in Southwest Virginia. In addition, Citizens operates a 248-mile regional open access fiber network in six Virginia counties including eight industrial parks. Citizens provides wholesale transport and internet bandwidth to a variety of service providers and partners with other open access networks, like MBC and BVU, to provide high-capacity optical transport services that are necessary to assist in the economic revitalization efforts of Southwest and Southside Virginia.

**Research and Development**

The Commonwealth is home to many internationally recognized research and development (R&D) facilities. Federally funded R&D facilities, coupled with the research from Virginia universities, provide Virginia businesses access to leading researchers and technologies. Virginia is home to hundreds of private sector R&D operations, 11 federally funded R&D Centers, and 23 Federal Laboratory Consortium Laboratories such as the Homeland Security Institute, NASA Langley Research Center, and the Thomas Jefferson National Accelerator Facility. Unique university research parks across the state offer private companies' opportunities for co-location and cooperative relationships with Virginia universities, federal labs and other research consortia.

The Virginia BioTechnology (Biotech) Park in downtown Richmond is home to nearly 70 life science companies, research institutes and state/federal labs, employing over 2,400 scientists, engineers and researchers. The Park features nine buildings on a 34-acre campus adjacent to the medical campus of Virginia Commonwealth University, a "Top 100" life sciences research center. Members include early and mid-stage companies; multinational pharmaceutical, environmental and consumer product companies; national healthcare organizations, such as the Altria Center for Research and Technology and the United Network for Organ Sharing, as well as a number of international companies. The Biotech Park is the hub of Activation Capital; a political subdivision of the Commonwealth originally named the Virginia Biotechnology Research Partnership Authority when it was established in 1993. Activation Capital's mission is to grow life sciences and other advanced technology innovations by promoting scientific research and economic development that attracts and creates new jobs and companies.

The National Institute of Aerospace (NIA) is a non-profit research and graduate education institute headquartered in Hampton, Virginia, near NASA's Langley Research Center. NIA's mission is to conduct leading-edge aerospace and atmospheric research, develop new technologies for the nation and help inspire the next generation of scientists and engineers. NIA was formed in 2002 by a consortium of research universities to ensure a national capability to support NASA's mission by expanding collaboration with academia and leveraging expertise inside and outside of NASA. NIA performs research in a broad range of disciplines including space exploration, systems engineering, nanoscale materials science, flight systems, aerodynamics, air traffic management, aviation safety, planetary and space science, and global climate change.

SRI Shenandoah Valley in Harrisonburg, Virginia focuses on health and biomedical research and drug discovery and development with the ultimate goal of bringing new therapies and diagnostics to market. As part of SRI Biosciences, the research complements capabilities at other SRI locations, including SRI's Menlo Park, California headquarters. SRI's state-of-the-art 40,000-square-foot research facility is located on a 25-acre campus in the Innovation Village at Rockingham. The facility provides a convenient base for collaboration with academia, entrepreneurs, government, industry, and investors in Virginia and the greater Washington, D.C. area. SRI moved into its Shenandoah Valley laboratory facility in 2009 and further expanded in 2011 and 2013 to accommodate growth in its R&D programs. Scientific research at SRI Shenandoah Valley focuses on prevention, detection and treatment of diseases. Activities span basic research in emerging infectious disease, metabolic disease and proteomics; applied research in therapeutics including drugs, biologics, and vaccines; and personalized medicine through the development of companion diagnostics and biomarkers.

The Commonwealth Center for Advanced Manufacturing (CCAM) located in a state-of-the-art research facility in Prince George County, Virginia, is an applied research center that bridges the gap between fundamental research typically performed at universities and product development routinely performed by companies. CCAM provides production-ready advanced manufacturing solutions to member companies across the globe. Members guide the research, leveraging talent and resources within CCAM and at Virginia's top universities, through a collaborative model that enables them to pool R&D efforts to increase efficiencies.

Following the model of CCAM, the Commonwealth Center for Advanced Logistics Systems was established in 2013 in Prince George County, Virginia. This public-private alliance focuses on solving logistics challenges and bringing solutions to market more quickly by partnering Virginia's leading universities and logistics companies. Founding members include Longwood University, the University of Virginia, Virginia Commonwealth University, Virginia State University, Logistics Management Resources, and LMI.

**Business Climate**

As of July 2023, Virginia is headquarters to 24 Fortune "Elite" 500 companies and 36 Fortune 1000 companies and is ranked highly in two of the most comprehensive and impartial independent studies evaluating America's top states for business: Forbes.com and CNBC. In just the past ten years, more than 500 companies have relocated to or expanded their headquarters offices in Virginia. With the 5th highest number of Fortune 500 and 8th highest number of Fortune 1000 company headquarters in the U.S. In 2023, Virginia represents a diversified ecosystem of more than 800 corporate headquarters in a broad cross-section of industries.
According to CNBC, Virginia is one of "America's Top States for Business" ranking #2 in 2023, #3 in 2022 and #1 in 2021. The Commonwealth has now earned the top spot five times in 2007, 2009, 2011, 2019, and 2021, more than any other state. For 2023 the study ranked the Commonwealth # 1 for Education. All 50 states are ranked on 60 measures of competitiveness, using input from business groups, economic development experts, companies, and the states themselves. The network separates those measures into 10 broad categories: cost of doing business, workforce, quality of life, economy, infrastructure, technology and innovation, education, business friendliness, access to capital, and cost of living.

In 2019, Forbes.com released its findings from a" Best States for Business" study. Virginia ranked fourth in the nation, unchanged from 2018 and up from fifth in the 2017 study. In the 2019 study, Forbes ranked Virginia first in the Quality of Life and third in Labor Supply and Regulatory Environment in these categories. Virginia received the 2018 top ranking for Regulatory Environment and Quality of Life, up from the No. 2 and No. 8 ranking in these categories, respectively. The review examines multiple objective measurements, including business cost, regulatory climate, quality of the workforce, and economic growth. Forbes.com is the official Internet site of the Forbes family of business publications. More recently, Forbes ranked Virginia #2 in Business Growth Rate from 2021 to 2022 @ 10.5%.

In August 2023, Business Facilities Magazine (BFM) ranked the Commonwealth of Virginia third in state rankings for "Best Business Climate". In each of the past three years Virginia has ranked in the top three nationally. In 2022, the Commonwealth retained its No. 1 ranking in Customized Workforce Training and Cybersecurity and repeated as #2 in Tech Talent Pipeline. Additionally, Virginia was ranked in the Top Ten in Installed Solar Capacity (M/W) for 2022. These results were founded on the work done by the local and statewide economic development councils as part of the Virginia Tech Talent Accelerator Program, launched in 2019, by the Virginia Economic Development Partnership (VEDP). Coupled with Virginia's quality higher education institutions as well as proximity to federal government agencies and resources, the Tech Talent Investment Program has become a powerful strategic initiative for the Commonwealth. BFM cited Virginia's coordinated focus in the cybersecurity sector and the fact that nearly 50 Virginia colleges and universities have established cyber degrees, as an example of the Commonwealth's focus on expanding tech talent to meet a specific need.

