NEW ISSUE – BOOK ENTRY ONLY

Ratings: Fitch: AA+
Moody's: Aa1
Standard & Poor's: 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 2024 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 2024 Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that the 2024 Bonds, income from the 2024 Bonds and any profit made on their sale, are exempt from income taxation by the Commonwealth of Virginia and any of its political subdivisions. See "***TAX MATTERS***" herein.*

$642,215,000
VIRGINIA COLLEGE BUILDING AUTHORITY
Educational Facilities Revenue Bonds
(21st Century College and Equipment Programs)
Series 2024A

Dated: Date of Delivery **Due: February 1, as shown on inside cover**

This Official Statement has been prepared by the Virginia College Building Authority (the "Authority") to provide information on the Authority's Educational Facilities Revenue Bonds (21st Century College and Equipment Programs) Series 2024A (the "2024 Bonds"). Selected information is presented on this cover page for the convenience of the reader. To make an informed decision regarding the 2024 Bonds, a prospective investor should read this Official Statement in its entirety.

Security	The 2024 Bonds are limited obligations of the Authority payable primarily from the funds anticipated to be appropriated from time to time for such purpose by the General Assembly of Virginia and are not a debt, or a pledge of the faith and credit, of the Commonwealth of Virginia (the "Commonwealth"). Neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the 2024 Bonds.
Redemption	See the inside front cover pages and **"THE 2024 BONDS- Redemption Provisions"** herein.
Issued Pursuant to	Master Indenture of Trust dated as of December 1, 1996, as amended, and as supplemented by the Fifty-Fifth Supplemental Indenture of Trust with respect to the 2024 Bonds, to be dated as of May 1, 2024.
Purpose	The Authority will use the proceeds of the 2024 Bonds to (i) finance certain capital projects and acquire equipment for public institutions of higher education in the Commonwealth and (ii) pay the costs of issuing the 2024 Bonds.
Interest Payment Dates	February 1 and August 1, beginning August 1, 2024.
Denomination	$5,000 or multiples thereof.
Closing/Delivery Date	On or about May 7, 2024.
Registration	Book-entry-only; The Depository Trust Company.
Trustee/Paying Agent	The Bank of New York Mellon Trust Company, N.A., Pittsburgh, Pennsylvania.
Financial Advisor	Public Resources Advisory Group, New York, New York.
Bond Counsel	Kutak Rock LLP, Richmond, Virginia.
Issuer Contact	Director of Debt Management, Virginia Department of the Treasury, (804) 225-2142.

Dated: April 16, 2024

$642,215,000
VIRGINIA COLLEGE BUILDING AUTHORITY

Educational Facilities Revenue Bonds
(21st Century College and Equipment Programs)
Series 2024A
(Base CUSIP Number 92778V)*

Dated: Date of Delivery **Due: February 1, as shown below**

Year of Maturity	Principal Amount	Interest Rate	Yield	CUSIP Suffix*
2025	$34,780,000	5.000%	3.450%	NT1
2026	28,455,000	5.000	3.210	NU8
2027	29,880,000	5.000	3.030	NV6
2028	31,375,000	5.000	2.890	NW4
2029	32,945,000	5.000	2.840	NX2
2030	34,590,000	5.000	2.830	NY0
2031	36,325,000	5.000	2.800	NZ7
2032	23,580,000	5.000	2.870	PA0
2033	24,760,000	5.000	2.890	PB8
2034	26,000,000	5.000	2.900	PC6
2035	27,295,000	5.000	2.960^	PD4
2036	28,660,000	5.000	3.040^	PE2
2037	30,095,000	5.000	3.160^	PF9
2038	31,600,000	5.000	3.270^	PG7
2039	33,180,000	5.000	3.350^	PH5
2040	34,840,000	4.000	3.900^	PJ1
2041	36,230,000	4.000	4.000	PK8
2042	37,680,000	4.000	4.050	PL6
2043	39,190,000	4.000	4.070	PM4
2044	40,755,000	4.000	4.150	PN2

^Yield calculated to the first optional redemption date of February 1, 2034.

OPTIONAL REDEMPTION PROVISIONS

The 2024 Bonds maturing on or after February 1, 2035 are subject to optional redemption prior to maturity on or after February 1, 2034 in whole or in part at any time at a redemption price of par plus accrued interest to the redemption date. See "**THE 2024 Bonds – Redemption Provisions**" herein.

* CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the 2024 Bonds. The Authority is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the 2024 Bonds or as indicated above.

COMMONWEALTH OF VIRGINIA OFFICIALS

GOVERNOR
GLENN YOUNGKIN

LIEUTENANT GOVERNOR
WINSOME E. SEARS

ATTORNEY GENERAL
JASON S. MIYARES

SECRETARY OF FINANCE
STEPHEN E. CUMMINGS

STATE TREASURER
DAVID L. RICHARDSON

(ACTING) STATE COMPTROLLER
SHARON H. LAWRENCE

STATE TAX COMMISSIONER
JAMES J. ALEX

DIRECTOR, DEPARTMENT OF PLANNING & BUDGET
MICHAEL D. MAUL

VIRGINIA COLLEGE BUILDING AUTHORITY

MEMBERS

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GARY OMETER

VICE CHAIR
WILLIAM T. CLARKE, JR.

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DAVID L. RICHARDSON

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STAFF

SECRETARY TO THE AUTHORITY
DIRECTOR OF DEBT MANAGEMENT
BRADLEY L. JONES

ASSISTANT SECRETARY TO THE AUTHORITY
PUBLIC FINANCE MANAGERS
LESLIE M. ENGLISH
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SENIOR PUBLIC FINANCE ANALYST
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FINANCIAL ADVISOR
PUBLIC RESOURCES ADVISORY GROUP
NEW YORK, NEW YORK

BOND COUNSEL
KUTAK ROCK LLP
RICHMOND, VIRGINIA

TRUSTEE/PAYING AGENT
THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
PITTSBURGH, PENNSYLVANIA

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No dealer, broker, salesman or other person has been authorized by the Authority or the Commonwealth to give any information or to make any representations with respect to the 2024 Bonds 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 any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the 2024 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the 2024 Bonds.

The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. Any statement in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any such opinion or estimates will be realized.

THE 2024 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON CERTAIN EXEMPTIONS CONTAINED IN SUCH FEDERAL ACT. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION OR AUTHORITY, NOR HAS SUCH FEDERAL OR ANY STATE SECURITIES COMMISSION OR AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

References 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 official statement for purposes of, as that term is defined in, SEC rule 15c2-12.

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OFFICIAL STATEMENT

$642,215,000
Virginia College Building Authority

Educational Facilities Revenue Bonds
(21st Century College and Equipment Programs)
Series 2024A

INTRODUCTION

This introduction contains certain summary information regarding the 2024 Bonds, as hereinafter defined, and is not a complete summary of the 2024 Bonds. Investors should read this entire Official Statement to obtain information necessary to the making of an informed decision.

The purpose of this Official Statement, including the cover page and the Appendices, is to provide certain information relative to the Virginia College Building Authority (the "Authority") and the issuance of $642,215,000 principal amount of its Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2024A (the "2024 Bonds"). The Authority is issuing the 2024 Bonds to (i) finance certain capital projects and acquire equipment for public institutions of higher education in the Commonwealth of Virginia (the "Commonwealth") and (ii) pay the costs of issuing the 2024 Bonds.

The Issuer

The Authority is authorized to issue bonds under the Act, as hereinafter defined. The Authority is a public body corporate and a political subdivision, agency and instrumentality of the Commonwealth created by the Act. The Act generally authorizes the Authority to issue (i) bonds or notes and to use the proceeds thereof to finance capital projects and acquire equipment for public institutions of higher education in the Commonwealth and (ii) refunding bonds to refund its previously issued bonds or notes. The Authority currently administers three financing programs, as described more fully in **"THE AUTHORITY"** herein. The Authority has no taxing power. The Authority is located at 101 North 14th Street, James Monroe Building, Third Floor, Richmond, Virginia 23219, its mailing address is P. O. Box 1879, Richmond, Virginia 23218-1879 and it may be reached by telephone at (804) 225-2142. See **"THE AUTHORITY"** herein.

Authorization

The 2024 Bonds will be issued pursuant to the Constitution of the Commonwealth, the Act, a resolution adopted by the Authority on March 7, 2024 (the "Bond Resolution") and a resolution adopted by the Treasury Board of the Commonwealth (the "Treasury Board") on March 20, 2024 (the "Treasury Board Resolution"). Issuance of the 2024 Bonds is subject to the approval of the Governor, as required by the Act, which has been obtained.

The 2024 Bonds will be issued pursuant to a Master Indenture of Trust, dated as of December 1, 1996 (the "Original Master Indenture"), as amended and supplemented from time to time, including as supplemented by the Fifty-Fifth Supplemental Indenture of Trust with respect to the 2024 Bonds (the "Supplemental Indenture"), to be dated as of May 1, 2024, and all between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (in such capacity, the "Trustee") and paying agent (in such capacity, the "Paying Agent"). Together, the Original Master Indenture, the Supplemental Indenture, and any previous or further supplements are referred to herein as the "Master Indenture." The bonds currently outstanding under the Master Indenture are collectively referred to as the "Prior Bonds." The 2024 Bonds will be the fifty-fifth series of parity bonds issued under the Master Indenture. The 2024 Bonds, the Prior Bonds, and all other Additional Bonds, as hereinafter defined, hereafter issued from time to time under and secured equally and ratably by the Master Indenture are the "Bonds" (as more fully described in **"THE MASTER INDENTURE"** herein).

The 2024 Bonds

The 2024 Bonds will be issued in the aggregate principal amount of $642,215,000 and will be dated the date of their original issuance and delivery on or about May 7, 2024. The 2024 Bonds will mature on February 1 in the years and amounts set forth on the inside front cover page of this Official Statement. Interest will be payable semi-annually on February 1 and August 1, commencing August 1, 2024. Interest on the 2024 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. The 2024 Bonds will be issued in registered form and will be held in a book-entry-only system of registration as described in **"THE 2024 Bonds--Book-Entry-Only System"** herein.

Authority Financing Program

The General Assembly of Virginia (the "General Assembly") has authorized, pursuant to the 21st Century College Program, as hereinafter defined, and other subsequent authorizing legislation, over $10.8 billion in capital projects for certain public institutions of higher education in the Commonwealth since 1996. In 1999, the Authority amended the Master Indenture to provide for the issuance of bonds for the Equipment Program, as hereinafter defined, along with the bonds for the 21st Century College Program.

The Authority issues revenue bonds under Article X, Section 9(d) of the Virginia Constitution for projects that have been specifically authorized by the General Assembly. Since the Master Indenture's execution and delivery in 1996, the Authority previously has issued fifty-four series of bonds under it for the 21st Century College and Equipment Programs.

The financing structure provided for by the Master Indenture utilizes a single payment agreement between the Authority and the Treasury Board of the Commonwealth of Virginia to provide for debt service payments on the Bonds. Payments under the Amended and Restated Payment Agreement, as hereinafter defined, are subject to appropriation by the General Assembly. See **"THE MASTER INDENTURE"** and **"THE AMENDED AND RESTATED PAYMENT AGREEMENT"** herein.

Security for the 2024 Bonds

THE 2024 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE PRIMARILY FROM THE FUNDS ANTICIPATED TO BE APPROPRIATED FROM TIME TO TIME FOR SUCH PURPOSE BY THE GENERAL ASSEMBLY, WHICH IS UNDER NO LEGAL OBLIGATION TO MAKE SUCH APPROPRIATION. THE 2024 BONDS ARE NOT A DEBT, OR A PLEDGE OF THE FAITH AND CREDIT, OF THE COMMONWEALTH. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2024 BONDS. THE AUTHORITY HAS NO TAXING POWER. SEE **"SOURCES OF PAYMENT AND SECURITY FOR THE 2024 BONDS"** HEREIN.

Appendix A attached hereto contains the comprehensive audited financial statements of the Commonwealth for its fiscal year ending June 30, 2023. ***Appendices B*** and ***C*** attached hereto contain, respectively, certain financial and demographic/economic information pertaining to the Commonwealth. See "**SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - Information Pertaining to the Commonwealth"** and "**RECENT DEVELOPMENTS AFFECTING THE COMMONWEALTH."**

THE AUTHORITY

The Authority is authorized to issue bonds, including refunding bonds, under Chapter 12, Title 23.1 of the Code of Virginia of 1950, as amended (the "Virginia Code"), successor to the Virginia College Building Authority Act of 1966, Chapter 3.2, Title 23, of the Virginia Code (the "Act"). The Authority is a public body corporate and a political subdivision, agency and instrumentality of the Commonwealth created by the Act. The Authority has no taxing power. The Authority is located at 101 North 14th Street, James Monroe Building, Third Floor, Richmond, Virginia 23219 and may be reached by telephone at (804) 225-2142.

The Act generally authorizes the Authority to issue its (i) bonds or notes and to use the proceeds thereof to finance capital projects and acquire equipment for institutions of higher education in the Commonwealth and (ii) bonds to refund such bonds and notes. The Authority currently administers three financing programs as summarized below.