**Education/Information Technology**

Virginia has been "Top Ranked" in CNBC's Annual State Competitiveness Rankings more than any other state since the study began in 2007. One of the state's greatest strengths has been the ability to nurture and retain workforce talent. Virginia offers employers one of the best-educated workforces in the country with 39% of workers holding a bachelor's degree or higher. The Commonwealth also boasts the nation's third -highest concentration of science, technology, engineering and math (STEM) workers, according to the U.S. Bureau of Labor Statistics.

Working in coordination with the Virginia Economic Development Partnership, the Virginia Department of Labor and the Virginia Department of Education as well as many others, the Virginia Office of Education Economics (VOEE) leverages data to inform educational programming, policy and workforce partnerships across the Commonwealth. Products such as the "High Demand

Occupations Dashboard" provide a unified, consistent source of data analysis for policy development and implementation which allows for a better understanding of education and labor markets, and their alignment as it relates to talent development.

Virginia is committed to technology and innovation and is already at the forefront of emerging sectors like cloud computing and cybersecurity. Virginia is the leading data center market in the U.S. and is home to more than 20% of all known hyperscale data centers worldwide. With its proximity to the federal government, it is no surprise Virginia has emerged as a leader in areas such a cybersecurity and has amassed the highest concentration of tech workers in the nation. The Commonwealth is preparing for future growth in "next generation" IT through its top-ranked higher education system's ability to continue to recruit and develop a pipeline of technology talent.

The Constitution of Virginia vests the supervision of public elementary and secondary schools in local school boards. The State Board of Education is, however, required to prescribe standards of quality and has prescribed minimum competency tests for high school graduation. Virginia's public schools are financed through a combination of state, local and federal funds. The private sector also contributes through partnerships with schools and school divisions. The apportionment of the state funds for public education is the responsibility of the General Assembly, through the Appropriations Act. General fund appropriations serve as the mainstay of state support for the commonwealth's public schools, augmented by retail sales and use tax revenues, state lottery proceeds, and other sources. Historically, state funding for public education represents about one-third of the state general fund budget.

Counties, cities and towns comprising school divisions also support public education by providing the locality's share to maintain an educational program meeting the commonwealth's Standards of Quality. While public education is primarily a state and local responsibility, the federal government provides assistance to state and local education agencies in support of specific federal initiatives and mandates.

In the 2022-23 academic year, an estimated 519,160 students were enrolled in the Commonwealth's 39 public colleges, community colleges and universities. Of these students, an estimated 148,693 attended 23 community colleges on 40 campuses within the Virginia Community College System. A total of 1,263,342 students attended public elementary and secondary schools. The following table illustrates enrollment levels for all educational levels for the last 10 academic years.

| Academic Year | Higher Education [1] Public | Private | Total | Public [2] Primary and Secondary |
|---|---|---|---|---|
| 2012-13 | 409,069 | 123,144 | 532,213 | 1,264,880 |
| 2013-14 | 403,975 | 125,343 | 529,318 | 1,273,211 |
| 2014-15 | 398,689 | 135,591 | 534,280 | 1,279,773 |
| 2015-16 | 393,545 | 135,121 | 528,666 | 1,284,680 |
| 2016-17 | 388,749 | 132,144 | 520,893 | 1,288,481 |
| 2017-18 | 388,334 | 133,110 | 521,444 | 1,293,049 |
| 2018-19 | 384,200 | 137,271 | 521,471 | 1,290,513 |
| 2019-20 | 383,865 | 141,470 | 525,335 | 1,298,083 |
| 2020-21 | 224,551 | 145,628 | 370,179 | 1,252,752 |
| 2021-22 | 221,121 | 149,717 | 370,838 | 1,251,970 |
| 2022-23 | 369,812 | 149,348 | 519,160 | 1,263,342 |

*Source: [1] State Council for Higher Education in Virginia; [2] Virginia Department of Education*

In 2022, Smart Asset ranked Virginia No. 2 in its best states for Higher Education after being ranked No. 1 in 2021. This makes eight years in a row in which Virginia was ranked the best or second-best state for higher education. The study compares four-year public colleges and universities in each state using multiple metrics, including the undergraduate graduation rate, the average net price, the 20-year return on investment and the student-faculty ratio. Of these metrics Virginia had the highest graduation rate in the study at 73%.

**Natural Resources**

Virginia's geologic resources provide a wealth of opportunities for mineral and energy development. The historic contributions of these resources to economic growth is measured not only in the dollar value of the minerals produced each year, but also in the direct and indirect benefits of jobs created, support industries, new business opportunities, and revenues for local governments that provide community services. The total value of energy and mineral resources produced in 2021 was estimated to be $3.3 billion. The value of mined coal was estimated to be $1.3 billion, while oil and natural gas production was valued at $403 million. The US Geological Survey estimated the value of non-fuel mineral production in 2021 to be about $1.6 billion. Non-fuel minerals include crushed stone, sand and gravel aggregate, clays and shale, and a diverse range of industrial minerals such as kyanite, vermiculite, dimension stone, titanium and zirconium sands, among others. Energy markets continue to evolve with greater utilization of renewable sources. Natural gas and coal will remain important fuels for electricity generation in the near future.

For 2021 the total economic impact, direct and indirect, of Virginia Forestry was valued at $106 billion with approximately 490,000 Virginians employed in the sector. Total direct economic benefit for the year was valued at $55 billion and 185,000 employed. In addition, the nearly 16 million acres of forestland provide citizens environmental benefits, such as water quality and air quality, habitat for wildlife and plants, recreational opportunities, aesthetic beauty and long-term carbon sequestration through forest management.

The Virginia seafood industry is one of the oldest industries in the United States and Virginia is one of the largest seafood production states on the East Coast. According to the most recent economic impact study by the Virginia Seafood Agricultural Research and Extension Center (VSAREC), the Seafood Industry provided a $1.1 billion boost to the Virginia Economy in 2019. According to the U.S Department of Commerce and the National Marine Fisheries Service, in 2020, the Port of Reedville, Virginia was ranked 4th nationally for Port Volume and 10th for value of seafood landed at $64 million. Overall, Virginia ports are rarely closed in the winter. Virginia's catch is widely diversified, preventing dependence on any one species. Among the 50 commercially valuable seafood species harvested from some 620,000 acres of water in or around Virginia are sea scallops, eastern oysters, blue crabs, menhaden, northern quahog clam, summer flounder, striped bass and Atlantic croaker. Also, in 2020 the Commonwealth was ranked 6th nationally for Recreational Trips with nearly 8.2 million angler trips.

***Agriculture*****:** The agricultural industry is Virginia's largest private industry, which has an economic impact of $82.3 billion annually and provides nearly 382,000 jobs in the Commonwealth. The industries of agriculture and forestry together have a total economic impact of almost $106 billion. Every job in agriculture and forestry supports 1.6 jobs elsewhere in the Virginia economy.

Production agriculture employs nearly 55,000 farmers and workers in Virginia and generates approximately $3.8 billion in total output. Value-added industries, those that depend on farm commodities, employ an additional 69,000 workers. When the employment and value-added impact of agriculture and forestry are considered together, they make up 9.3 percent of the state's total gross domestic product.

***Wine and Craft Beer***: A 2022 National Economic Impact Study of the Wine Industry commissioned by Wine America: the National Association of Wineries, showed that a burgeoning wine industry is proving to be increasingly important to Virginia's economy. The study reported that close to $6.4 billion in total economic activity could be attributed to the Virginia Wine Industry. The study reported that industries as varied as farming, banking, accounting, manufacturing, packaging, transportation and tourism all depend on the wine industry as part of their livelihoods. Virginia's wine industry is comprised of 274 wine producers operating on 578 acres of vineyards. The industry directly employs as many as 25,961 people with an additional 8,716 jobs involved in supplier and ancillary industries. Virginia's wine country generated 1.45 million tourist visits in 2022 with an estimated $492.7 million in tourist expenditures.

Another burgeoning industry in the Commonwealth is the Craft Beer Industry. As of 2023, with 344 licensed craft breweries and employment in excess of 14,000, the industry produces more than 460,000 barrels of beer annually. Virginia craft beer industry is growing with $1.7 billion total economic impact in brewing, distribution, and retail and related businesses. Virginia is ranked No. 1 in the South for breweries per capita and ranks 17th on the national scale.

***Tourism*****:** Another of Virginia's most important economic assets is the travel and tourism industry. In the 2021 Economic Impact Study commissioned by the Virginia Tourism Corporation, tourism's total economic impact in Virginia in 2021 was valued at $39.4 billion with employment estimated at nearly 275,000 jobs, including employment in such travel-related businesses as lodging establishments, restaurants, museums, amusement parks, retail stores and gasoline service stations. In direct expenditures, the state's visitors spent more than $25 billion across the Virginia economy, a 44% increase from 2020, with overnight visitation up 31% vs 2020. Travelers spent $69 million per day in Virginia in 2021, up from $48 million per day in 2020. Tourism is also a significant source of government revenues and was responsible for $1.8 billion in combined state and local tax revenues in 2021, a 28% increase over 2020

## ECONOMIC DEVELOPMENT ANNOUNCEMENTS

In November of 2023, PGT Innovations, a national leader in the premium window, door and garage door industry, announced the establishment of Triple Diamond Glass, A PGT Innovations Company. Triple Diamond Glass will offer innovative solutions to window and door manufacturers in the areas of energy efficiency, security and sound abatement applications. The new facility will be strategically located in Prince George, Virginia and will eventually lead to the creation of 650 jobs.

In January 2022, Kamine Development Corporation and Nicollet Industries, LLC, green infrastructure and sustainable development leaders, announced the investment of $267 million to establish a joint venture paperboard recycling and production facility, Celadon Development Corporation, at the Chesapeake Deepwater Terminal site in the City of Chesapeake, Virginia. The capital investment is expected to create 210 new jobs and environmental stewardship opportunities, while building a cleaner economy. Celadon's state-of-the-art operation will produce in-demand fibers from recycled paper products, benefitting the environment and positioning Chesapeake and the Commonwealth's recycling technology in the U.S. Celadon's 335,000 square-foot facility will utilize the most efficient processes, creating a closed loop, waste-free industry. At the facility's peak, the operations may use up to 300 rail cars per month and export 80,000 TEUs, or twenty-foot equivalent units, per year, equivalent to 10 cargo ships, through The Port of Virginia. At full capacity, Celadon would represent one of the largest exporters in Virginia, with approximately $200 million in export value annually.

*CoStar Group, Inc., (NASDAQ: CSGP) a leading provider of real estate information and analytics, and an online* marketplace, announced in December 2021 its investment of $460 million to expand its operations, including a research and technology center expansion, in Richmond, Virginia. The Company broke ground on the project in November 2022. CoStar plans to establish a Corporate Campus that will include sales, marketing, software development, customer service and support functions on four acres adjacent to its current facility, which serves as the company's headquarters for research and data analytics. The new campus will represent approximately 750,000 square feet of new office and retail space and is expected to include a 26-story, LEED-certified office building and a six-story, multipurpose building for a central location for employee amenities. The expansion project is expected to create 2,000 new jobs in the Commonwealth.

In October 2021, Siemens Gamesa Renewable Energy (SGRE) signed an agreement to establish the first offshore wind turbine blade facility in the United States, propelling construction of the country's largest new renewable energy project. The project represents an estimated total cost of $200 million, including over $80 million in investments for buildings and equipment. The Virginia-based Dominion Energy had previously selected the company as its partner for the energy generation project more than 27 miles off the coast of Virginia Beach. Original plans called for the company to lease more than 80 acres of the Commonwealth's Portsmouth Marine Terminal and to build a facility to produce turbine blades supplying offshore wind projects in North America. Then as planned, the facility would create an estimated total of 310 new jobs, of which roughly 50 will be service jobs to support the Coastal Virginia Offshore Wind Project. Original project completion was expected to by the year 2026. In November 2023, SGRE announced that it has discontinued its plans for the $200 million project. In its announcement, SGRE maintained its support for the coastal Virginia offshore wind project.

Nestle Purina Pet Care Company, a leading manufacturer of pet care products, announced in June 2021 that it will invest $182 million to expand its manufacturing operation in King William County. Purina is expected to add 138,000 square feet to increase capacity and enhance business operations in the U.S. and Canada for its Tidy Cats litter products, including the LightWeight formulas such as Free & Clean Unscented. The project will also include an additional 100,000 square feet of warehouse space leading to more efficient logistics management and expedited delivery products. The factory expansion is expected to be completed by late 2023.

In May 2021, Breeze Airways, a new U.S. based airline providing low-cost, nonstop service to midsize markets, invested $5.2 million to establish an operations center in the City of Norfolk and created an estimated 116 new jobs. By March 2022 the airline had nine routes out of Norfolk flying to 13 cities. Norfolk serves as one of Breeze Airways' four operations based in the United States. The airline also serves eleven destinations out of Richmond International Airport with three new destinations added in 2023. Breeze Airlines is based out of Salt Lake City, Utah.

In January 2021, the nonprofit pharmaceutical manufacturer, Civica, announced that it will invest $124.5 million to establish its first in-house pharmaceutical manufacturing operation in the City of Petersburg, creating approximately 186 new jobs. Civica was launched in 2018 to address the problem of chronic generic drug shortages and high drug prices and is a key partner for the new U.S. government-funded partnership with Phlow Corporation, Medicines for All Institute, and AMPAC Fine Chemicals. Civica has announced plans to construct a 120,000 square-foot state-of-the-art manufacturing facility adjacent to Phlow's future operation and AMPAC's existing facility. In September 2022 the Company announced plans to invest $27.8 million to establish a new laboratory testing facility in Chesterfield County. The 55,000 square foot facility will create approximately 51 new jobs and support the Company's Petersburg operation.