21st Century College and Equipment Programs

The General Assembly created the 21st Century College Program, as hereinafter defined, in the 1996 Session. Under such legislation and additional authorizations through the 2023 General Assembly Session, the General Assembly has authorized over $10.8 billion of capital projects (the "21st Century College Projects") for public institutions of higher education in the Commonwealth to be financed with bonds issued by the Authority under the Master Indenture, as further described below in **"THE 21st CENTURY COLLEGE AND EQUIPMENT PROGRAMS"**. As of April 1, 2024, the Authority has issued $9,657,080,000 in Bonds for the 21st Century College Projects, including refunding bonds, of which $4,376,860,000 was outstanding.

Since 1986, the Authority has operated an equipment program to provide instructional and research equipment to public institutions of higher education. Starting in 1999, the Authority has been authorized annually to finance directly the institutions' purchase of equipment (the "Equipment Program") and has issued bonds on a composite basis for the 21st Century College Program and the Equipment Program under the Master Indenture. Since the legislative changes in 1999, as of April 1, 2024, $1,456,930,000 in Bonds allocable to the Equipment Program have been issued, of which $246,320,000 was outstanding.

After issuance of the 2024 Bonds, the Authority will have $5,265,395,000 in aggregate principal amount of Bonds (including the 2024 Bonds) outstanding secured on a parity basis under the Master Indenture.

Pooled Bond Program

The Authority's Public Higher Education Financing Program (the "Pooled Bond Program") began in 1996. The Pooled Bond Program allows the Authority to issue bonds and use the proceeds to purchase debt obligations (notes) of public institutions of higher education in the Commonwealth. Proceeds of the notes are used by the institutions to finance or refinance capital projects approved by the General Assembly. Participating institutions pledge their general revenues as security for the notes purchased by the Authority. An additional security mechanism allows the Authority to intercept appropriations from the Commonwealth to an institution in the event an institution fails to pay its obligations to the Authority. As of April 1, 2024, the Authority has issued $4,276,250,000, including refunding bonds, under the Pooled Bond Program of which $1,351,660,000 was outstanding.

Private College Program

Under the Nonprofit Private Institutions of the Higher Education Act (Article 2, Chapter 12, Title 23.1 of the Virginia Code), successor to the Educational Facilities Authority Act (Chapter 3.3, Title 23, of the Virginia Code) (the "Private College Program"), the Authority is also authorized to exercise its powers to issue bonds and notes thereunder to finance educational facilities projects through loans to private, nonprofit institutions of higher education within the Commonwealth whose primary purpose is to provide collegiate or graduate education and not to provide religious training or theological education, and to refund outstanding bonds and notes. Such bonds are revenue bonds payable from loan repayments and other security, if any, provided by the respective private, nonprofit institutions of higher education and are not secured by or payable from appropriations made by the Commonwealth. As of June 30, 2023, $566,505,000 of such obligations were outstanding under this program.

As of July 2016, the Authority was authorized under the Private College Program to issue its bonds and notes to finance educational facilities projects through loans to any organization exempt from taxation pursuant to section 501(c)(3) of the Internal Revenue Code and that is owned or controlled by a public institution of higher education or whose purpose is to support or otherwise benefit a public institution of higher education. Revenue bonds issued for such organizations will be paid from loan repayments and other security provided by the respective organizations. As of this date, the Authority has not issued any such obligations for any such organization.

The Authority's obligation to repay bonds and notes issued under the Private College Program is limited to the revenue, funds and accounts pledged for such purpose by the private institution.

Authority Members

The Authority consists of the State Treasurer, the State Comptroller, the Director of the Department of Planning and Budget of the Commonwealth, the Executive Director of the State Council of Higher Education for Virginia and seven additional members appointed for four-year terms by the Governor of Virginia and subject to confirmation by the General Assembly.

The officers and members of the Authority are:

Officers:
Gary Ometer, Chair
William T. Clarke, Jr., Vice Chair
David L. Richardson, Treasurer
Bradley L. Jones, Secretary
Leslie M. English, Assistant Secretary
Richard F. Rhodemyre, IV, Assistant Secretary

Members:

NAME	TERM	OCCUPATION
David L. Richardson	*ex officio*	State Treasurer, Commonwealth of Virginia
Sharon H. Lawrence	*ex officio*	Acting State Comptroller, Commonwealth of Virginia
Michael D. Maul	*ex officio*	Director, Department of Planning and Budget, Commonwealth of Virginia
Dr. Alan Edwards	*ex officio*	Interim Director, State Council of Higher Education for Virginia, Commonwealth of Virginia
William T. Clarke, Jr.	June 30, 2026	Managing Director, Stifel Financial Richmond, VA
Barry Green	June 30, 2025	Retired, Ashland, VA
Christine M. McIntyre	June 30, 2026	Vice President and Chief Financial Officer, Raftelis Charlotte, NC
Gary Ometer	June 30, 2026	Chief Financial Officer, VPM Media Corporation and Virginia Foundation for Public Media Richmond, VA
Craig A. Robinson	June 30, 2026	Senior Vice President, Truist Washington, D.C.
Jerrell Saunders	June 30, 2024	Sr. Director Procurement, Center of Excellence Altria Client Services Richmond, VA
Martin Thomas, Jr.	June 30, 2024	Vice Mayor, City of Norfolk Norfolk, Virginia

THE 21ST CENTURY COLLEGE AND EQUIPMENT PROGRAMS

The 2024 Bonds are bonds for the 21st Century College and Equipment Programs. Payments of principal and interest on the 2024 Bonds in any fiscal year are payable from appropriations to be made by the General Assembly. The General Assembly is under no legal obligation to appropriate funds for such purpose; however, it has never failed to appropriate sufficient funds to pay debt service on bonds issued for the 21st Century College and Equipment Programs.

Chapter 912 of the 1996 Virginia Acts of Assembly (Item C-7.10) established a financing program entitled the 21st Century College Trust Fund, since referred to as the 21st Century College Program (the "21st Century College Program"), pursuant to which and to subsequent legislation the Authority has been authorized to provide financing for 21st Century College Projects at public institutions of higher education in the Commonwealth. See **"THE AUTHORITY – 21st Century College and Equipment Programs"** herein. The following Chapters of the Virginia Acts of Assembly in the specified years authorized the Authority to issue bonds to finance all or any portion of the costs of certain capital projects in the following initial aggregate amounts, subject to certain administrative adjustments, at specified public institutions of higher education in the Commonwealth:

Chapter Number	Acts of Assembly Year	Amount
912	1996	$ 163,000,000
1072	2000	2,413,000
814	2002	206,392,431
887	2002	174,198,996
1042	2003	71,825,943
4	2004 Special Session I	191,989,765
847	2007	41,000,000
879	2008	450,156,373
1	2008 Special Session I	1,023,593,000
781	2009	378,206,062
874	2010	1,228,864,000
890	2011	51,137,000
3	2012 Special Session I	137,536,665
806	2013	747,263,061
1	2014 Special Session I	4,798,390
3	2014 Special Session I	105,174,751
665	2015	39,387,000
759	2016	1,368,808,906
780	2016	341,705,300
836	2017	151,225,233
2	2018	444,154,203
854	2019	621,516,777
1283	2020	38,022,736
1289	2020	1,321,881,332
552	2021	312,059,168
2	2022	183,300,000

Since 1986, the Authority has operated an equipment program to provide instructional and research equipment to state supported institutions of higher education. Prior to 1999, the Authority purchased and leased such equipment to such institutions. Since 1999, the Authority has been authorized to issue bonds to acquire equipment for such institutions to be owned by them. The lease requirement was discontinued. Bonds issued for equipment may be sold at the same time with other obligations of the Authority. See **"THE AUTHORITY – 21st Century College and Equipment Programs"** herein. The fiscal year allocation for equipment to be financed with proceeds of the 2024 Bonds is set forth, by Institution, in ***Appendix F*** attached hereto.

SOURCES AND USES OF PROCEEDS

The following table sets forth the sources and uses of the proceeds of the 2024 Bonds.

Sources	
Par Amount of 2024 Bonds	$ 642,215,000.00
Net Original Issue Premium	50,986,736.40
Total Sources of Funds	$ 693,201,736.40
Uses	
Construction of 21st Century College Projects	$ 600,000,000.00
Acquisition of Equipment	91,650,000.00
Costs of Issuance[1]	1,551,736.40
Total Uses of Funds	$ 693,201,736.40

1. Includes underwriters' discount of $1,151,061.22.

SOURCES OF PAYMENT AND SECURITY FOR THE 2024 BONDS

THE 2024 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE PRIMARILY FROM FUNDS APPROPRIATED FROM TIME TO TIME FOR SUCH PURPOSE BY THE GENERAL ASSEMBLY, WHICH IS UNDER NO LEGAL OBLIGATION TO MAKE SUCH APPROPRIATION. THE 2024 BONDS ARE NOT A DEBT OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE AUTHORITY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2024 BONDS. THE AUTHORITY HAS NO TAXING POWER.

The revenues, receipts and funds pledged to the payment of all of the Bonds, including the 2024 Bonds, are as follows: (i) amounts on deposit from time to time in the funds and accounts created under the Master Indenture (except any amounts on deposit in the Rebate Fund); (ii) amounts, if any, appropriated by the General Assembly to the Treasury Board and forwarded by the Treasury Board to the Authority, in accordance with the provisions of the Amended and Restated Payment Agreement for the payment of debt service on the Bonds; and (iii) other property of any kind, if any, from time to time pledged to the payment of the Bonds (together the "Trust Estate"). The General Assembly has no legal obligation to make appropriations for the payment of debt service on the Bonds.

The 2024 Bonds represent the fifty-fifth series of Bonds issued under the Master Indenture. The Master Indenture authorizes the issuance of Additional Bonds upon the terms and conditions set forth in the Master Indenture. As to the security listed above, the 2024 Bonds will be secured equally and ratably with the outstanding Prior Bonds and any Additional Bonds. See "**Additional Bonds**" and **"THE MASTER INDENTURE"** herein.

Although the Master Indenture permits any series of Bonds to be additionally secured by certain types of credit or liquidity support, **there is no credit or liquidity facility for the 2024 Bonds.** Furthermore, although the Master Indenture permits the creation of a debt service reserve fund to secure any series of Bonds, **there is no debt service reserve fund for the 2024 Bonds.**

Payment Agreement

The Authority and the Treasury Board have entered into an Amended and Restated Payment Agreement that provides, among other things, the procedures for specifying the amount of funds required to pay debt service due or expected to become due on the Bonds (including certain administrative expenses and rebate amounts), requesting General Assembly appropriation of funds sufficient to pay such amounts, and paying such amounts. The Amended and Restated Payment Agreement requires the Authority and the Treasury Board to use their best efforts to have (a) the Governor include, among other things, the amount so specified in each biennial or any supplemental budget of the Commonwealth and (b) the General Assembly appropriate the amount requested by the Governor. Once the amounts for debt service on the Bonds are appropriated by the General Assembly, the Authority and the Treasury Board are required under the Amended and Restated Payment Agreement to process the necessary requisitions and documents for payment to the Trustee of debt service on the Bonds and any other amounts required by the Master Indenture, including certain administrative expenses and rebate amounts. See **"THE AMENDED AND RESTATED PAYMENT AGREEMENT"** herein.

The Commonwealth never has failed to perform its obligations to budget, appropriate and pay pursuant to the Amended and Restated Payment Agreement or any similar agreement whereby the Commonwealth and its officers are bound to exercise their best efforts to budget and appropriate amounts sufficient to pay debt service when due. The Authority and the Treasury Board never have failed to process amounts appropriated and pay debt service on the Bonds when due.

Appropriation Procedures

The Amended and Restated Payment Agreement requires the Authority to deliver annually by December 1 to the Governor and the Director of the Department of Planning and Budget of the Commonwealth a statement setting forth the amount of debt service due or expected to become due on the Bonds for the next succeeding fiscal or biennial period. The Amended and Restated Payment Agreement requires the Authority and the Treasury Board, acting as Fiscal Agent on behalf of the Authority, to use their best efforts to have (1) the Governor include such amount in the biennial or any supplemental budget of the Commonwealth, and (2) the General Assembly appropriate such amount.

The General Assembly's current practice is to make a single direct appropriation to the Treasury Board for certain Commonwealth-related debt service obligations, including the Commonwealth's general obligation bonds, all Bonds issued by the Authority for the 21st Century College and Equipment Programs and certain other obligations with respect to the Commonwealth. Although there is no legal requirement that debt service on the Authority's Bonds issued for the 21st Century College and Equipment Programs be included with other Commonwealth debt obligations in a single appropriation, the Authority currently anticipates that all debt service for such Bonds of the Authority would be contained in the same appropriation. The portion of any appropriation consisting of payments under the Amended and Restated Payment Agreement will be assigned directly to the Trustee for the payment of debt service on outstanding Bonds.

To the extent that the payments under the Amended and Restated Payment Agreement included in the Commonwealth's budget are appropriated by the General Assembly and approved by the Governor, the Fiscal Agent is obligated under the Amended and Restated Payment Agreement to pay amounts due under the Master Indenture to the Trustee.

The General Assembly is not required, and is under no legal obligation, to make an appropriation for any amount or payment under the Amended and Restated Payment Agreement or otherwise in respect of any Bonds. The General Assembly, however, has never failed to make an appropriation to the Authority for payment of debt service on the Authority's Bonds issued under the 21st Century College and Equipment Programs.