Total Fiber Recovery (TFR) first announced in February 2020 its intent to establish its first recycled pulp production facility in the City of Chesapeake. In July 2020, Total Fiber Recovery of Chesapeake (TFRC) started construction of an $80 million facility in the city. The Virginia Small Business Financing Authority authorized the issuance of $65 million of Green Bonds to finance the construction. TFRC is a joint venture of TFR and Cellmark Inc, a privately-owned, Swedish supply chain services company with business in more than 30 countries. TFRC broke ground in July 2022.The company began purchasing raw materials consisting of mixed paper and OCC bales (Congregated Cardboard) during fourth quarter 2023. The raw materials are being recycled into Unbleached Recycled Pulp (URP). The company expects to produce 200,000 metric tonnes of URP annually which would be equivalent to nearly half of all recycled pulp in the U.S. in 2022.

In January 2023, Amazon Web Service (AWS), Amazon Inc's cloud services division, announced plans to invest $35 billion by 2040 to expand data centers in Virginia. AWS reports that the investment will create 1,000 new jobs. The new investment is expected to add to the $35 billion investment and 3,500 jobs AWS reports to have created in Virginia between 2011-2021. In 2018, Amazon had announced its intention to house the Company's second headquarters (HQ2) in Virginia, with eventual employment of up to 25,000. As of April 2022, employment at the site was approaching 5,000. HQ2 construction began in 2020.Phase 1 which has capacity for 14,000 employees opened in June 2023. Phase II construction is delayed with no timeline for development. With the announcement to establish the second Amazon headquarters, the cities of Alexandria, Fairfax, Falls Church, Manassas, Manassas Park and the counties of Arlington, Fairfax, Fauquier, Loudoun, and Prince William announced in September 2019 the formation of the Northern Virginia Economic Development Alliance. Arlington County is working diligently with officials from Amazon both on permitting and inspecting building renovation work for its initial occupancy in Crystal City, as well as the planning and entitlement of its new construction projects in Pentagon City (commonly known as the Metropolitan Park site). Current plans for the first phase of the new headquarters include two new LEED-Platinum certified buildings, new retail space for area businesses, and open, community space, transforming the site from a block of vacant warehouses into a mixed-use neighborhood. The Commonwealth is committing up to $1.1 billion to more than double the annual number of graduates with bachelor's and master's degrees in computer science and closely related fields, estimated to create an additional 31,000 graduates in excess of current levels over the next 20 years. The Commonwealth of Virginia, Arlington County, and the City of Alexandria have committed funding for transportation investments to support mobility in the region, and several transportation improvements are already underway. The Washington Metropolitan Area Transit Authority and Arlington County completed the development and analysis of alternative site locations for the Crystal City Metrorail station's new east entrance and are now finalizing the concept design plan. This new Metro entrance is expected to help alleviate crowding and streamline pedestrian traffic through the station.

Rocket Lab USA announced in February 2022 that it had selected Wallops Island as the location for its launch site and extensive manufacturing and operations facilities for its Neutron rocket, creating up to 250 jobs. In April 2022, ground was broken for construction of a 250,000 square foot manufacturing and operations facility adjacent to the Wallops Flight Facility. Plans are for the first launch to take place no earlier than 2024.

Thermo Fisher Scientific announced in March 2022, plans to expand its existing bioanalytical laboratory operations into three new locations in the greater Richmond region. The $97 million project is expected to create more than 500 new jobs. The opening of a 59,000 square foot facility was officially announced in October of 2022.

In June 2022, the LEGO Group announced plans to invest $1 billion to establish its first U.S. manufacturing plant in Chesterfield County, including a new 1.7 million-square-foot precision manufacturing facility creating over 1,760 new jobs. Ground-breaking for the carbon-neutral run factory occurred in April 2023 with opening set for 2025.

Aerospace leaders Boeing and Raytheon Technologies announced in June 2022 plans to move their global headquarters to Arlington, VA from Chicago and Boston respectively. Raytheon's new office will be located in Arlington's Rossyln neighborhood alongside its existing intelligence and space business. Raytheon completed its move to Northern Virginia and changed its name to RTX in 2023. Boeing has also completed its move to the Arlington Crystal City area.

In August 2022, Hilton Worldwide Holdings Inc. announced it plans to expand its Fairfax County Corporate Headquarters, creating 350 new jobs over the next five years.

DroneUp LLC announced in August 2022, plans to expand its Virginia Beach Headquarters and establish a testing, training, and R&D center at Richard Bland College in Dinwiddie County (VA), representing an investment of $27.2 million and 655 total new jobs. In May 2023, the DroneUp/Richard Bland partnership was runner-up in the Workforce Development Category at the 6th Annual AUVSI (Association of Uncrewed Systems International) Xcellence Awards. The award was for establishing the nation's first Commercial Drone Workforce Training Program for college credit.

Demonstrating Virginia's emerging position as a leader in a growing controlled environment agriculture industry, Plenty Unlimited Inc. announced plans in September 2022 to build the world's largest indoor vertical farming campus in Virginia, a $300 million investment that will create 300 jobs in Chesterfield County. The company's first farm is expected to be operational in 2024 with a focus on strawberry production.

In September 2022, Beanstalk Farms Inc. announced the recent opening of the company's new indoor farm and distribution facility in Herndon, Virginia, and AeroFarms officially began operations in a state-of-the-art, 140,000 square-foot indoor farming facility in Danville-Pittsylvania County.

## DISCLOSURE STATEMENTS

### Cyber Security Risk

Computer networks and data transmission and collection are vital to the efficient operation of the Commonwealth and the provision of government services. The Virginia Information Technologies Agency (VITA) is charged with the development, delivery and maintenance of information technology, security, policy and governance, and procurement services for Virginia's executive branch. VITA develops and manages a portfolio of tools and processes designed to secure Commonwealth data and systems against unauthorized use, disclosure, modification, damage or loss.

Despite the implementation of various security measures across the networks used by the Commonwealth and its agencies, the Commonwealth's computer and information technology systems may be vulnerable to deliberate attacks by hackers, malware, ransomware or computer viruses, or may otherwise be breached due to employee error, malfeasance or other disruptions. Any such attack or breach could compromise the networks used by the Commonwealth and its agencies, and the information stored thereon could be disrupted, accessed, publicly disclosed, lost or stolen. Further, a successful cyberattack or an unintentional breach may require the Commonwealth to expend an unpredictable amount of money and time to resolve, substantially interrupting operations of the Commonwealth and its agencies and subjecting the Commonwealth to legal action.

As cybersecurity threats continue to evolve, the Commonwealth anticipates a continuing need to provide additional resources to modify and strengthen security measures, investigate and remediate potential vulnerabilities, and invest in new technology designed to mitigate security risks.

**Environmental and Severe Weather Risks**

The natural resources of the Commonwealth are integral to the agricultural, industrial and commercial sectors of the Virginia economy, as well as necessary to the promotion of continued economic development. To ensure the continued vitality of these valuable resources, the Virginia Department of Environmental Quality administers state and federal laws and regulations to promote and improve air quality, water quality, water supply, renewable energy and land protection, as well as to mitigate various environmental risks.