Additional Bonds

The Authority may issue Additional Bonds to undertake additional projects or additional portions of ongoing projects and to refund such bonds or notes previously issued to finance capital projects and acquire equipment for institutions of higher education in the Commonwealth. While there is no statutory limit on the amount of Additional Bonds the Authority may issue, Additional Bonds, except those issued for refunding purposes, are required to be approved before issuance by the General Assembly and by the Governor. See **"THE AUTHORITY"** herein. Any Additional Bonds issued by the Authority will be equally and ratably secured and payable pursuant to the Master Indenture with the 2024 Bonds and the outstanding Prior Bonds. See **"THE MASTER INDENTURE"** herein.

Information Pertaining to the Commonwealth

Appendix A attached hereto contains the comprehensive financial statements of the Commonwealth for its fiscal year ended June 30, 2023. ***Appendices B*** and ***C*** attached hereto contain, respectively, certain financial and demographic/economic information pertaining to the Commonwealth.

RECENT DEVELOPMENTS AFFECTING THE COMMONWEALTH

Revenue Report for Fiscal Year Ended June 30, 2023. 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 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.

The General Assembly convened its regular session on January 10, 2024, to consider, among other legislation, amendments to the Commonwealth's budget for the remainder of the 2022-2024 biennium and a new budget for the upcoming 2024-2026 biennium. The General Assembly adjourned *sine die* on March 9, 2024, after passing budget bills that amend the existing budget for the current 2022-2024 biennium and provide for a new budget for the 2024-2026 biennium.

The Governor reviewed the budget bills and announced on April 8, 2024, that he was proposing significant amendments. The budget bills with the Governor's proposed amendments were returned to the General Assembly for consideration and action during a reconvened session held on April 17, 2024. The reconvened session concluded with the General Assembly's decision to set aside the existing budget bills. Following the reconvened session, the Governor and leaders of the General Assembly released a joint statement announcing that the parties will work during the next several weeks to prepare new budget bills that will be considered at a special session of the General Assembly. The Governor has called for such a special session to commence May 13, 2024, for the purposes of finalizing amendments to the budget for the current 2022-2024 biennium and approving a budget for the 2024-2026 biennium.*

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.

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 March 15, 2024, covers the first eight months (which ended February 29, 2024) of the current fiscal year ending June 30, 2024 (the "February Revenue Report").

The February Revenue Report indicated that year-to-date, general fund revenues are up 6.3 percent through the first eight months of Fiscal Year 2024. Adjusting for the effects of collections and refunds associated with the 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) and the associated timing of enacted policy actions to better reflect underlying economic trends, revenue collections are up 7.2 percent year-to-date.

In comparison to the revised 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 $827.5 million. Excluding non-withholding and refunds, which continue to be distorted by PTET, year-to-date collections in core revenue sources are ahead of plan by $339.3 million, a variance of 2.1 percent. The variance is primarily attributable to higher than projected withholding collections.

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 8.2 percent over the same period last year after adjustments, and 5.0 percent on an unadjusted basis. Through February 2024, collections are ahead of the revised revenue forecast by $347.4 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 1.0 percent over the same period last year, on an unadjusted basis. Fiscal year-to-date non-withholding collections are $327.0 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 $1,675.5 million, compared with $1,962.1 million over the same period last year, a decrease of 14.6 percent.

Collections of sales and use taxes (estimated to represent 16.0 percent of general fund revenues for the fiscal year) have decreased 1.8 percent year-to-date, and are $41.3 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 0.9 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 6.3 percent for the fiscal year compared to the same period last year, and behind projections by $59.6 million.

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* This paragraph has been updated since the Preliminary Official Statement dated April 9, 2024, to reflect additional developments regarding the status of the Commonwealth's pending budget bills.

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 February 29, 2024, the Commonwealth had approximately $16.26 billion in net unrestricted cash available to support cashflow in the general fund (compared to approximately $17.42 billion available as of January 31, 2024), and an additional approximately $14.05 billion in restricted non-general fund sources to support cash flow in other Commonwealth operating funds as necessary (compared to approximately $13.37 billion available as of January 31, 2024).

Availability of Additional Financial Information. Additional information concerning the Commonwealth and its financial condition is available at the Commonwealth's investor website (https://www.virginiabonds.com/commonwealth-of-virginia-va/documents/i33). Such information consists primarily of raw, unaudited data. The information available at the Commonwealth's investor website is not incorporated herein nor warranted as to accuracy or completeness. Investors should exercise caution when evaluating the information available on the Commonwealth's investor website and should not rely on the website as their sole source of information concerning the Commonwealth's financial condition.

THE 2024 BONDS

General

The 2024 Bonds will be issued as fully registered bonds in book-entry form in the principal amounts set forth on the inside front cover page of this Official Statement. The 2024 Bonds will be dated the date of their original issuance and delivery and will be issued in denominations of $5,000 or any integral multiples thereof and will be registered in the name of The Depository Trust Company ("DTC"), or its nominee, as securities depository. Interest on the 2024 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months, and the 2024 Bonds will mature on the dates and in the amounts as set forth on the inside front cover page of this Official Statement. Interest on the 2024 Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2024. Payments will be made to the bondholders shown as owners on the registration books kept by the Trustee on the 15th day of the month preceding each interest payment date.

As described below under "Book-Entry Only System," purchases of beneficial ownership interests in the 2024 Bonds will be made only in book-entry form and individual purchasers will not receive physical delivery of bond certificates. As long as the 2024 Bonds are held by DTC or its nominee, principal, premium, if any, and interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date by the Trustee in its capacity as registrar and paying agent. If the book-entry system is discontinued, bond certificates will be delivered, and beneficial owners will become registered owners of the 2024 Bonds.

Book-Entry-Only System

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the 2024 Bonds, payments of redemption proceeds, distributions, and dividend payments on the 2024 Bonds to DTC its nominee, Direct and Indirect Participants (as defined below) or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the 2024 Bonds and other bond-related transactions by and between DTC, Direct and Indirect Participants and Beneficial Owners is based solely on information furnished by DTC. None of the Authority, the Commonwealth or the Trustee assumes any responsibility for the accuracy or adequacy of the information included in such description.

DTC will act as securities depository for the 2024 Bonds. The 2024 Bonds will be issued as fully-registered Bonds 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 2024 Bonds, each in the aggregate principal amount of such maturity, 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 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2024 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2024 Bonds, except in the event that use of the book-entry system for the 2024 Bonds is discontinued.

To facilitate subsequent transfers, all 2024 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 2024 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 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct 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. Beneficial Owners of the 2024 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2024 Bonds, such as redemptions, tenders, defaults and proposed amendments to the 2024 Bond documents. For example, Beneficial Owners of 2024 Bonds may wish to ascertain that the nominee holding the 2024 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2024 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2024 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 Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority 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 and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2024 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2024 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2024 Bond certificates will be printed and delivered.

The foregoing information concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but none of the Authority, the Commonwealth, or the Trustee takes any responsibility for the accuracy thereof.

So long as Cede & Co., as nominee for DTC, is the sole bondholder, the Authority and the Trustee shall treat Cede & Co. as the only bondholder for substantially all purposes under the Master Indenture, including receipt of all redemption proceeds, distributions, and dividend payments on the 2024 Bonds, receipt of notices, voting and requesting or directing the Authority or the Trustee to take or not to take, or consenting to, certain actions under the Master Indenture.

BECAUSE DTC IS TREATED AS THE OWNER OF THE 2024 BONDS FOR SUBSTANTIALLY ALL PURPOSES UNDER THE MASTER 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 AUTHORITY, 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 2024 BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

THE AUTHORITY AND THE COMMONWEALTH CAN GIVE NO ASSURANCES THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENT TO BENEFICIAL OWNERS.

The Authority and the Trustee have no responsibility or obligation to the Direct and Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the redemption proceeds, distributions, and dividend payments on the 2024 Bonds in the sending of any transaction statements; (c) the delivery or timeliness of delivery by DTC or any participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Master Indenture to be given to bondholders; (d) the selection of the Beneficial Owners to receive payments upon any partial redemption of the 2024 Bonds; or (e) other action taken by DTC or Cede & Co. as bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

The Authority 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 2024 Bonds without the consent of Beneficial Owners or bondholders.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood while the 2024 Bonds are in the book-entry-system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the 2024 Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Master Indenture will be given only to DTC.

Redemption Provisions

Optional Redemption of 2024 Bonds. The 2024 Bonds maturing on or before February 1, 2034 are not subject to optional redemption prior to maturity. The 2024 Bonds maturing on or after February 1, 2035, will be subject to optional redemption prior to maturity at the sole option of the Authority, in whole or in part, at any time on and after February 1, 2034, at par plus interest accrued thereon to the date fixed for redemption.

Manner of Redemption

Whenever 2024 Bonds are to be redeemed, the Authority shall cause notice of the call for redemption to be sent by the Trustee, by registered or certified first class mail, not less than 30 nor more than 60 days before the redemption date, identifying the 2024 Bonds or portions thereof to be redeemed. Notice of redemption shall be mailed to the registered owners of the 2024 Bonds to be redeemed. If less than all of the 2024 Bonds are called for redemption, the maturities of the 2024 Bonds to be redeemed shall be selected in such manner as may be determined by the Authority to be in the best interest of the Authority.

For the 2024 Bonds, if less than all of the 2024 Bonds of a single maturity are called for redemption, the 2024 Bonds to be redeemed shall be selected by the Trustee by lot, or if a securities depository is the registered owner of the 2024 Bonds, by such securities depository in accordance with its customary procedures. During the period that DTC or its nominee is registered owner of the 2024 Bonds, the Authority shall not be responsible for mailing notices of redemption to the Beneficial Owners, as defined herein.

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DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for all Bonds that will be outstanding as of the issuance of the 2024 Bonds on a June 30 fiscal year basis through fiscal year 2044.

Fiscal Year Ending June 30	Outstanding Master Indenture Debt Service[1]			2024 Bonds			Total Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024[2]	$ 394,940,000	$ 202,563,791	$ 597,503,791				$394,940,000	$202,563,791	$597,503,791
2025	376,970,000	201,136,859	578,106,859	$ 34,780,000	22,164,120	56,944,120	411,750,000	223,300,979	635,050,979
2026	377,115,000	183,894,718	561,009,718	28,455,000	28,484,800	56,939,800	405,570,000	212,379,518	617,949,518
2027	369,275,000	167,495,509	536,770,509	29,880,000	27,062,050	56,942,050	399,155,000	194,557,559	593,712,559
2028	369,020,000	151,363,568	520,383,568	31,375,000	25,568,050	56,943,050	400,395,000	176,931,618	577,326,618
2029	357,895,000	134,000,064	491,895,064	32,945,000	23,999,300	56,944,300	390,840,000	157,999,364	548,839,364
2030	337,445,000	116,963,322	454,408,322	34,590,000	22,352,050	56,942,050	372,035,000	139,315,372	511,350,372
2031	292,570,000	100,604,081	393,174,081	36,325,000	20,622,550	56,947,550	328,895,000	121,226,631	450,121,631
2032	306,215,000	87,498,224	393,713,224	23,580,000	18,806,300	42,386,300	329,795,000	106,304,524	436,099,524
2033	277,570,000	75,167,139	352,737,139	24,760,000	17,627,300	42,387,300	302,330,000	92,794,439	395,124,439
2034	265,845,000	63,509,054	329,354,054	26,000,000	16,389,300	42,389,300	291,845,000	79,898,354	371,743,354
2035	237,000,000	53,176,994	290,176,994	27,295,000	15,089,300	42,384,300	264,295,000	68,266,294	332,561,294
2036	204,340,000	43,711,273	248,051,273	28,660,000	13,724,550	42,384,550	233,000,000	57,435,823	290,435,823
2037	188,305,000	35,851,971	224,156,971	30,095,000	12,291,550	42,386,550	218,400,000	48,143,521	266,543,521
2038	153,255,000	28,111,290	181,366,290	31,600,000	10,786,800	42,386,800	184,855,000	38,898,090	223,753,090
2039	159,320,000	22,046,203	181,366,203	33,180,000	9,206,800	42,386,800	192,500,000	31,253,003	223,753,003
2040	124,530,000	15,727,286	140,257,286	34,840,000	7,547,800	42,387,800	159,370,000	23,275,086	182,645,086
2041	107,190,000	10,376,738	117,566,738	36,230,000	6,154,200	42,384,200	143,420,000	16,530,938	159,950,938
2042	79,090,000	5,559,275	84,649,275	37,680,000	4,705,000	42,385,000	116,770,000	10,264,275	127,034,275
2043	40,230,000	1,609,200	41,839,200	39,190,000	3,197,800	42,387,800	79,420,000	4,807,000	84,227,000
2044	-	-	-	40,755,000	1,630,200	42,385,200	40,755,000	1,630,200	42,385,200
Totals[3]	$ 5,018,120,000	$ 1,700,366,559	$ 6,718,486,559	$ 642,215,000	$ 307,409,820	$ 949,624,820	$ 5,660,335,000	$ 2,007,776,379	$ 7,668,111,379

(1) Includes the full interest payment for outstanding Prior Bonds issued as Build America Bonds.
(2) Reflects debt service for FY 2024 and includes the debt service payment made on February 1, 2024.
(3) Totals may not add due to rounding.