Certain geographic areas of the Commonwealth are susceptible from time to time to the effects of coastal and inland flooding, wind damage, widespread power outages and other damaging effects resulting from severe weather events such as tornadoes, winter storms and hurricanes. The coastal areas of the Commonwealth may also experience increased mitigation costs and declining real property values as a result of rising sea levels over the long-term. The Commonwealth has been able to respond effectively to prior weather events through a combination of its emergency response systems, existing programs to address weather and environmental risks, and state-level financial resources, supported as well as by federal disaster relief programs.

There is no basis to predict the frequency or scope of future severe weather events and the effect on the Commonwealth's economy, finances and operations. Further, there is no basis to estimate the direct and indirect costs to be incurred by the Commonwealth from its ongoing efforts to mitigate other known and unknown risks to the environment.

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APPENDIX D

# FORM OF BOND COUNSEL OPINION LETTER

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*[Proposed form of Opinion of Bond Counsel, Kutak Rock, LLP]*

March ___, 2024

Commonwealth Transportation Board
Richmond, Virginia

**Commonwealth Transportation Board**
**$414,820,000**
**Commonwealth of Virginia**
**Transportation Capital Projects Revenue Refunding Bonds, Series 2024**

Ladies and Gentlemen:

We have served as Bond Counsel to the Commonwealth Transportation Board (the "Transportation Board") in connection with the issuance of the Transportation Board's $414,820,000 Commonwealth of Virginia Transportation Capital Projects Revenue Refunding Bonds, Series 2024 (the "Bonds"). The Bonds are issued under a Master Indenture of Trust dated as of May 1, 2010, as previously supplemented and amended (the "Master Indenture"), and as further supplemented by an Eleventh Supplemental Indenture of Trust dated as of March 1, 2024 (the "Eleventh Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each between the Transportation Board and Computershare Trust Company, National Association, as successor trustee (the "Trustee"). Reference is made to the Bonds and the Indenture for certain information concerning the details of the Bonds, including payment and redemption provisions, their purpose, and the proceedings pursuant to which they are issued. Capitalized terms used herein, unless otherwise defined, have the meanings given in the Indenture.

In connection with this opinion, we have examined (a) the Constitution of Virginia (the "Constitution"), and the applicable laws of the Commonwealth of Virginia (the "Commonwealth"), including without limitation, (1) the Commonwealth Transportation Capital Projects Revenue Bond Act of 2007, enactment clause 2 of Chapter 896 of the Acts of the General Assembly of the Commonwealth of Virginia, 2007 Regular Session, as amended; (2) Item 456.H. of Chapter 874 of the Acts of the General Assembly of the Commonwealth of Virginia, 2010 Regular Session, as amended by Chapter 890 of the Acts of the General Assembly of the Commonwealth of Virginia, 2011 Regular Session, and Chapter 732 of the Acts of the General Assembly of the Commonwealth of Virginia, 2016 Regular Session; (3) Chapters 830 and 868 of the Acts of the General Assembly of the Commonwealth of Virginia, 2011 Regular Session; (4) Chapter 854 of the Acts of the General Assembly of the Commonwealth of Virginia, 2018 Regular Session; (5) the Transportation Development and Revenue Bond Act, §§ 33.2-1700 et seq. of the Code of Virginia of 1950, as amended, and (b) the Internal Revenue Code of 1986, as amended (the "Code"), and (c) copies of certified proceedings and other documents relating to the Transportation Board's issuance and sale of the Bonds as we have deemed necessary to render this opinion.

Without undertaking to verify the same by independent verification, we have relied on (a) computations provided by Public Resources Advisory Group, as financial advisor to the Transportation Board, the mathematical accuracy of which has been verified by Robert Thomas CPA, as verification agent, relating to the yield of investments in the escrow fund established in connection with the refunding and defeasance as applicable of certain of the Refunded Bonds, the sufficiency of such investments to pay when due the principal of and interest on such Refunded Bonds and the yield on the Bonds; and (b) representations of the Transportation Board and the Virginia Department of Transportation as to questions of fact material to this opinion, including, without limitation, representations as to the use of proceeds of the Bonds and the Refunded Bonds, and certifications and representations contained in certificates of the Transportation Board, the Virginia Department of Transportation, the Treasury Board and other public officials and third parties furnished to us. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to the issuance of the Bonds have been duly authorized, executed and delivered by all parties other than the Transportation Board, and we have further assumed the due organization, existence and powers of such other parties.

Based on the foregoing, we are of the opinion, under current law that:

(1) The Bonds have been duly authorized and issued pursuant to the Indenture in accordance with the Constitution and statutes of the Commonwealth and constitute valid and binding limited obligations of the Transportation Board secured by the Indenture payable as to principal, premium, if any, and interest solely from the revenues, receipts, and funds appropriated by the General Assembly therefor and paid to the Trustee in accordance with the Payment Agreement dated as of May 1, 2010, between the Transportation Board, the Treasury Board of the Commonwealth and the Secretary of Finance and certain funds held under the Indenture, all as provided in the Indenture.

(2) The Transportation Board's obligation to make payments of principal, premium, if any, and interest on the Bonds are subject to and dependent on appropriations by the General Assembly. The General Assembly is not obligated to make such appropriations. The Bonds do not create or constitute a debt or a pledge of the full faith and credit of the Commonwealth or of any of its political subdivisions.

(3) The Indenture has been duly authorized, executed, and delivered by the Transportation Board and constitutes a valid and binding obligation of the Transportation Board enforceable against the Transportation Board in accordance with its terms. The Eleventh Supplemental Indenture is authorized by the Master Indenture and complies with its requirements.

(4) Additional Series of Bonds may be issued from time to time hereafter under the conditions, limitations, and restrictions set forth in the Master Indenture and may be secured equally and ratably thereunder on a parity with the Bonds and other Outstanding Bonds issued under the Master Indenture.

(5) The rights of the holders of the Bonds and the enforceability of the Transportation Board's obligations under the Bonds and the Indenture may be limited or otherwise affected by bankruptcy, insolvency, reorganization, moratorium, and similar laws now or hereafter in effect affecting creditors' rights. The enforceability of those rights and obligations is also subject to the exercise of judicial discretion in accordance with general principles of equity.

(6) Interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax for individuals. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. The opinion set forth above regarding the exclusion of interest is subject to the condition that the Transportation Board complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds for interest on the Bonds to continue to be excluded from gross income for federal income tax purposes. The Transportation Board has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

(7) Interest on the Bonds is exempt from income taxation by the Commonwealth and any of its political subdivisions. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth.

Our services as Bond Counsel to the Transportation Board have been limited to delivering the foregoing opinions based on our review of such legal proceedings as we deem necessary to approve the validity of the Bonds and the tax status of the interest thereon. The foregoing opinions are in no respect opinions as to the business or financial resources of the Transportation Board and the Commonwealth or as to the accuracy, adequacy or completeness of any information, including the Transportation Board's Preliminary Official Statement, dated February 16, 2024, and its Official Statement, dated February 28, 2024, relating to the Bonds that may have been relied upon by anyone in making a decision to purchase Bonds.

The opinions expressed herein are given as of the date hereof only, and we assume no obligation to update, revise or supplement such opinions to reflect any facts or circumstances that hereafter may come to our attention or any changes in law that hereafter may occur or become effective. We have not been asked to, and we do not, express any opinion as to any matter except as specifically set forth herein.