THE AMENDED AND RESTATED PAYMENT AGREEMENT

In addition to the information presented in **"SOURCES OF PAYMENT AND SECURITY FOR THE 2024 BONDS"** herein, the following summarizes certain provisions of the Amended and Restated Payment Agreement entered into between the Authority and the Treasury Board and dated as of June 1, 1999 (the "Amended and Restated Payment Agreement"), which amended, restated and replaced the Payment Agreement dated as of December 1, 1996 between the Authority and the Treasury Board. This summary does not purport to be comprehensive or definitive and is qualified by reference to the Amended and Restated Payment Agreement in its entirety, copies of which may be obtained at the offices of the Treasury Board, the Trustee or the Authority.

The Amended and Restated Payment Agreement requires the Authority to deliver annually by December 1 to the Governor and the Director of the Department of Planning and Budget of the Commonwealth a statement of the amount of principal and interest coming due or expected to be coming due on the Bonds and all other amounts required to be paid under the Master Indenture, including administrative expenses and rebate amounts during the next succeeding fiscal or biennial period, as applicable, and to request that the Governor include in his budget to be delivered to the next session of the General Assembly a provision that there be appropriated such amount for such purpose from legally available funds.

The Authority will use its best efforts to have (i) the Governor include in each biennial or any supplemental budget the Governor presents to the General Assembly the amounts so requested, and (ii) the General Assembly appropriate and reappropriate, as applicable, such amounts.

The Treasury Board will use its best efforts to have (i) the Governor include in each biennial or supplemental budget the Governor presents to the General Assembly the amounts described above, and (ii) the General Assembly appropriate such amounts.

The Authority will provide to the Treasury Board, by January 1 and July 1 of each year, all required requisitions and documents and take all actions necessary to have paid to the Treasury Board from legally available funds all amounts due to the Treasury Board under the Amended and Restated Payment Agreement, and request the Treasury Board to make such payment to the Trustee.

The Treasury Board will use its best efforts to obtain by January 1 and July 1 of each year the appropriate requisitions and documents needed from the Authority to make all payments due under the Master Indenture to the Trustee. The Treasury Board, as Fiscal Agent of the Authority, will receive appropriation by the General Assembly for the payment of principal of, redemption premium, if any, interest on and all other amounts payable with respect to the Bonds, including administrative expenses and rebate amounts, and will transfer such amounts to the Trustee as necessary for the Trustee to make such payments when due.

The term of the Payment Agreement continues until the earlier of the date of payment in full of the Bonds or the date on which the Bonds are no longer outstanding.

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

THE MASTER INDENTURE

The 2024 Bonds are being issued pursuant to the Master Indenture of Trust dated as of December 1, 1996, as amended, and the Fifty-Fifth Supplemental Indenture of Trust with respect to the 2024 Bonds, to be dated as of May 1, 2024, all between the Authority and the Trustee. The 2024 Bonds will be the fifty-fifth series of Bonds, issued under the Master Indenture. The 2024 Bonds will be equally and ratably secured by the Master Indenture with (i) the outstanding Prior Bonds and (ii) any additional bonds that may be issued in the future pursuant to the Master Indenture ("Additional Bonds" and collectively with the outstanding Prior Bonds, the "Bonds"), without preference, priority or distinction on account of the actual time or times of their authentication, delivery or maturity, except as noted in **"SOURCES OF PAYMENT AND SECURITY FOR THE 2024 BONDS"** herein.

THE FOLLOWING, IN ADDITION TO THE INFORMATION PRESENTED IN **"THE 2024 BONDS"** HEREIN, SUMMARIZES CERTAIN PROVISIONS OF THE MASTER INDENTURE. THIS SUMMARY DOES NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE AND IS QUALIFIED BY REFERENCES TO THE MASTER INDENTURE, INCLUDING ALL SUPPLEMENTAL INDENTURES, IN ITS ENTIRETY. ALL CAPITALIZED TERMS NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE SAME MEANINGS AS GIVEN TO THOSE TERMS IN THE MASTER INDENTURE, COPIES OF WHICH MAY BE OBTAINED AT THE OFFICE OF THE AUTHORITY OR THE TRUSTEE.

The 2024 Bonds are limited obligations of the Authority. Principal, premium, if any, and interest on the 2024 Bonds are payable solely from and secured by appropriations anticipated to be made by the General Assembly and by the funds and accounts held by the Trustee pursuant to the Master Indenture.

Pledge of Revenues and Funds; Parity of Bonds

The Master Indenture constitutes a continuing, irrevocable pledge of the Trust Estate to secure payment of the principal of and premium, if any, and interest on all Bonds which may, from time to time, be executed, authenticated and delivered under the Master Indenture, subject only to the right of the Authority to make application thereof to other purposes as provided herein. All Bonds shall in all respects be equally and ratably secured under the Master Indenture without preference, priority or distinction on account of the actual time or times of their authentication, delivery or maturity, so that all Bonds at any time outstanding under the Master Indenture shall have the same right, lien and preference under and by virtue of the Master Indenture with like effect as if they had all been executed, authenticated and delivered simultaneously, except that a Credit or Liquidity Facility, if any, provided for one or more Series of Bonds shall secure or provide liquidity only for the applicable Series of Bonds. **There is no credit or liquidity facility for the 2024 Bonds.**

Establishment of Funds and Cash Flow

The Master Indenture establishes the following Funds:

(1) *Construction Fund*. Moneys deposited in the Construction Fund from the proceeds of the Bonds will be used to pay costs of the Projects or to retire, refund or otherwise defease any indebtedness incurred by the Authority under the 21st Century College and Equipment Programs.

(2) *Bond Fund*. The Trustee shall deposit in the Bond Fund: any amounts transferred from the Construction Fund or the Cost of Issuance Fund; all payments or prepayments received by the Trustee from any appropriations made by the General Assembly under the 21st Century College and Equipment Programs (excluding the Trustee's fees and expenses); proceeds of any condemnation award or insurance recovery that will not be used to repair, reconstruct or restore a Project; and any other amounts authorized to be deposited in the Bond Fund.

(3) *Cost of Issuance Fund*. Moneys deposited in the Cost of Issuance Fund from the proceeds of the Bonds will be used to pay costs incurred with respect to the issuance of the respective Series of Bonds.

(4) *Other Funds and Accounts*. The Authority may establish other funds, accounts and subaccounts as the Authority may deem desirable.

Events of Default and Remedies

The following are Events of Default under the Master Indenture:

(1) If payment by the Authority with respect to any installment of interest on any Bond is not made in full when the same becomes due and payable;

(2) If payment by the Authority with respect to the principal of any Bond is not made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or otherwise;

(3) If the Authority fails to observe or perform any covenants or agreements on its part under the Master Indenture for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, is given to the Authority by the Trustee, or to the Authority and the Trustee by the Holders of at least 25% in aggregate principal amount of Bonds then Outstanding; provided that, if the breach of covenant or agreement is one that can be remedied but cannot be completely

remedied within such 60 day period, it will not be an Event of Default so long as the Authority has taken active steps within such 60 day period to remedy the failure and is diligently pursuing such remedy; and

(4) If the Authority institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it, or files a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other similar applicable federal or state law, or consents to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Authority or of any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due.

Amendments and Supplemental Indentures

The Authority and Trustee may, without consent of or notice to any of the Holders, enter into one or more Supplemental Indentures to:

(1) Cure any ambiguity or formal defect or omission;
(2) Correct or supplement any provision which may be inconsistent with any other provision;
(3) Grant or confer upon the Holders any additional rights, remedies, powers, or authority that may lawfully be granted or conferred upon them;
(4) Secure additional revenues or provide additional security or reserves for payment of the Bonds;
(5) Preserve the excludability of interest on any tax-exempt bonds from gross income for purposes of federal income taxes;
(6) Modify, amend or supplement the Master Indenture to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or any state securities (Blue Sky) law;
(7) Modify, amend or supplement the Master Indenture in such a manner as required to permit the Authority to comply with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the rebate of certain earnings on the proceeds of the Bonds;
(8) Modify, amend or supplement the Master Indenture in such a manner as required by the Rating Agencies to maintain their respective ratings on the Bonds;
(9) Authorize the issuance of and to secure one or more Series of Bonds; and
(10) Modify, amend or supplement the Master Indenture in any manner as will not, in the opinion of the Trustee, prejudice in any material respect the rights of the Holders of the Bonds then Outstanding.

The Holders of not less than a majority in aggregate principal amount of the Bonds may consent to or approve, from time to time, the execution by the Authority and the Trustee of such Supplemental Indenture for the purpose of modifying, altering, amending, adding to or rescinding any of the provisions contained in the Master Indenture except:

(1) Extending the stated maturity of or time for paying the interest on any Bond or reducing the principal amount of or the redemption premium or rate of interest payable on any Bond without the consent of the Holder of such Bond;
(2) Giving preference or priority to any Bond over any other Bond; or
(3) Reducing the percentage of the holders of the aggregate principal amount of Bonds then Outstanding required for any consent to any such Supplemental Indenture.

Defeasance

If the Authority shall pay or cause to be paid from an irrevocable escrow of cash and direct, non-callable obligations of the United States of America, the principal of and premium, if any, and interest on all (or less than all) of such Bonds, then in that case, the right, title and interest of the owners of such Bonds in the security pledged to the payment of the Bonds shall cease.

Bonds will be deemed to have been paid for purposes of the foregoing paragraph when (a) there shall have been deposited with a depository either (i) moneys in an amount sufficient to pay when due the principal of and redemption premium, if any, and interest on such Bonds to their maturity or earlier redemption date, or (ii) non-callable, direct obligations of the United States of America, or evidence of ownership of such obligations, the principal and interest on which shall be sufficient to pay when due the principal of and redemption premium, if any, and interest on such Bonds to their maturity or earlier redemption date, and (b) the other requirements of the Master Indenture are met.

Enforceability of Remedies

The remedies available to the Trustee, the Authority or the owners of the Bonds upon an Event of Default under the Master Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies provided in the Master Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds and the Master Indenture will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In connection with enforcement of available remedies under the Master indenture, certain actions may be taken and certain consents may be given under the Master Indenture by the owners of specified percentages of the Bonds. The Authority may issue Additional Bonds. Depending upon the outstanding principal balances of such Additional Bonds, the owners of such Additional Bonds may be able to take actions or give consents without obtaining the approval of any of the other owners of the Bonds.

RATINGS

Fitch Ratings, Inc. ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of S&P Global Inc. ("Standard & Poor's") have assigned the ratings of "AA+," "Aa1," and "AA+", respectively, to the 2024 Bonds.

Such ratings reflect only the views of the respective rating agencies, which is not a recommendation to buy, sell or hold securities. An explanation of the significance of such ratings may be obtained only from the respective rating agency. There can be no assurance given that such ratings will be continued for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies if, in their judgment, the circumstances so warrant. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the liquidity and market price of the 2024 Bonds.

Neither the Authority nor the Commonwealth has undertaken any responsibility after issuance of the 2024 Bonds to assure maintenance of such ratings or to oppose any proposed revision or withdrawal of such ratings.

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the 2024 Bonds will be subject to the approving opinion of Kutak Rock LLP, Richmond, Virginia, Bond Counsel, and furnished at the expense of the Authority upon delivery of the 2024 Bonds (the "Bond Opinion"). The Bond Opinion will be limited to matters relating to authorization and validity of the 2024 Bonds and to the tax status of interest thereon as described in **"TAX MATTERS"** herein. Bond Counsel has not been engaged to investigate the financial resources of the Authority or its ability to provide for payment of the 2024 Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement of any other information that may have been relied on by anyone in making the decision to purchase the 2024 Bonds. The proposed form of the Bond Opinion is set forth in ***Appendix D*** attached hereto. Certain matters for the Authority will be subject to an opinion of the Office of the Attorney General.

TAX MATTERS

2024 Bonds

General Matters. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the 2024 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 2024 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 Authority and the participating institutions with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the 2024 Bonds. Failure to comply with such requirements could cause interest on the 2024 Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Authority and the participating institutions will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the 2024 Bonds.

Bond Counsel is also of the opinion that, under existing statutes of the Commonwealth, interest income on the 2024 Bonds, their transfer and income from them and any profit made on their sale, are exempt from taxation by the Commonwealth and its political subdivisions.

Original Issue Discount. The 2024 Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such bonds for a price that is higher or lower than the "adjusted issue price" of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Recognition of Income Generally. Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount and market discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the 2024 Bonds under the Code.

Original Issue Premium. The 2024 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 2024 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 2024 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 2024 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 2024 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 2024 Bonds. If an audit is commenced, under current procedures the Internal Revenue Service may treat the Authority as the issuer of the 2024 Bonds as a taxpayer, and the registered owners of the 2024 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 2024 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 2024 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 2024 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 2024 Bonds or the market value thereof would be impacted thereby. Purchasers of the 2024 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 2024 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 2024 BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE 2024 BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE 2024 BONDS.

PROVISION FOR CONTINUING DISCLOSURE

In general, Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), among other things, prohibits an underwriter from purchasing or selling municipal securities such as the 2024 Bonds, unless it has determined that the issuer of such securities and/or other obligated persons deemed to be "obligated persons" have committed to provide to the Municipal Securities Rulemaking Board ("MSRB") via the MSRB's Electronic Municipal Market Access System ("EMMA") (i) on an annual basis, certain financial information and operating data ("Annual Reports"), and, if available, audited financial statements, and (ii) notice of the events described in Rule 15c2-12 ("Event Notices").

The obligations of the Authority and the Commonwealth described below require them to provide only limited information at specific times, and the information provided may not be all information necessary to value the 2024 Bonds at any particular time. The Authority and the Commonwealth may from time to time disclose certain information and data in addition to that required by their respective continuing disclosure obligations. If the Authority or the Commonwealth chooses to provide any additional information, neither the Authority nor the Commonwealth will have any obligation to continue to update such information or to include it in any future disclosure filing.