Very truly yours,

APPENDIX E

# CONTINUING DISCLOSURE UNDERTAKINGS OF THE COMMONWEALTH TRANSPORTATION BOARD AND THE COMMONWEALTH OF VIRGINIA

## APPENDIX E

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is dated March 14, 2024 (the "Closing Date"), and is executed and delivered by the **Commonwealth Transportation Board** (the "Transportation Board") of the Commonwealth of Virginia (the "Commonwealth") in connection with the issuance by the Transportation Board of its $414,820,000 Commonwealth of Virginia Transportation Capital Projects Revenue Refunding Bonds, Series 2024 (the "Bonds"), pursuant to the provisions of a Master Indenture of Trust dated as of May 1, 2010, as previously supplemented and amended, and as further supplemented by a Eleventh Supplemental Indenture of Trust dated as of March 1, 2024 (collectively, the "Indenture"), entered into between the Transportation Board and Computershare Trust Company, N.A., as successor trustee (the "Trustee").

The Transportation Board hereby covenants and agrees as follows:

Section 1. Definitions. In addition to capitalized terms defined elsewhere in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Transportation Board pursuant to and as described in Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" means the Transportation Board, acting in its capacity as dissemination agent hereunder, or any successor dissemination agent. Notwithstanding anything contained in this definition, the dissemination agent shall not be required to have any agency relationship with the Transportation Board for purposes of state law.

"EMMA" means the MSRB's Electronic Municipal Market Access system, the internet address of which is http://emma.msrb.org/, and any successor thereto.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

"Fiscal Year" means the twelve-month period, at the end of which the financial position of the Transportation Board and results of its operations for such period are determined. Currently, the Transportation Board's Fiscal Year begins July 1 and continues through June 30 of the next year.

"General Assembly" means the General Assembly of the Commonwealth of Virginia.

"Holder" means, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

"MSRB" means the Municipal Securities Rulemaking Board.

"Official Statement" means the Transportation Board's Official Statement with respect to the Bonds, dated February 28, 2024.

"Project" means any transportation project for which the net proceeds of the Bonds may be used to provide funds pursuant to the Commonwealth Transportation Capital Projects Bond Act of 2007, enactment clause 2 of Chapter 896 of the Acts of the General Assembly of the Commonwealth of Virginia, 2007 Regular Session, as amended; Item 456.H. of Chapter 874 of the Acts of the General Assembly of the Commonwealth of Virginia, 2010 Regular Session, as amended; and Chapter 854 of the Acts of the General Assembly of the Commonwealth of Virginia, 2018 Regular Session, as amended.

"Rule" means Rule 15c2-12, adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Participating Underwriter" means any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

Section 2. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Transportation Board for the benefit of the Holders and to assist the Participating Underwriters in complying with the Rule. The Transportation Board acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

Section 3. Provision of Annual Reports: Audited Financial Statements.

(a) By not later than 10 months following the end of each Fiscal Year of the Transportation Board, commencing with the Fiscal Year ending June 30, 2024, the Transportation Board shall submit, or shall cause the Dissemination Agent (if different from the Transportation Board) to submit, to EMMA an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package and (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement;

(b) The Transportation Board does not produce separate financial statements, but its financial activity is included in the audited financial statements of the Commonwealth. Accordingly, the Commonwealth is an obligated person for whom financial or operating data is presented in the Official Statement, and the Commonwealth has separately executed and delivered a continuing disclosure agreement dated the date hereof related to the offering and sale of the Bonds for the benefit of Holders of the Bonds and to assist the Participating Underwriters in complying with the Rule. If, at any time in the future, as a result of a change in law or accounting policy, the Transportation Board should produce a separate audited financial statement, then the Transportation Board will make public such audited financial statements as provided in the Rule; and

(c) If the Transportation Board fails to submit an Annual Report to EMMA by the date required in subsection (a) hereof, the Transportation Board shall or shall cause the

Dissemination Agent (if different from the Transportation Board) to send, in a timely manner, an appropriate notice to the MSRB in substantially the form attached hereto as Exhibit A.

Section 4. Content of Annual Reports. Each Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, the following information, all with a view toward assisting the Participating Underwriters in complying with the Rule:

(a) if any of the information has changed, updated information regarding the Capital Projects Revenue Bonds Program as set forth in the first three paragraphs under the section bearing such heading in the Official Statement, including bond authorization for the Projects;

(b) updated information regarding the Priority Transportation Fund, all as set forth in the section of the Official Statement titled "Priority Transportation Fund;"

(c) updated information regarding the Transportation Trust Fund, all as set forth in the section of the Official Statement titled "Transportation Trust Fund;" and

(d) to the extent other funds are appropriated by the General Assembly with respect to the Bonds, a chart or other updated information detailing the sources of such other funds appropriated by the General Assembly with respect to the Bonds, as of the end of the preceding Fiscal Year.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements, documents related to debt issues or other documents of the Transportation Board or the Commonwealth, that have been filed with the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Transportation Board shall clearly identify each such other document so incorporated by reference.

Section 5. Event Notices. The Transportation Board will submit, or cause the Dissemination Agent (if not the Transportation Board) to submit, in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB, notice of the occurrence of any of the following events (listed in subsection (b)(5)(i)(c) of the Rule) with respect to the Bonds of which the Transportation Board has actual knowledge:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) Modifications to rights of Holders of the Bonds, if material;

(8) Bond calls, if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the Transportation Board;

(13) The consummation of a merger, consolidation, or acquisition involving the Transportation Board or the sale of all or substantially all of the assets of the Transportation Board, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Holders of the Bonds, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

The Transportation Board does not undertake to provide the above-described notice in the event of a scheduled mandatory redemption, not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the Official Statement for the Bonds, (ii) the only open issue is which Bonds will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the Holders under the terms of the Indenture and (iv) public notice of the redemption is given pursuant to Release No. 34-23856 of the Securities and Exchange Commission, even if the originally scheduled amounts may be reduced by prior optional redemption or Bond purchases.

Section 6. Termination of Reporting Obligation. The obligations of the Transportation Board under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds.

Section 7. Dissemination Agent. The Transportation Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. Any such successor Dissemination Agent will be deemed to be appointed pursuant to this Disclosure Agreement. It is currently anticipated that such successor Dissemination Agent may include, among others, Digital Assurance Certification LLC, or similar organizations that may exist from time to time. If at any time there is not any other designated Dissemination Agent, the Transportation Board shall be the Dissemination Agent.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the Transportation Board may amend this Disclosure Agreement if such amendment is supported by a written opinion of independent counsel to the Transportation Board with expertise in federal securities laws to the effect that such amendment is permitted or required by the Rule.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Transportation Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice described in Section 5 above, in addition to that which is required by this Disclosure Agreement, including without limitation the Annual Financial Report of the Virginia Department of Transportation. If the Transportation Board chooses to include any information in any Annual Report or notice described in Section 5 above, in addition to that which is specifically required by this Disclosure Agreement, the Transportation Board shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice.

Section 10. Default. Any person referred to in Section 11 (other than the Transportation Board) may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligation of the Transportation Board to file its Annual Report or to give notice as described in Section 5. In addition, Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding may take such actions as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement or to enforce any other obligation of the Transportation Board hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Indenture or any applicable resolution or other debt authorization of the Transportation Board, and the sole remedy under this Disclosure Agreement in the event of any failure of the Transportation Board to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Transportation Board, the Participating Underwriters, and the Holders and shall create no rights in any other person or entity.

Section 12. Identifying Information. If the Transportation Board is providing to EMMA the documents required under this Disclosure Agreement, the Transportation Board shall provide such documents with any identifying information prescribed by the MSRB.

[Signature Page Follows]

**IN WITNESS WHEREOF,** the undersigned Chairperson of the Commonwealth Transportation Board has executed this Continuing Disclosure Agreement, as of the Closing Date.

**COMMONWEALTH TRANSPORTATION BOARD**

________________________________________

W. Sheppard Miller, III
Chairperson

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT
[AUDITED ANNUAL FINANCIAL STATEMENTS]

COMMONWEALTH TRANSPORTATION BOARD

in connection with

Commonwealth of Virginia
Transportation Capital Projects Revenue Refunding Bonds, Series 2024

CUSIP Numbers:
927793 X79 to Z51

Dated: March 14, 2024

**NOTICE IS HEREBY GIVEN** that the Commonwealth Transportation Board (the "Transportation Board") has not provided an Annual Report [Audited Annual Financial Statements] as required by Section 3 of the Continuing Disclosure Agreement, which was entered into in connection with the issuance of the above-named bonds. The Transportation Board anticipates that the Annual Report [Audited Annual Financial Statements] will be filed

by_____________________________ [or it has been filed as of _____________________ ].

Dated:____________________

COMMONWEALTH TRANSPORTATION BOARD

By:_______________________________________
Its:___________________________________

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is dated March 14, 2024 (the "Closing Date"), and is executed and delivered by the **Commonwealth of Virginia** (the "Commonwealth") in connection with the issuance by the Commonwealth Transportation Board (the "Transportation Board") of $414,820,000 aggregate principal amount of the Commonwealth of Virginia Transportation Capital Projects Revenue Refunding Bonds, Series 2024 (the "Bonds"), pursuant to the provisions of a Master Indenture of Trust dated as of May 1, 2010, as previously supplemented and amended, and as supplemented by an Eleventh Supplemental Indenture of Trust dated as of March 1, 2024 (collectively, the "Indenture"), entered into between the Transportation Board and Computershare Trust Company, N.A., as successor trustee (the "Trustee"). The proceeds of the Bonds are being used by the Transportation Board to provide for refunding certain outstanding maturities of previously issued Commonwealth of Virginia Capital Projects Revenue Bonds and the payment of certain costs related to the issuance of the Bonds. The Transportation Board has advised the Commonwealth that it has determined that the Commonwealth constitutes an "obligated person" within the meaning of the Rule in respect of the Bonds, and the Commonwealth concurs in such determination. The Commonwealth hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Commonwealth for the benefit of the Holders and in order to assist the Participating Underwriters in complying with the Rule. The Commonwealth acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Commonwealth pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean the Commonwealth, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Commonwealth and which has filed with the Commonwealth a written acceptance of such designation.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access system, the internet address of which is http://emma.msrb.org/, and any successor thereto.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

"Fiscal Year" shall mean the twelve-month period, at the end of which the financial position of the Commonwealth and results of its operations for such period are determined. Currently, the Commonwealth's Fiscal Year begins July 1 and continues through June 30 of the next year.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of such Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports; Audited Financial Statements.

(a) Not later than seven months following the end of each Fiscal Year of the Commonwealth, commencing with the Fiscal Year ending June 30, 2024 the Commonwealth shall, or shall cause the Dissemination Agent (if different from the Commonwealth) to, submit to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than 10 days prior to said date, the Commonwealth shall provide the Annual Report to the Dissemination Agent (if applicable). In each case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement, and (iii) shall include such financial statements as may be required by the Rule.

(b) The annual financial statements of the Commonwealth shall be prepared on the basis of generally accepted accounting principles and will be audited. Copies of the audited annual financial statements, which may be filed separately from the Annual Report, will be submitted to EMMA when they become publicly available.

(c) If the Commonwealth fails to submit an Annual Report to EMMA by the date required in subsection (a) hereof, or to submit its audited annual financial statements to EMMA when they become publicly available, the Commonwealth shall send an appropriate notice to the MSRB in substantially the form attached hereto as Exhibit A.

SECTION 4. Content of Annual Reports. Each Annual Report required to be filed hereunder shall include, at a minimum, the information referred to in Exhibit B as it relates to the Commonwealth, all with a view toward assisting Participating Underwriters in complying with the Rule. Any or all of such information may be incorporated by reference from other documents, including official statements containing information with respect to the Commonwealth, which have been filed with the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Commonwealth shall clearly identify each such other document so incorporated by reference.

SECTION 5. Notice of Rating Changes. The Commonwealth will provide in a timely manner not in excess of ten business days after the occurrence of the event to the Transportation Board and to EMMA notice of any changes in the ratings of the Commonwealth's general obligation bonds by the rating agencies requested by the Commonwealth to rate such bonds.

SECTION 6. Notice of Bankruptcy, Insolvency, Receivership or Similar Event. The Commonwealth will provide in a timely manner not in excess of ten business days after the occurrence of the event to the Transportation Board and to EMMA notice of any bankruptcy, insolvency, receivership or similar event of the Commonwealth. For purposes of this Section, a bankruptcy, insolvency, receivership or similar event of the Commonwealth is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Commonwealth in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Commonwealth, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan or reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Commonwealth.

SECTION 7. Notice of Merger, Consolidation, Acquisition or Similar Event. The Commonwealth will provide in a timely manner not in excess of ten business days after the occurrence of the event to the Transportation Board and to EMMA notice of any consummation of a merger, consolidation, or acquisition involving the Commonwealth or the sale of all or substantially all of the assets of the Commonwealth, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

SECTION 8. Notice of Incurrence of Financial Obligation. The Commonwealth will provide in a timely manner not in excess of ten business days after the occurrence of the event to the Transportation Board and to EMMA notice of any incurrence of a Financial Obligation of the Commonwealth, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Commonwealth, any of which affect Holders, if material.

SECTION 9. Notice of Financial Difficulties with respect to a Financial Obligation. The Commonwealth will provide in a timely manner not in excess of ten business days after the occurrence of the event to the Transportation Board and to EMMA notice of any default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Commonwealth, any of which reflect financial difficulties.

SECTION 10. Termination of Reporting Obligation. The obligations of the Commonwealth under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the Bonds, and the Transportation Board shall notify the Commonwealth promptly upon the occurrence of either such event.

SECTION 11. <u>Dissemination Agent</u>. The Commonwealth may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Commonwealth shall be the Dissemination Agent.

SECTION 12. <u>Amendment</u>. Notwithstanding any other provision of this Disclosure Agreement, the Commonwealth may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws to the effect that such amendment is permitted or required by the Rule.