While the Authority currently administers three financing programs as described in the section "THE AUTHORITY," the continuing disclosure undertaking described in this Official Statement applies only to the 2024 Bonds, which are issued under the 21st Century College and Equipment Programs. Furthermore, the Authority is not an obligated person with respect to any bonds or obligations issued under the Private College Program described in such section.

Authority Continuing Disclosure. The Authority will covenant, by executing a Continuing Disclosure Agreement for the benefit of the holders of the 2024 Bonds (the "Authority Disclosure Agreement"), the form of which is set forth in ***Appendix E*** attached hereto, to provide to the MSRB via EMMA annually, not later than May 1 of each year, commencing May 1, 2025, Annual Reports and such annual financial statements of the Authority as may be required by Rule 15c2-12. Similarly, the Authority has covenanted to provide Event Notices with respect to the 2024 Bonds to the MSRB via EMMA.

The Authority has become aware that the Annual Report for fiscal year 2021 was not successfully linked on EMMA to certain CUSIPs for the Authority's Prior Bonds. Such filings were otherwise available on EMMA with respect to other continuing disclosure undertakings of the Authority. The Authority has made a remedial filing to correct the linkage problem for any such Authority bonds that are currently outstanding.

Commonwealth Continuing Disclosure. The Commonwealth will covenant, by executing a Continuing Disclosure Agreement prior to issuance of the 2024 Bonds (the "Commonwealth Disclosure Agreement"), to provide to the MSRB via EMMA, annually, not later than January 31 of each year commencing January 31, 2025, Annual Reports and such annual financial statements of the Commonwealth as may be required by Rule 15c2-12. In addition, the Commonwealth will covenant to provide to the Authority notice of any changes in the ratings of the Commonwealth's general obligation bonds. These covenants have been made in order to assist the underwriters of the 2024 Bonds in complying with Rule 15c2-12. The form of the Commonwealth Disclosure Agreement is set forth in ***Appendix E*** attached hereto.

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 via EMMA 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 EMMA to all of the CUSIPs for the Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2011A, issued by the Authority, (b) for fiscal year 2020, such filings were not successfully linked on EMMA 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 the Authority, (c) for fiscal year 2022, the audited Annual Financial Statements were not successfully linked on EMMA to the CUSIPs for the Commonwealth Port Fund Revenue Refunding Bonds, Series 2018 (Taxable), issued by the Virginia Port Authority, and (d) for fiscal year 2023, such filings were not successfully linked on EMMA to all of the CUSIPs for the Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2023A, issued by the Authority. Such filings were otherwise available on EMMA 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 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

[*] This paragraph has been updated since the Preliminary Official Statement dated April 9, 2024.

on EMMA. 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.

AWARD AT COMPETITIVE BIDDING

The 2024A Bonds were awarded pursuant to electronic competitive bidding held via the PARITY® Competitive Bidding System (PARITY®) on Tuesday, April 16, 2024.

The 2024A Bonds maturing on each February 1 from February 1, 2025 to February 1, 2034, inclusive (the "2024A Bidding Group 1 Bonds") were awarded to Jefferies LLC (the "2024A Bidding Group 1 Underwriter"). The 2024A Bidding Group 1 Underwriter has supplied the information as to the initial yields on the 2024A Bidding Group 1 Bonds as set forth on the inside cover of this Official Statement. The 2024A Bidding Group 1 Bonds are being purchased from the Authority by the 2024A Bidding Group 1 Underwriter at an aggregate discount of $315,261.02 from the initial public offering prices derived from the yields set forth on the inside cover page of this Official Statement. The 2024A Bidding Group 1 Underwriter may offer to sell the 2024A Bidding Group 1 Bonds to certain dealers and others at prices lower than the initial offering prices and the public offering prices may be changed from time to time by the 2024A Bidding Group 1 Underwriter.

The 2024A Bonds maturing on each February 1 from February 1, 2035 to February 1, 2044, inclusive (the "2024A Bidding Group 2 Bonds") were awarded to Truist Securities, Inc. (the "2024A Bidding Group 2 Underwriter"). The 2024A Bidding Group 2 Underwriter has supplied the information as to the initial yields on the 2024A Bidding Group 2 Bonds as set forth on the inside cover of this Official Statement. The 2024A Bidding Group 2 Bonds are being purchased from the Authority by the 2024A Bidding Group 2 Underwriter at an aggregate discount of $835,800.20 from the initial public offering prices derived from the yields set forth on the inside cover page of this Official Statement. The 2024A Bidding Group 2 Underwriter may offer to sell the 2024A Bidding Group 2 Bonds to certain dealers and others at prices lower than the initial offering prices and the public offering prices may be changed from time to time by the 2024A Bidding Group 2 Underwriter.

FINANCIAL ADVISOR

Public Resources Advisory Group, New York, New York has served as financial advisor ("the Financial Advisor") to the Authority with respect to the 21st Century College and Equipment Programs and the sale of the 2024 Bonds. Public Resources Advisory Group is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. In assisting in the preparation of certain portions of this Official Statement, the Financial Advisor has relied upon the Authority and other sources which have access to relevant data and information, to provide accurate information for this Official Statement. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

LITIGATION

There is no litigation now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the 2024 Bonds, or in any way contesting or affecting the validity of the 2024 Bonds, any proceeding of the Authority taken with respect to the issuance or sale thereof, or the existence or powers of the Authority or the title of any officer of the Authority with respect to his or her office. See **"COMMONWEALTH OF VIRGINIA – FINANCIAL AND OTHER INFORMATION – Litigation"** in ***Appendix B*** attached hereto for a description of litigation involving the Commonwealth.

LEGALITY FOR INVESTMENT AND SECURITY FOR PUBLIC DEPOSITS

The 2024 Bonds are securities in which all public officers and public bodies of the Commonwealth and its political subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, commercial banks and trust companies, beneficial and benevolent 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 2024 Bonds for investment or for any other purpose under the laws of any other state.

The 2024 Bonds are securities that may be deposited with and received by any state or municipal officer or any agency or political subdivision of the Commonwealth for any purpose for which the deposit of bonds or obligations of the Commonwealth is now or may hereafter be authorized by law.

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of all matters of fact relating to the 2024 Bonds, the security for the payment of the 2024 Bonds and the rights and obligations of the registered Owners thereof. Copies of the documents referred to herein are available for inspection at the corporate trust office of the Trustee and Paying Agent, The Bank of New York Mellon Trust Company, N.A., in Pittsburgh, Pennsylvania.

The Information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed by the Authority to be correct as of this date.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Preliminary Official Statement has been duly approved, and its distribution authorized, by the Authority.

Audited financial statements of the Commonwealth for the fiscal year ended June 30, 2023 are included as ***Appendix A*** attached hereto. These financial statements, along with the related Notes to Financial Statements, are intended to provide a broad overview of the financial position and operating results of the Commonwealth's various funds and account groups. See **"SOURCES OF PAYMENT AND SECURITY FOR THE 2024 BONDS – Information Pertaining to the Commonwealth"** herein.

This Official Statement has been authorized by the Authority for use in connection with the sale of the 2024 Bonds. Its purpose is to supply information to prospective buyers of the 2024 Bonds. The Authority and the Department of the Treasury of the Commonwealth of Virginia have prepared financial and other information contained in this Preliminary Official Statement from their records, except where other sources are noted. The information is not intended to indicate future or continuing trends in the financial or economic position of the Authority or the Commonwealth.

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

VIRGINIA COLLEGE BUILDING AUTHORITY

By: /s/ Gary Ometer
Gary Ometer, *Chair*

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APPENDIX A

COMMONWEALTH OF VIRGINIA

FINANCIAL STATEMENTS OF THE COMMONWEALTH

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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Commonwealth of Virginia

Auditor of Public Accounts

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).

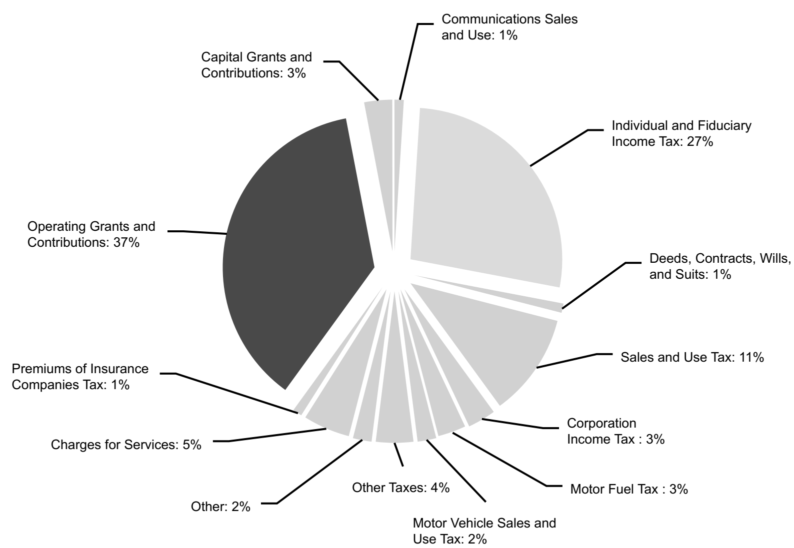
Figure 12
Changes in Net Position for the Fiscal Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

	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.

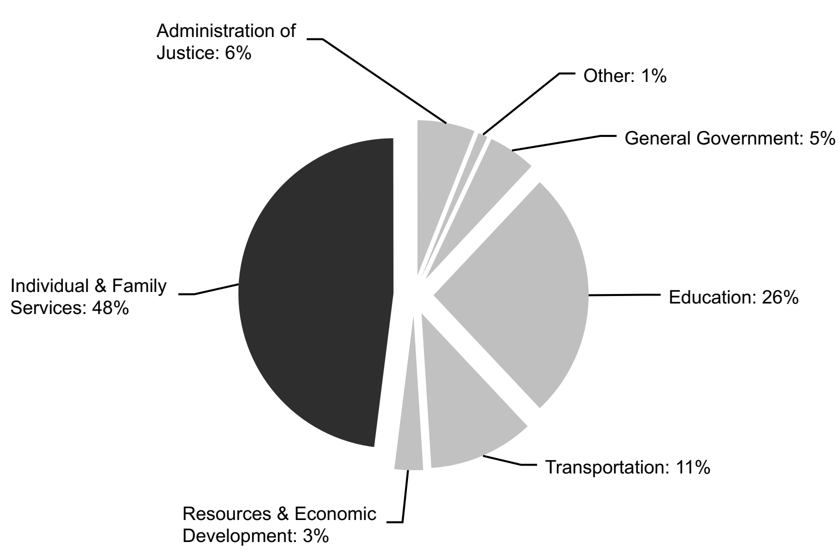
Figure 13
Revenues by Source – Governmental Activities
Fiscal Year 2023



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:

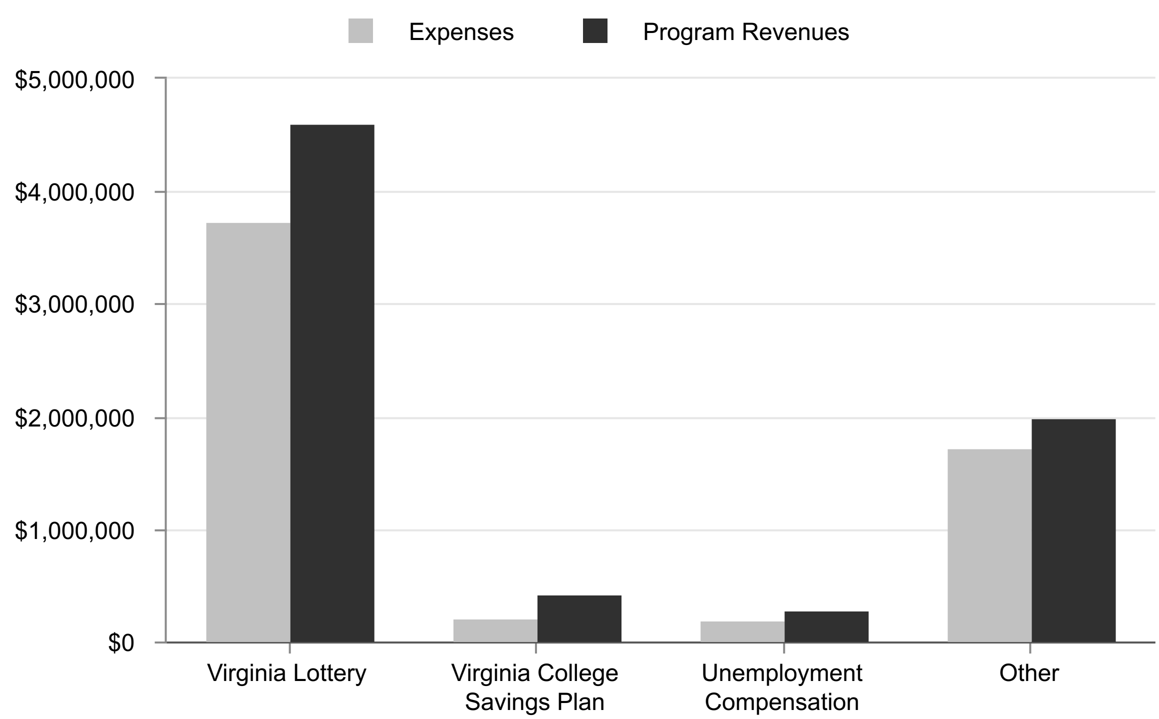
- Lottery sales were $4.6 billion, an increase of $859.4 million over the prior year. Income before transfers was $882.6 million, an increase of $80.6 million (10.0 percent) from fiscal year 2022. Sales of scratch games decreased by $43.4 million (3.3 percent) and non-scratch game sales increased by $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)

		Special Revenue		
	General	Commonwealth Transportation	Federal Trust	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.

Total	Governmental Activities 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.

	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	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.

	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

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 Maturities (in years)			
Investment Type	**June 30, 2023**	**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)

	Defined Benefit 529 (Major Enterprise Fund)		Defined Contribution 529 (Private Purpose Trust Fund)	
Investment Type	**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 Maturities (in years)			
Investment Type	**Fair Value June 30, 2023**	**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.

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 Virgini*a 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, A*ccounting 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			VSDP		
Net OPEB Liability			Net OPEB Liability (Asset) (1)		
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%)
$ 382,247	$ 340,407	$ 304,485	$ (168,987)	$ (183,600)	$ (196,440)

GLI			LODA		
Proportionate Share of Net OPEB Liability			Proportionate Share of Net OPEB Liability		
1.0% Decrease (5.8%)	Current Discount Rate (6.8%)	1.0% Increase (7.8%)	1.0% Decrease (2.7%)	Current Discount Rate (3.7%)	1.0% Increase (4.7%)
$ 254,376	$ 174,815	$ 110,519	$ 244,348	$ 214,061	$ 189,282

Changes in Discount Rate			Changes in Healthcare Cost Trend Rates		
RHIC: Non-State			LODA		
Proportionate Share of Net OPEB Liability			Proportionate Share of Net OPEB Liability		
1.0% Decrease (5.8)%	Current Discount Rate (6.8%)	1.0% Increase (7.8)%	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			VSDP		
Net OPEB Liability			Net OPEB Liability (Asset) (1)		
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%)
$ 537,613	$ 478,766	$ 428,244	$ (102,674)	$ (111,552)	$ (119,353)

GLI			LODA		
Proportionate Share of Net OPEB Liability			Proportionate Share of Net OPEB Liability		
1.0% Decrease (5.8)%	Current Discount Rate (6.8%)	1.0% Increase (7.8%)	1.0% Decrease (2.7%)	Current Discount Rate (3.7%)	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

Schedule of Changes in Long-term Debt and Obligations (1) (2)

(Dollars in Thousands) (*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 Out (Reported In):	Transfers In (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

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds *(Continued from previous 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)

	VRS State				
Change in the Net Pension Liability	**2023**	**2022**	**2021**	**2020**	**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)

Change in the Net Pension Liability	SPORS 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)

Change in the Net OPEB Liability	RHIC 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)

Change in the Net OPEB Liability	VSDP 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.

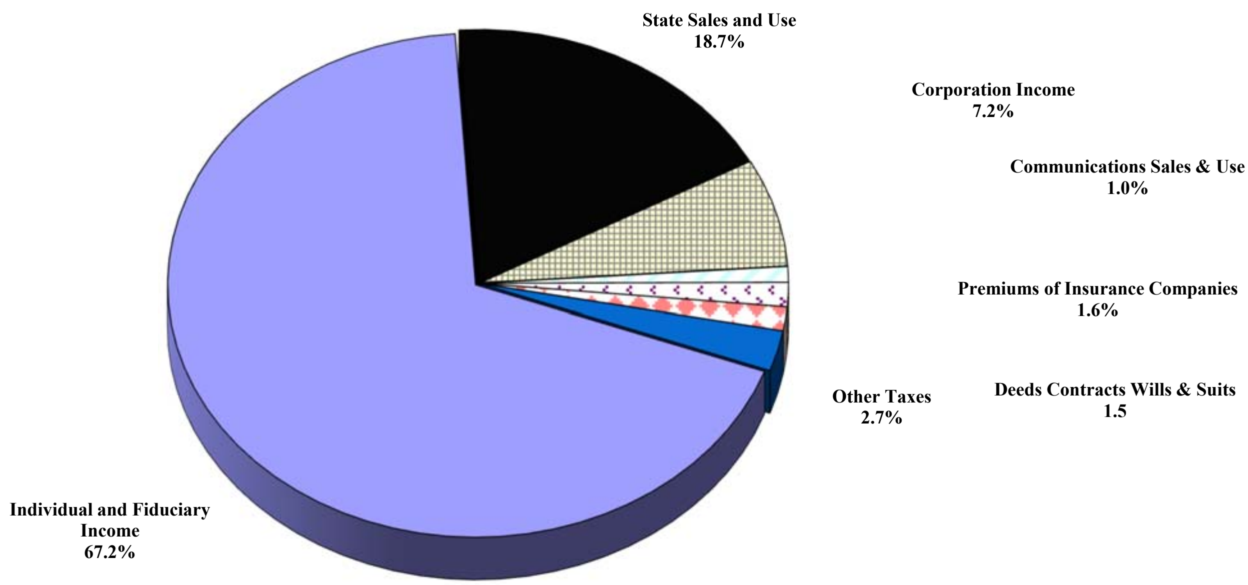
Taxes on Deeds, Contracts, Wills and Suits: (1.0 percent of Total Taxes in fiscal year 2023) The Commonwealth taxes the admission to record of deeds, deeds of trust, mortgages, leases and contracts at the rate of 25 cents per \$100 of consideration or value, whichever is greater. An additional tax is 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.

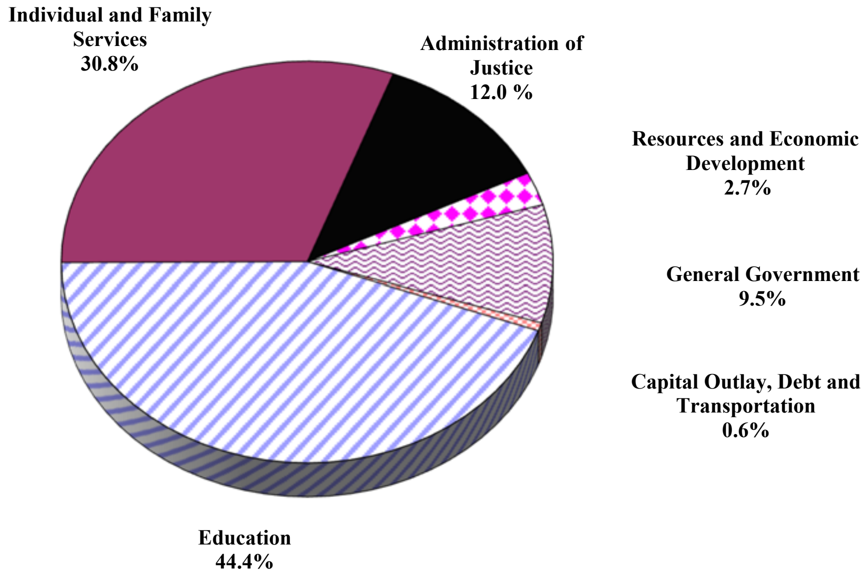
General Government: (9.5 percent of Total Expenditures in fiscal year 2023) General government expenditures support the general activities of state, regional and local levels of government. These activities include financial assistance to localities, enactment of legislative policy, intergovernmental 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	4,566,772	4,384,599	5,101,393	5,389,998	5,636,772
21st Century/Equipment [2]					
Virginia Biotechnology Research	14,220		4,903	-	-
Partnership Authority [2]					
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.

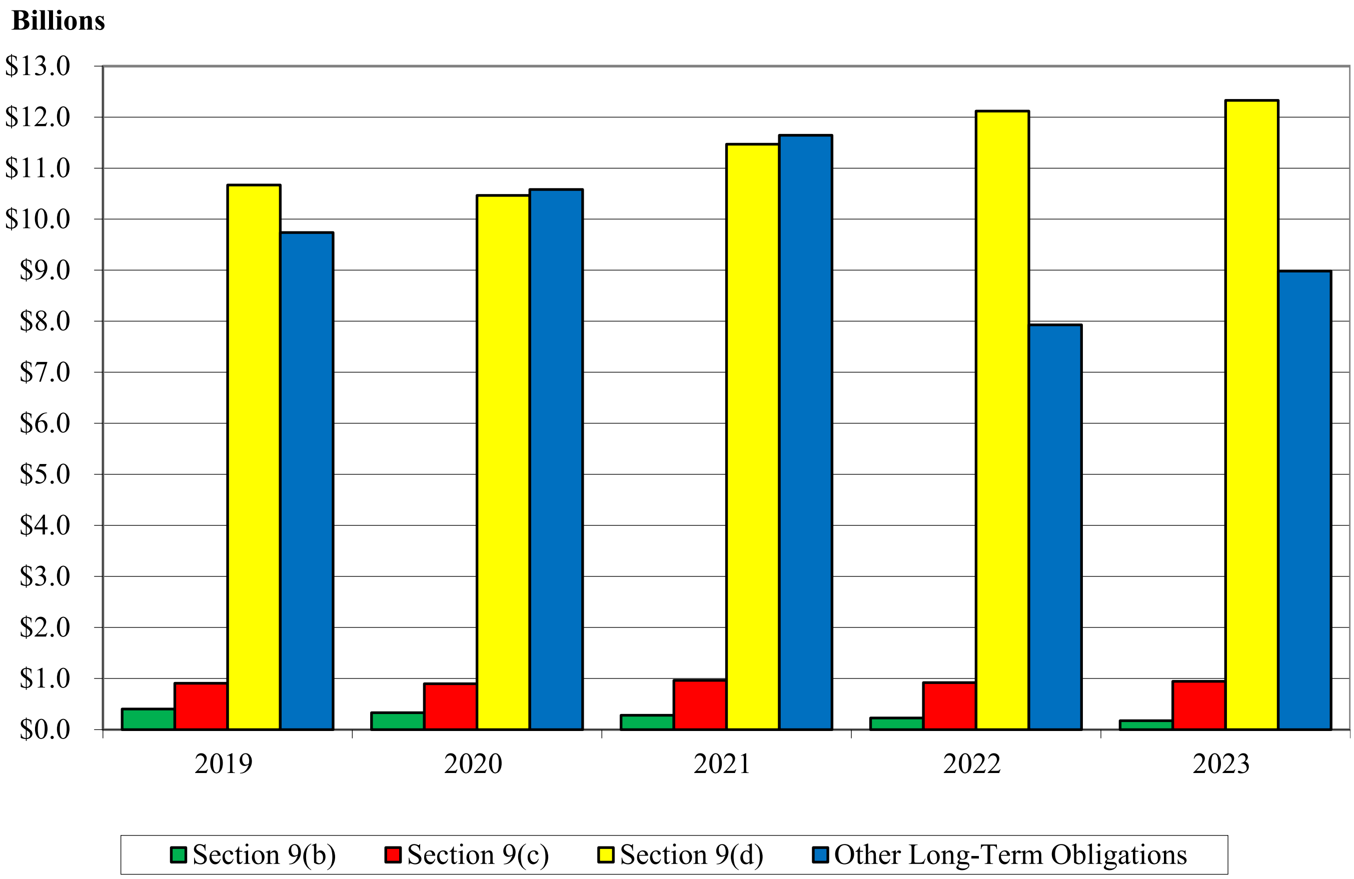
(4) GASB Statement No. 87, *Leases*, was effective starting with fiscal year 2022. This statement changed the lease liability classifications.

(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.