SECTION 13. <u>Additional Information</u>. Nothing in this Disclosure Agreement shall be deemed to prevent the Commonwealth from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notices described in Sections 5 through 9 above, in addition to that which is required by this Disclosure Agreement. If the Commonwealth chooses to include any information in any Annual Report or notices described in Sections 5 through 9 above, in addition to that which is specifically required by this Disclosure Agreement, the Commonwealth shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice.

SECTION 14. <u>Default</u>. Any person referred to in Section 15 (other than the Commonwealth) may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligation of the Commonwealth to file its Annual Report or to give notices as described in Sections 5 through 9 hereinabove. In addition, Holders of not less than a majority in aggregate principal amount of Bonds outstanding may take such actions as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the Commonwealth hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under any applicable resolution or other debt authorization of the Commonwealth, and the sole remedy under this Disclosure Agreement in the event of any failure of the Commonwealth to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

SECTION 15. <u>Beneficiaries</u>. This Disclosure Agreement shall inure solely to the benefit of the Commonwealth, the Transportation Board, the Participating Underwriters, and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 16. <u>Counterparts</u>. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 17. EMMA. All filings under this Disclosure Agreement shall be made solely by transmitting such filings to the Municipal Securities Rulemaking Board via EMMA, as described in 1934 Act Release No. 59062. Should the Securities and Exchange Commission approve any additional or subsequent internet-based electronic filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable Securities and Exchange Commission regulation or release approving such filing system.

[Signature Page Follows]

Date: March 14, 2024

**COMMONWEALTH OF VIRGINIA**

By:____________________________
State Treasurer

AGREED TO & ACKNOWLEDGED:

**COMMONWEALTH TRANSPORTATION BOARD**

By:__________________________________
Chairperson

[Signature Page to Continuing Disclosure Agreement]

**EXHIBIT A**

NOTICE OF FAILURE TO FILE ANNUAL REPORT
[AUDITED ANNUAL FINANCIAL STATEMENT]

COMMONWEALTH OF VIRGINIA

in connection with

$414,820,000 Commonwealth Transportation Board
Transportation Capital Projects Revenue Refunding Bonds, Series 2024

CUSIP Numbers: 927793 X79 to Z51

Dated: March 14, 2024

NOTICE IS HEREBY GIVEN that the Commonwealth of Virginia (the "Commonwealth") has not provided an Annual Report [Audited Annual Financial Statements] as required by Section 3 of the Continuing Disclosure Agreement, which was entered into by the Commonwealth in connection with the above-named Bonds issued pursuant to a Master Indenture of Trust dated as of May 1, 2010, as previously supplemented and amended, and as supplemented by an Eleventh Supplemental Indenture of Trust dated as of March 1, 2024 (collectively, the "Indenture"), entered into between the Transportation Board and Computershare Trust Company, N.A., or other successor permitted under the Master Indenture), as trustee (the "Trustee"). The Commonwealth anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by _____________.

Dated:_____________

**COMMONWEALTH OF VIRGINIA**

By:____________________________
State Treasurer

**EXHIBIT B**

## CONTENT OF ANNUAL REPORT

**General Fund**. Information concerning revenues, sources of revenues, expenditures, categories of expenditures and balances of the General Fund of the Commonwealth for the preceding fiscal year.

**Appropriation Act**. A summary of the material budgetary aspects of the Appropriation Act for the current biennium.

**Debt**. Updated information respecting tax-supported and other outstanding debt of the Commonwealth including a historical summary of outstanding tax-supported debt; a summary of authorized but unissued tax-supported debt and a summary of annual debt service on outstanding tax-supported debt.

**Retirement Plans**. Updated information (to the extent not shown in the latest audited annual financial statements) respecting pension and retirement plans administered by the Commonwealth including a summary of membership, revenues, expenses and actuarial valuation(s) of such plans.

**Litigation**. A summary of material litigation pending against the Commonwealth.

**Demographic Information**. Updated demographic information respecting the Commonwealth such as its population and tax base.

**Economic Information**. Updated economic information respecting the Commonwealth such as income, employment, industry and infrastructure data.

In general, the foregoing will include information as of the end of the most recent fiscal year or as of the most recent practicable date. Where information for the fiscal year just ended is provided, it may be preliminary and unaudited. Where information has historically been provided for more than a single period, comparable information will in general be provided for the same number of periods where valid and available. Where comparative demographic or economic information for the Commonwealth and the United States as a whole is contemporaneously available and, in the judgment of the Commonwealth, informative, such information may be included. Where, in the judgment of the Commonwealth, an accompanying narrative is required to make data presented not misleading, such narrative will be provided.

APPENDIX F

# REFUNDED BONDS

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**APPENDIX F**

# REFUNDED BONDS

**COMMONWEALTH TRANSPORTATION BOARD**
**SUMMARY OF REFUNDED BONDS**

BASE CUSIP NUMBER: 927793

| Bonds | Maturity Date | CUSIP Suffix | Interest Rate | Par Amount | Call Date | Call Price |
|---|---|---|---|---|---|---|
| Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2010A-2 (Federally Taxable – Build America Bonds) | 5/15/2035 | TC3 | 5.350% | $266,100,000 | 03/14/2024 | 100.430% |
| Commonwealth of Virginia Transportation Capital Projects Revenue Bonds, Series 2014 | 05/15/2025 | XR5 | 5.000% | $9,835,000 | 06/10/2024 | 100.000% |
| | 05/15/2026 | XS3 | 5.000 | 10,325,000 | 06/10/2024 | 100.000 |
| | 05/15/2027 | XT1 | 5.000 | 10,845,000 | 06/10/2024 | 100.000 |
| | 05/15/2028 | XU8 | 5.000 | 11,385,000 | 06/10/2024 | 100.000 |
| | 05/15/2029 | XV6 | 3.000 | 11,955,000 | 06/10/2024 | 100.000 |
| | 05/15/2030 | XW4 | 4.000 | 12,310,000 | 06/10/2024 | 100.000 |
| | 05/15/2031 | XX2 | 4.000 | 12,805,000 | 06/10/2024 | 100.000 |
| | 05/15/2032 | XY0 | 4.000 | 13,315,000 | 06/10/2024 | 100.000 |
| | 05/15/2033 | XZ7 | 4.000 | 13,850,000 | 06/10/2024 | 100.000 |
| | 05/15/2034 | YA1 | 4.000 | 14,405,000 | 06/10/2024 | 100.000 |
| | 05/15/2035 | YB9 | 4.000 | 14,980,000 | 06/10/2024 | 100.000 |
| | 05/15/2036 | YC7 | 4.000 | 15,580,000 | 06/10/2024 | 100.000 |
| | 05/15/2037 | YD5 | 4.000 | 16,200,000 | 06/10/2024 | 100.000 |
| | 05/15/2038 | YE3 | 4.000 | 16,850,000 | 06/10/2024 | 100.000 |
| | 05/15/2039 | YF0 | 4.000 | 17,525,000 | 06/10/2024 | 100.000 |
| | | | | $202,165,000 | | |

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