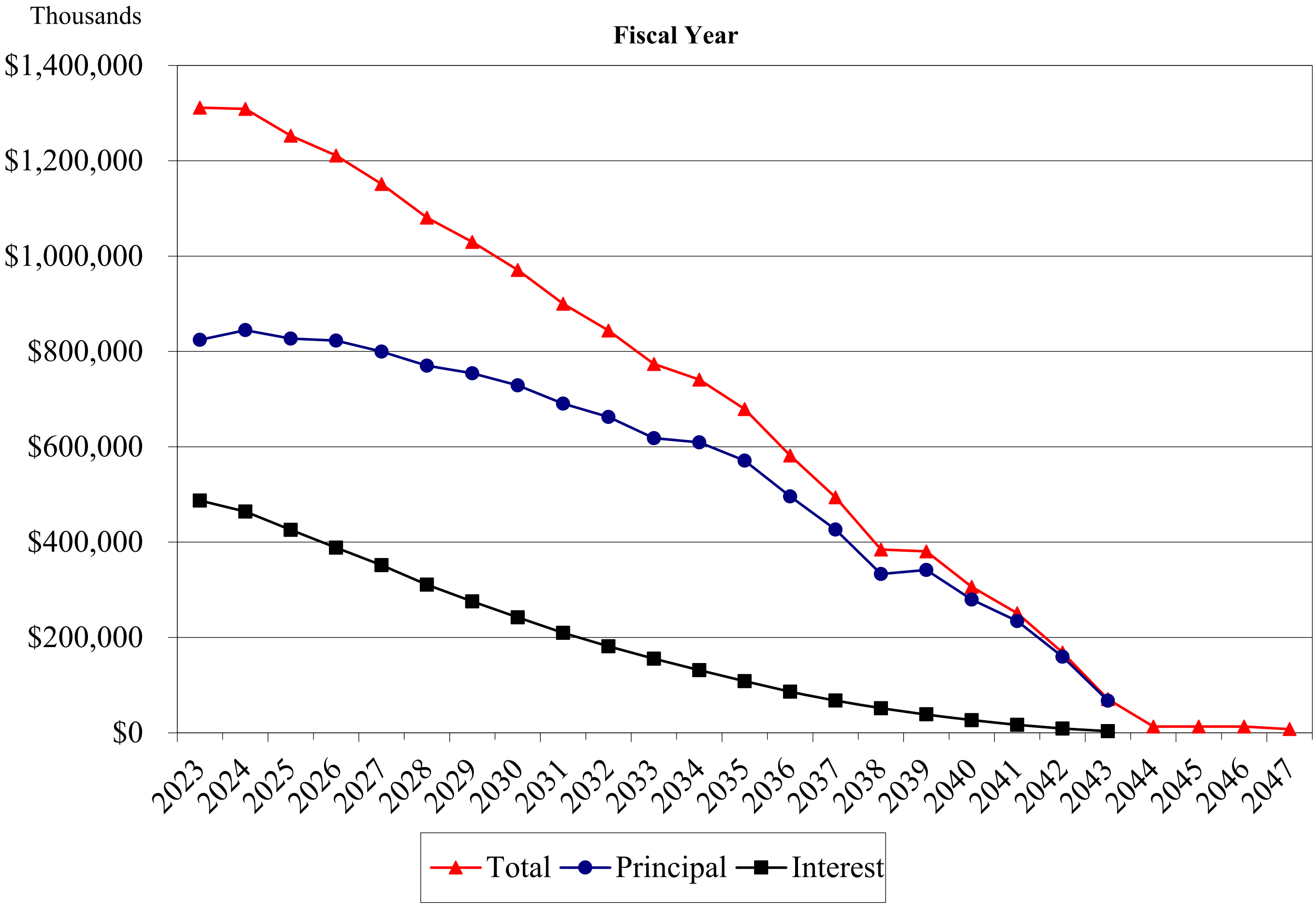
ANNUAL DEBT SERVICE REQUIREMENTS
Tax-Supported Debt Outstanding at June 30, 2023
($ in thousands)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9 (c) [1]			Other Tax-Supported Debt Section 9(d) [1] [2]			Total		
	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
(in 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 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** 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** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer. • Contributions made to the plan and the investment performance of those contributions. • 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 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. **Hybrid Opt-In Election** 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. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.	**Eligible Members** 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. 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** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • State employees • School division employees • Political subdivision employees • 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. • 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. 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** 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. 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** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Members of the State Police Officers' Retirement System (SPORS) • Members of the Virginia Law Officers' Retirement System (VaLORS) • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees 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 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. 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** Same as Plan 1.	**Retirement Contributions** 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. 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 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** Same as Plan 1.	**Service Credit** *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. *Defined Contribution Component:* Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

Vesting 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** Same as Plan 1.	**Vesting** *Defined Benefit Component:* 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. *Defined Contribution Component:* 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. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.
Calculating the Benefit 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. 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** See definition under Plan 1.	**Calculating the Benefit** *Defined Benefit Component:* See definition under Plan 1. *Defined Contribution Component:* 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 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** 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** 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.

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

Change in the Net OPEB Liability	State 2023	State 2022	State 2021	State 2020	State 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

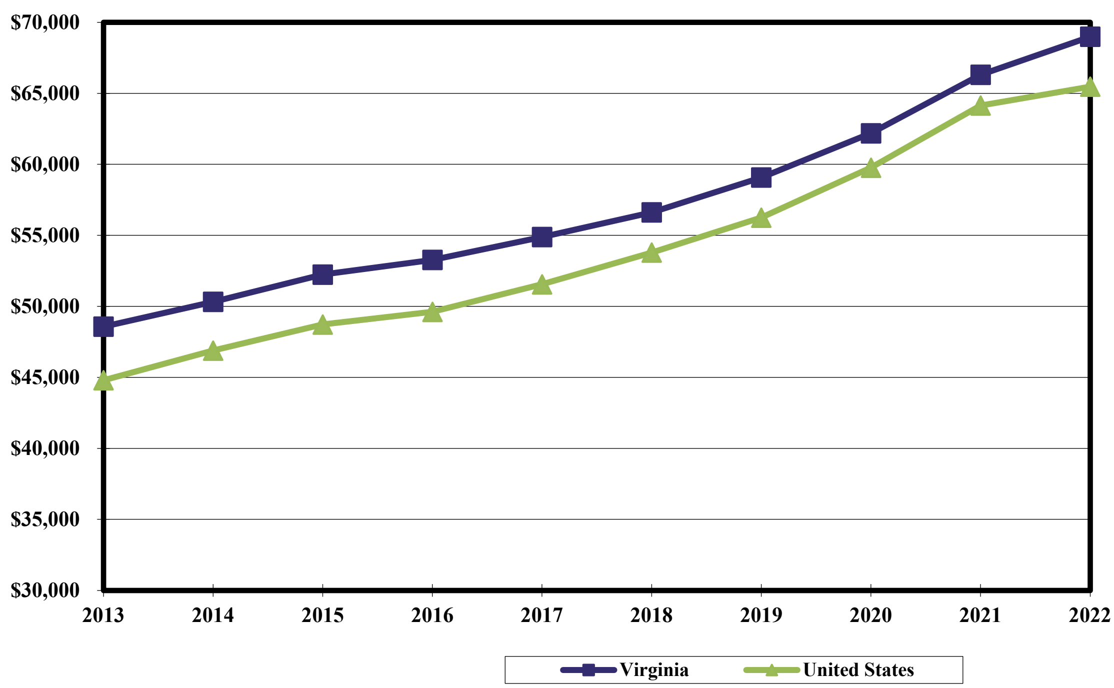
2013-2022

	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.

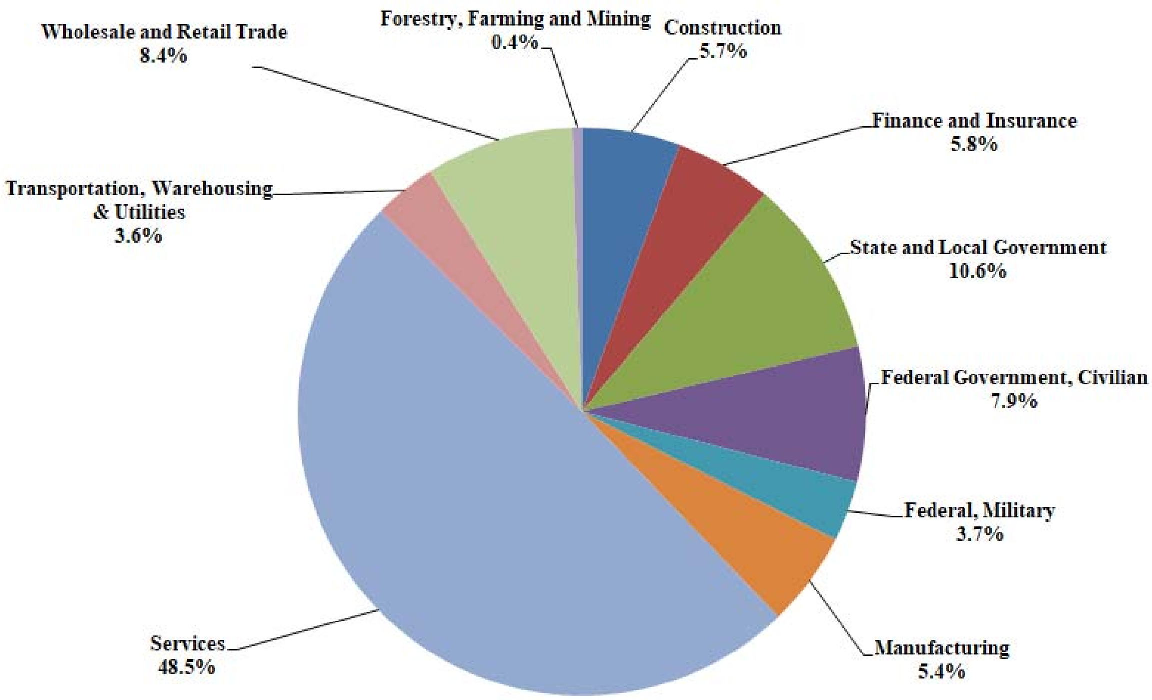
SOURCES OF PERSONAL INCOME
2022

	Virginia (in Millions)	Percentage of Personal Income Before Residence Adjustment [1] — Virginia	Percentage of Personal Income Before Residence Adjustment [1] — 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.

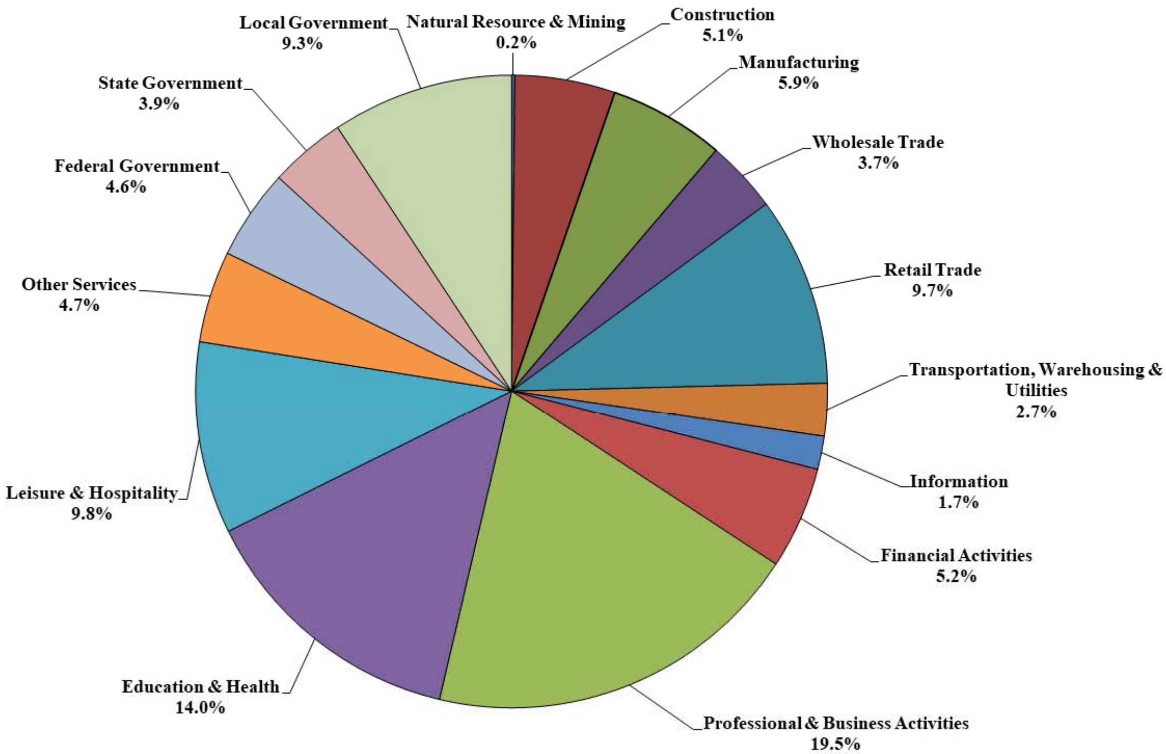
DISTRIBUTION OF NONAGRICULTURAL EMPLOYMENT
2023

	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	**Higher Education [1]**			**Public [2] Primary and**
Year	**Public**	**Private**	**Total**	**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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FORM OF BOND COUNSEL OPINION

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May __, 2024

Virginia College Building Authority
Richmond, Virginia

The Bank of New York Mellon Trust
Company, N.A., as Trustee
Pittsburgh, Pennsylvania

Virginia College Building Authority

$642,215,000 Educational Facilities Revenue Bonds
(21st Century College and Equipment Programs), Series 2024A

Ladies and Gentlemen:

We have served as Bond Counsel to the Virginia College Building Authority (the "Authority") in connection with its issuance on the date hereof of its $642,215,000 Educational Facilities Revenue Bonds (21st Century College and Equipment Programs), Series 2024A (the "Bonds") The Bonds are issued under a Master Indenture of Trust dated as of December 1, 1996, as previously supplemented and amended (the "Master Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), and as further supplemented by a Fifty-Fifth Supplemental Indenture of Trust with respect to the Bonds dated as of May 1, 2024, (the "Supplemental Indenture"), between the Authority and the Trustee. The proceeds of the Bonds will be used to finance capital projects and equipment for certain public institutions of higher education (the "Participating Institutions") in the Commonwealth of Virginia (the "Commonwealth").

In connection with our opinion as set forth below, we have examined Chapter 12, Title 23.1 of the Code of Virginia of 1950, as amended (the "Virginia Code"), successor to the Virginia College Building Authority Act of 1966, Chapter 3.2, Title 23, Virginia Code (the "Act"), legislation authorizing the 21st Century College Program and the Equipment Program (each as defined in the Master Indenture) and the related projects, and copies of the proceedings and other papers relating to the issuance and sale of the Bonds by the Authority. Reference is made to the Bonds for a description of the purposes for which the Bonds are issued, their terms, including payment and redemption provisions, and the security therefor.

Without undertaking to verify the same by independent verification, we have relied on representations by or on behalf of the Authority, the Participating Institutions and the Commonwealth as to questions of fact material to this opinion, including, without limitation, representations as to the use of proceeds of the Bonds, and certifications and representations contained in certificates of the Authority, the Commonwealth and other public officials 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 Authority, and we have further assumed the due organization, existence and powers of such other parties.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Authority is a public body corporate and a political subdivision of the Commonwealth duly created by the Act and vested with all of the rights and powers conferred by the Act.

2. The Authority has the requisite authority and power under the Act, and legislation authorizing the 21st Century College Program, the Equipment Program and the related projects, to enter into the Master Indenture and the Supplemental Indenture, to issue and sell the Bonds, and to apply proceeds from the issuance and sale of the Bonds as set forth in the Master Indenture and the Supplemental Indenture.

3. The Bonds have been duly authorized, executed and delivered in accordance with the Act, legislation authorizing the 21st Century College Program, the Equipment Program and the related projects, the Master Indenture and the Supplemental Indenture and constitute valid and binding limited obligations of the Authority, enforceable against the Authority in accordance with their terms. The Bonds are payable solely from Revenues (as defined in the Master Indenture) and other property of the Authority specifically pledged for such purpose under the Master Indenture. The principal of and interest on the Bonds will not be deemed to constitute a debt of the Commonwealth. Neither the faith and credit nor the taxing power of the Commonwealth or any of its political subdivisions are pledged, nor is the Commonwealth or any of its political subdivisions otherwise obligated, to pay the principal of or interest on the Bonds.

4. The Master Indenture and the Supplemental Indenture have been duly authorized, executed and delivered by the Authority, constitute the valid and binding limited obligations of the Authority, assign and pledge the Revenues to the Trustee as security for the Bonds, and are enforceable against the Authority in accordance with their respective terms, subject to the provisions of paragraph 5. The Supplemental Indenture is authorized or permitted by the Master Indenture and complies with the requirements and terms of the Master Indenture. The execution and delivery of the Supplemental Indenture will not cause interest on any bonds previously issued under the Master Indenture as tax-exempt obligations to become includable in the gross income of the holders thereof for federal income tax purposes; provided that this opinion is not meant to bring-down or otherwise update the bond counsel opinions as to tax-exemption delivered in connection with the issuance of any such bonds.

5. The obligations of the Authority under the Bonds, the Master Indenture and the Supplemental Indenture are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium and similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally. Such obligations also are subject to usual equitable principles, which may limit the specific enforcement of certain remedies but which do not affect the validity of such obligations.

6. Interest on the Bonds is excluded 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. The opinion set forth above is subject to the condition that the Authority and the Participating Institutions comply with all requirements of the Internal Revenue Code of 1986, as amended, 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 Authority and the Participating Institutions have 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. In accordance with Section 23.1-1214 of Virginia Code, the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, are exempt from taxation by the Commonwealth and any of its political subdivisions.

Our services as Bond Counsel to the Authority 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 Authority or as to the accuracy, adequacy or completeness of any information, including the Authority's Preliminary Official Statement, dated April 9, 2024 and its Official Statement, dated April 16, 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,

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FORMS OF CONTINUING DISCLOSURE AGREEMENTS

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of May 1, 2024 (the "Disclosure Agreement"), is executed and delivered by the Virginia College Building Authority (the "Authority") of the Commonwealth of Virginia (the "Commonwealth") in connection with the issuance by the Authority of its $642,215,000 Educational Facilities Revenue Bonds (21st Century College and Equipment Programs) Series 2024A (the "2024 Bonds"). The 2024 Bonds are being issued pursuant to the provisions of the Master Indenture of Trust, dated as of December 1, 1996 (the "Original Master Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented from time to time, including as supplemented by the Fifty-Fifth Supplemental Indenture of Trust relating to the 2024 Bonds, dated the date hereof (the "Supplemental Indenture," and the Original Master Indenture as so amended and supplemented from time to time, the "Indenture"), between the Authority and the Trustee. The proceeds of the 2024 Bonds are being used by the Authority to finance the costs of capital projects and acquire equipment at public institutions of higher education in the Commonwealth. The Authority hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority for the benefit of the Holders and in order to assist the Participating Underwriters in complying with the Rule. The Authority acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Disclosure Agreement.

Section 2. Definitions. In addition to the definitions used for purposes of 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 Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean the Authority, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority 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 a 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 Authority and results of its operations for such period are determined. Currently, the Authority'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 2024 Bond.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriters" shall mean any of the original underwriters of the 2024 Bonds required to comply with the Rule in connection with the offering of the 2024 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 the May 1 following the end of each Fiscal Year of the Authority, commencing with the Fiscal Year ending June 30, 2024, the Authority shall, or shall cause the Dissemination Agent (if different from the Authority) to, provide 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 Authority 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 Authority shall be prepared on the basis of generally accepted accounting principles and will be audited by either the Auditor of Public Accounts or a firm of independent certified public accountants. 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 Authority fails to provide an Annual Report by the date required in subsection (a) hereof, or to file its audited annual financial statements when available as described in (b), the Authority shall send in a timely fashion an appropriate notice to the Municipal Securities Rulemaking Board via EMMA in substantially the form attached hereto as Exhibit A or in such form as may be provided by the MSRB as the applicable form for filing such notice via EMMA.

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) a summary of information regarding appropriations made by the General Assembly for payments under the Payment Agreement between the Authority and the Treasury Board relating to the 2024 Bonds, and

(b) updated information regarding the balance of the payments due under the Payment Agreement 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 of debt issues of the Authority, which have been filed with each of 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 Authority shall clearly identify each such other document so incorporated by reference.

Section 5. Event Notices. The Authority will provide, or cause the Dissemination Agent (if different from the Authority) to provide, in a timely manner not in excess of 10 business days after the occurrence thereof, to the Municipal Securities Rulemaking Board via EMMA, notice of the occurrence of any of the following events (listed in subsection (b)(5)(i)(c) of the Rule) with respect to the 2024 Bonds:

(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 2024 Bonds or other material events affecting the tax status of the 2024 Bonds;

(7) Modifications to rights of holders of the 2024 Bonds, if material;

(8) 2024 Bond calls, if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the 2024 Bonds, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event with respect to the Authority;

(13) The consummation of a merger, consolidation or acquisition involving the Authority or sale of all or substantially all of the assets of the Authority, 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 under the Indenture or the change of name of a trustee under the Indenture, if material;

(15) incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect Holders of the 2024 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 of the Authority, any of which reflect financial difficulties.

The Authority does not undertake to provide the above-described notice in the event of a mandatory, scheduled 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 2024 Bonds, (ii) the only open issue is when 2024 Bonds will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the bondholders under the terms of the Indenture, and (iv) public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the Securities and Exchange Commission, even if the originally scheduled amounts may be reduced by prior optional redemption or 2024 Bond purchases.

Section 6. Termination of Reporting Obligation. The obligations of the Authority under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of the 2024 Bonds.

Section 7. Dissemination Agent. The Authority 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 Authority shall be the Dissemination Agent.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the Authority 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 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority 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. If the Authority 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 Authority 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 Authority) may take such action as may be permitted by law against the appropriate public official to secure compliance with the obligation of the Authority to file its Annual Report or to give notice as described in Section 5 hereinabove. In addition, the holders of not less than a majority in aggregate principal amount of 2024 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 Authority hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Indenture or the 2024 Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority 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 Authority, the Participating Underwriters, and holders from time to time of the 2024 Bonds, and shall create no rights in any other person or entity.

Section 12. Obligated Person. The Authority has determined that the Commonwealth is an "obligated person", within the meaning of the Rule, that is or may be material to the 2024 Bonds. The Commonwealth has concurred in such determination and has covenanted and agreed to provide its Annual Reports, annual financial statements and notice of any Listed Events as required by the Rule.

Section 13. EMMA. All filings made pursuant to the Rule under this Disclosure Agreement shall be made solely by transmitting such filings to the MSRB via EMMA, as described in 1934 Act Release No. 59062 and as required by the Rule. 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.

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IN WITNESS WHEREOF, the Authority has caused this Continuing Disclosure Agreement to be executed in its corporate name by its duly authorized officer, all as of the date first written above.

VIRGINIA COLLEGE BUILDING AUTHORITY

By:____
Treasurer

Attachments:

Exhibit A - Notice of Failure to File Annual Report [Audited Annual Financial Statements]

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT
[AUDITED ANNUAL FINANCIAL STATEMENTS]

Virginia College Building Authority

Educational Facilities Revenue Bonds
(21st Century College and Equipment Programs), Series 2024A
CUSIP NOS. 92778V NT1 to PN2

Dated Date: May 7, 2024
Issue Date: May 7, 2024

NOTICE IS HEREBY GIVEN that the Virginia College Building Authority (the "Authority") has not provided an Annual Report [Audited Annual Financial Statements] for the fiscal year ended ____________ as required by the Continuing Disclosure Agreement dated as of May 1, 2024 (the "Disclosure Agreement") as executed and delivered by the Authority.

The Authority anticipates that the Annual Report [Audited Annual Financial Statements] will be filed by ____________________.

Dated: ________, 20__.

VIRGINIA COLLEGE BUILDING AUTHORITY

By:____
Name:
Title:

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of May 1, 2024 (this "Disclosure Agreement"), is executed and delivered by the Commonwealth of Virginia (the "Commonwealth") in connection with the issuance by the Virginia College Building Authority (the "Authority") of its $642,215,000 Educational Facilities Revenue Bonds (21st Century College and Equipment Programs) Series 2024A (the "2024 Bonds"). The 2024 Bonds are being issued pursuant to the provisions of the Master Indenture of Trust, dated as of December 1, 1996 (the "Original Master Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), as amended and supplemented from time to time, including as supplemented by the Fifty-Fifth Supplemental Indenture of Trust relating to the 2024 Bonds, dated the date hereof (the "Supplemental Indenture," and the Original Master Indenture as so amended and supplemented from time to time, the "Indenture"), between the Authority and the Trustee. The proceeds of the 2024 Bonds are being used by the Authority to finance the costs of capital projects and acquire equipment at public institutions of higher education in the Commonwealth. The Authority has advised the Commonwealth that it has determined that the Commonwealth constitutes an "obligated person" within the meaning of the Rule (herein defined) in respect of the 2024 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 2024 Bond.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the 2024 Bonds required to comply with the Rule in connection with the offering of such 2024 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 in a timely fashion 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 Authority 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 excess of ten business days after the occurrence of the event, to the Authority 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 Authority 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 Authority 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 of the Bonds, if material.

SECTION 9. Notice of Financial Difficulties with respect to a Financing Obligation. The Commonwealth will provide in a timely manner not in excess of ten business days after the occurrence of the event to the Authority 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 2024 Bonds, and the Authority shall notify the Commonwealth promptly upon the occurrence of either such event.

SECTION 11. Dissemination Agent. 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. Amendment. 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. Additional Information. 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 notice 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. Default. 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 above. In addition, Holders of not less than a majority in aggregate principal amount of 2024 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. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Commonwealth, the Authority, the Participating Underwriters, and Holders from time to time of the 2024 Bonds, and shall create no rights in any other person or entity.

SECTION 16. Counterparts. 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 and as required by the Rule. 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.

Date: __________

COMMONWEALTH OF VIRGINIA

By: ________________________________
State Treasurer

AGREED TO & ACKNOWLEDGED:

VIRGINIA COLLEGE BUILDING AUTHORITY

By: ________________________________
Chairman

Attachments:

Exhibit A - Notice of Failure to File Annual Report [Audited Annual Financial Statements]
Exhibit B - Content of Annual Report

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT
[AUDITED ANNUAL FINANCIAL STATEMENT]

COMMONWEALTH OF VIRGINIA

Virginia College Building Authority

Educational Facilities Revenue Bonds
(21st Century College and Equipment Programs), Series 2024A
CUSIP Numbers: 92778V NT1 to PN2

Dated Date: May 7, 2024
Issue Date: May 7, 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 in connection with the above-named bonds issued pursuant to those certain supplemental indentures approved on _________, 2024, by the Board Members of the Virginia College Building Authority. 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

THE 2024 EQUIPMENT PROGRAM ALLOCATION

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THE 2024 EQUIPMENT PROGRAM ALLOCATION

Participating Institution	FY 2024 Instructional Allocation	FY 2024 Research Allocation
George Mason University	$ 3,947,024	$ 474,407
Old Dominion University	5,016,192	329,078
University of Virginia	10,458,476	12,689,341
Virginia Commonwealth University	6,853,430	2,995,552
Virginia Polytechnic Institute and State University	10,331,639	5,240,458
College of William and Mary	2,300,493	595,857
Christopher Newport University	754,464	0
University of Virginia's College at Wise	250,681	0
James Madison University	2,309,646	0
Longwood University	743,433	0
University of Mary Washington	655,746	0
Norfolk State University	2,350,108	0
Radford University	1,744,993	0
Virginia Military Institute	886,084	0
Virginia State University	1,342,189	0
Richard Bland College	160,149	0
Virginia Community College System	17,596,542	0
Virginia Institute of Marine Science	362,100	175,307
Southwest Virginia Higher Education Center	80,111	0
Roanoke Higher Education Authority	77,623	0
Institute for Advanced Learning and Research	274,172	0
Southern Virginia Higher Education Center	95,790	0
New College Institute	34,486	0
Eastern Virginia Medical School	524,429	0
TOTAL	**$69,150,000**	**$22,500,000**

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